



**HongLeong** Financial Group Berhad

Annual Report **2023**



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To be an Integrated  
Financial Services Group that  
**Consistently Meets Our  
Customers' Needs**



## Introduction



**Hong Leong Financial Group Berhad offers an integrated suite of conventional and Islamic financial products and services which enables us to reach out and connect with customers not only in Malaysia, but throughout the region.**

### Commercial and Islamic Banking

- Personal Financial Services
- Business & Corporate Banking
- Global Markets
- Islamic Financial Services

### Investment Banking

- Investment Banking
- Stockbroking
- Asset Management

### Insurance and Takaful

- Life & General Insurance
- Family Takaful

## Core Values



Quality



Progress



Entrepreneurship



Social Responsibility



Innovation



Human Resource



Honour

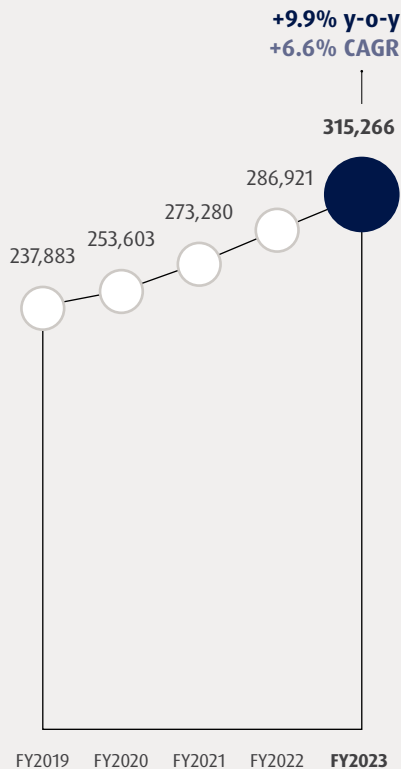


Unity

# Five Year Group Financial Highlights

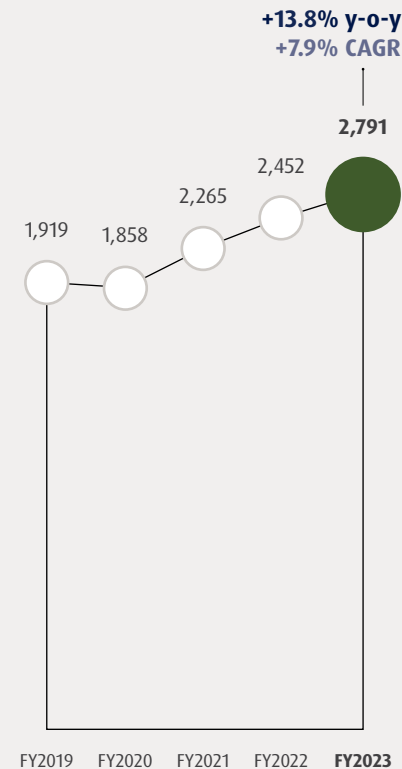
## Group Total Assets

(RM'Million)



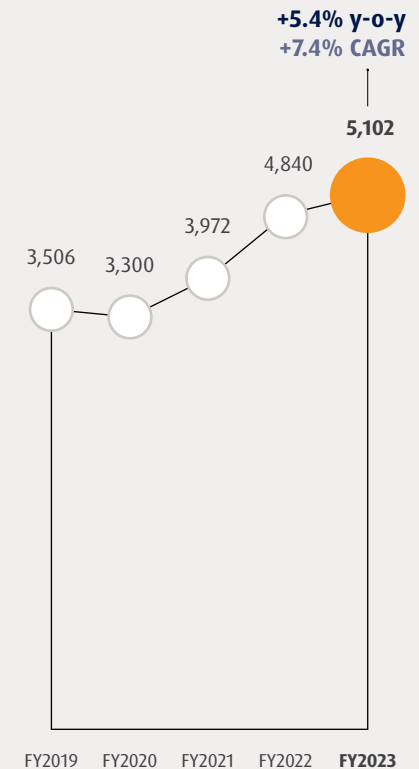
## Group Profit Attributable to Owners of the Parent

(RM'Million)



## Group Profit before Tax

(RM'Million)

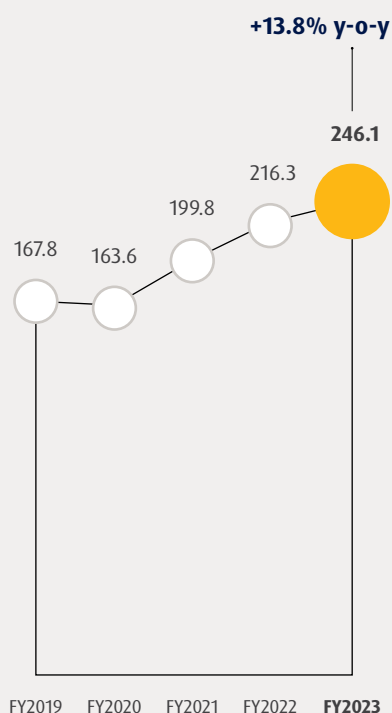


| The Group                                   | FY2019<br>RM'Million | FY2020<br>RM'Million | FY2021<br>RM'Million | FY2022<br>RM'Million | FY2023<br>RM'Million |
|---------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Statements of Financial Position</b>     |                      |                      |                      |                      |                      |
| Total assets                                | 237,883              | 253,603              | 273,280              | 286,921              | 315,266              |
| Net loans                                   | 137,058              | 145,521              | 154,779              | 167,177              | 180,567              |
| Total liabilities                           | 209,282              | 222,550              | 239,347              | 250,931              | 275,636              |
| Deposits from customers                     | 161,888              | 171,237              | 181,769              | 197,383              | 211,467              |
| Shareholders' funds                         | 19,097               | 20,898               | 22,818               | 24,276               | 26,792               |
| Commitments and contingencies               | 174,186              | 154,879              | 285,690              | 214,693              | 269,009              |
| <b>Statements of Income</b>                 |                      |                      |                      |                      |                      |
| Revenue                                     | 5,278                | 5,258                | 6,199                | 6,252                | 6,429                |
| Profit before tax                           | 3,506                | 3,300                | 3,972                | 4,840                | 5,102                |
| Net profit                                  | 2,914                | 2,779                | 3,376                | 3,683                | 4,208                |
| Profit attributable to owners of the parent | 1,919                | 1,858                | 2,265                | 2,452                | 2,791                |

## Five Year Group Financial Highlights

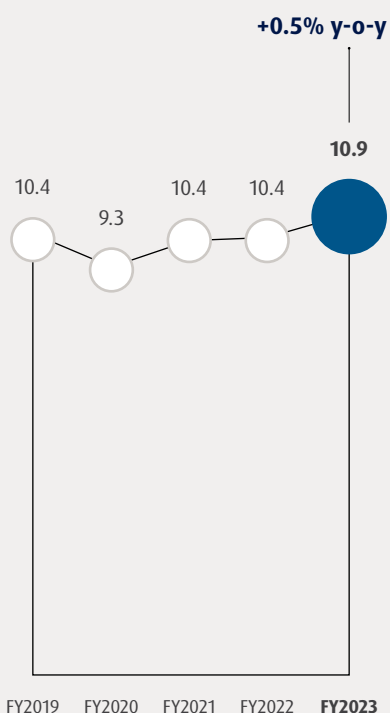
## Group Basic Earnings per Share

(sen)



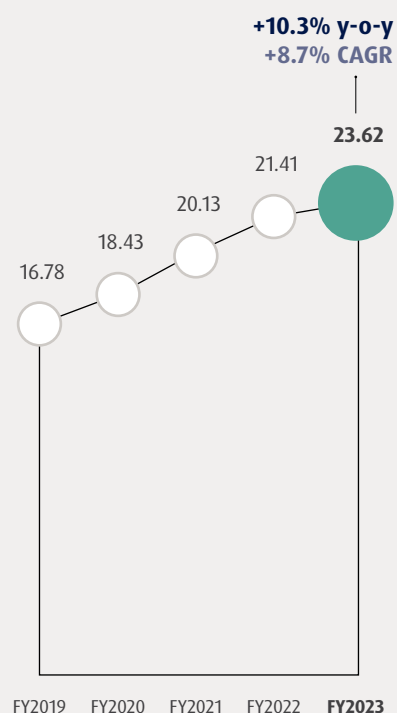
## Group Return on Equity

(%)



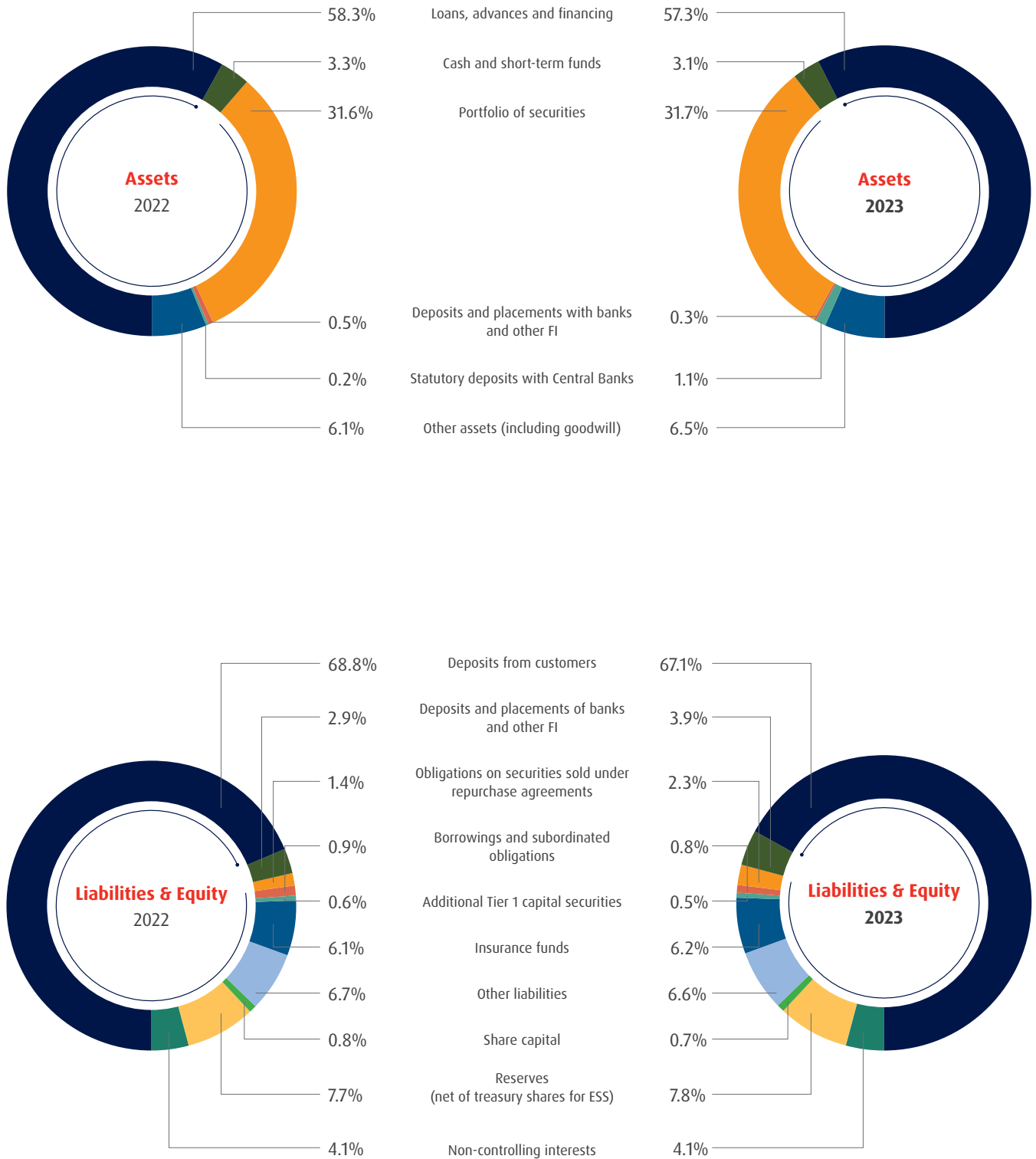
## Group Book Value per Share

(RM)



| The Group                         | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
|-----------------------------------|--------|--------|--------|--------|--------|
| <b>Key Performance Indicators</b> |        |        |        |        |        |
| Share price (RM)                  | 18.54  | 13.10  | 17.80  | 18.50  | 17.66  |
| Book value per share (RM)         | 16.78  | 18.43  | 20.13  | 21.41  | 23.62  |
| Basic earnings per share (sen)    | 167.8  | 163.6  | 199.8  | 216.3  | 246.1  |
| Dividend per share (sen)          | 42.0   | 38.0   | 40.0   | 46.0   | 49.0   |
| <b>Financial Ratios (%)</b>       |        |        |        |        |        |
| <b>Profitability Ratios</b>       |        |        |        |        |        |
| Return on equity                  | 10.4%  | 9.3%   | 10.4%  | 10.4%  | 10.9%  |
| Return on average assets          | 0.8%   | 0.8%   | 0.9%   | 0.9%   | 0.9%   |
| Cost/income ratio                 | 45.1%  | 44.9%  | 38.6%  | 37.7%  | 40.0%  |
| <b>Asset Quality/Loan Ratios</b>  |        |        |        |        |        |
| Gross loans to deposits ratio     | 85.4%  | 85.7%  | 86.1%  | 85.6%  | 86.2%  |
| Gross impaired loans ratio        | 0.8%   | 0.6%   | 0.5%   | 0.5%   | 0.6%   |

## Simplified Group Statements of Financial Position



## Group Quarterly Financial Performance

| RM'Million                                  | 2022  |       |       |       |       |
|---------------------------------------------|-------|-------|-------|-------|-------|
|                                             | Q1    | Q2    | Q3    | Q4    | Year  |
| <b>Statements of Income</b>                 |       |       |       |       |       |
| Revenue                                     | 1,559 | 1,544 | 1,503 | 1,645 | 6,252 |
| Profit before tax                           | 1,174 | 1,202 | 1,130 | 1,334 | 4,840 |
| Net profit                                  | 965   | 839   | 872   | 1,008 | 3,683 |
| Profit attributable to owners of the parent | 641   | 559   | 577   | 675   | 2,452 |
| <b>Key Performance Indicators</b>           |       |       |       |       |       |
| Share price (RM)                            | 18.3  | 17.3  | 19.6  | 18.5  | 18.5  |
| Book value per share (RM)                   | 20.3  | 20.7  | 21.0  | 21.4  | 21.4  |
| Basic earnings per share (sen)              | 56.5  | 49.3  | 50.9  | 59.5  | 216.3 |
| Dividend per share (sen)                    | -     | 15.0  | -     | 31.0  | 46.0  |

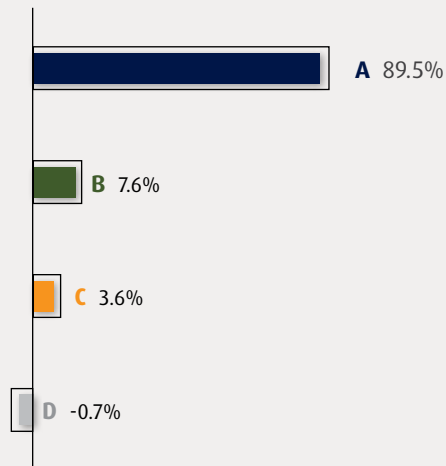
| RM'Million                                  | 2023  |       |       |       |       |
|---------------------------------------------|-------|-------|-------|-------|-------|
|                                             | Q1    | Q2    | Q3    | Q4    | Year  |
| <b>Statements of Income</b>                 |       |       |       |       |       |
| Revenue                                     | 1,645 | 1,704 | 1,615 | 1,465 | 6,429 |
| Profit before tax                           | 1,262 | 1,436 | 1,274 | 1,131 | 5,102 |
| Net profit                                  | 1,039 | 1,161 | 1,064 | 944   | 4,208 |
| Profit attributable to owners of the parent | 682   | 771   | 712   | 626   | 2,791 |
| <b>Key Performance Indicators</b>           |       |       |       |       |       |
| Share price (RM)                            | 18.5  | 18.6  | 18.0  | 17.7  | 17.7  |
| Book value per share (RM)                   | 21.7  | 22.3  | 23.0  | 23.6  | 23.6  |
| Basic earnings per share (sen)              | 60.1  | 68.0  | 62.8  | 55.2  | 246.1 |
| Dividend per share (sen)                    | -     | 17.0  | -     | 32.0  | 49.0  |



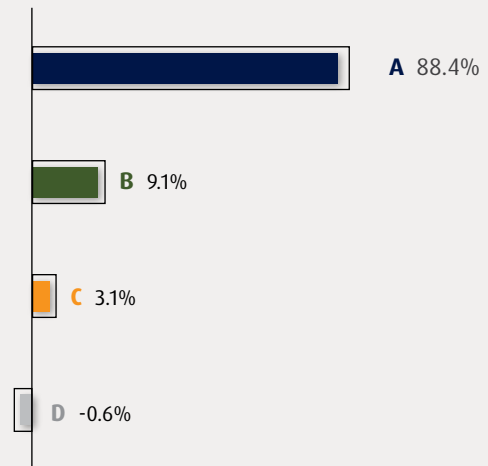
## Segmental Information

### Operating Revenue

By Business Segment



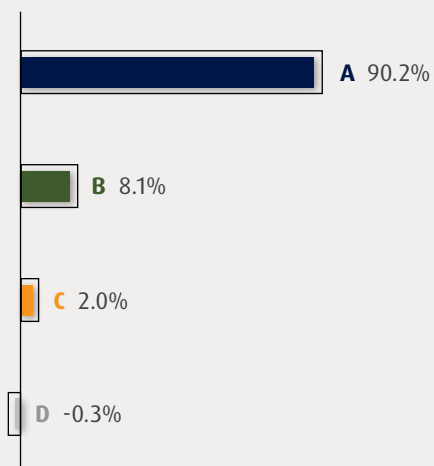
FY2022



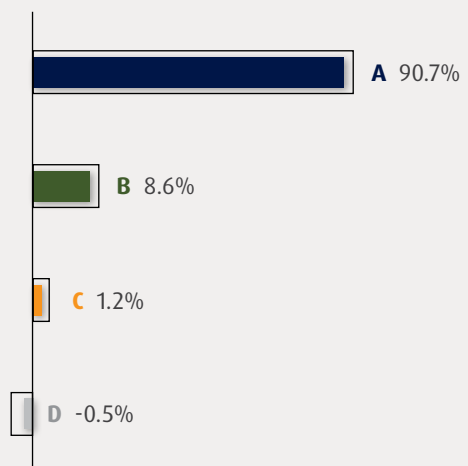
FY2023

### Profit Before Tax

By Business Segment



FY2022



FY2023

A Commercial Banking

B Insurance

C Investment Banking

D Other Operations/Consolidation Adjustments

# Hong Leong Financial Group Share Price

## Dividend per Share

|        |          |             |
|--------|----------|-------------|
| FY2022 | 46.0 sen |             |
| FY2023 | 49.0 sen | +6.5% y-o-y |

## Share Price

|        |         |             |
|--------|---------|-------------|
| FY2022 | RM18.50 |             |
| FY2023 | RM17.66 | -4.5% y-o-y |

## Market Capitalisation

|        |                 |             |
|--------|-----------------|-------------|
| FY2022 | RM 21.2 billion |             |
| FY2023 | RM 20.3 billion | -4.5% y-o-y |

## Earnings per Share

|        |           |              |
|--------|-----------|--------------|
| FY2022 | 216.3 sen |              |
| FY2023 | 246.1 sen | +13.8% y-o-y |

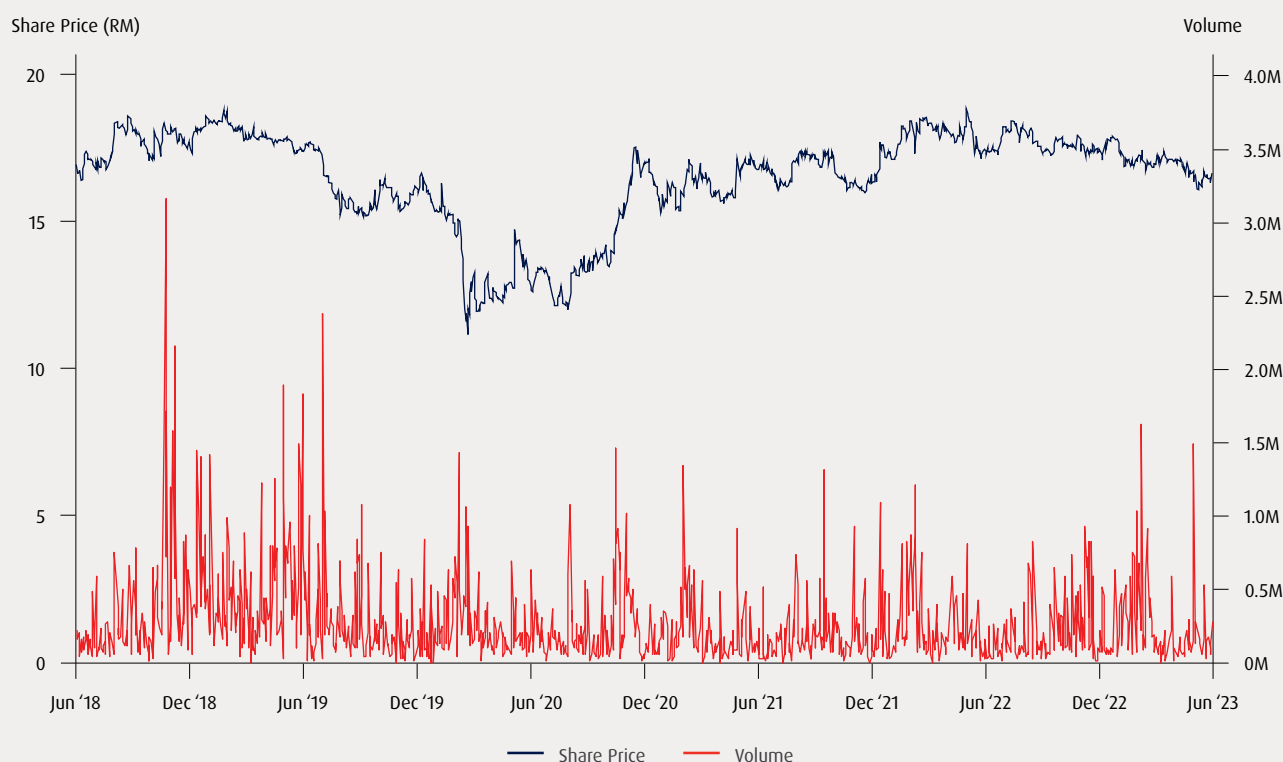
## Group Return on Equity

|        |       |             |
|--------|-------|-------------|
| FY2022 | 10.4% |             |
| FY2023 | 10.9% | +0.5% y-o-y |

Hong Leong Financial Group Share Price Vs Benchmark FBMKLCI



Hong Leong Financial Group Share Price & Volume



Financial  
Calendar

## ANNUAL GENERAL MEETING

31 October 2023 (Tuesday)  
54<sup>th</sup> Annual General Meeting

## DIVIDENDS

Interim Single-Tier Dividend of 17.0 sen per share

## Announcement

28 February 2023

## Entitlement

15 March 2023

## Payment

30 March 2023

Final Single-Tier Dividend of 32.0 sen per share

## Announcement

30 August 2023

## Entitlement

2 November 2023

## Payment

23 November 2023

## ANNOUNCEMENT OF CONSOLIDATED RESULTS

## 29 November 2022

Tuesday

unaudited results for  
1<sup>st</sup> quarter ended  
30 September 2022

## 31 May 2023

Wednesday

unaudited results for  
3<sup>rd</sup> quarter ended  
31 March 2023

## 28 February 2023

Tuesday

unaudited results for  
2<sup>nd</sup> quarter ended  
31 December 2022

## 30 August 2023

Wednesday

unaudited results for  
4<sup>th</sup> quarter and financial year ended  
30 June 2023

## Corporate Milestones

JULY

**2006**

Changed name to 'Hong Leong Financial Group Berhad'



OCTOBER

**2007**

HLIB proposed to acquire the identified assets and liabilities of Southern Investment Bank Bhd



APRIL

**2008**

HLA proposed to acquire PJ City premises



JULY

**2008**

HLB acquired 20% equity interest in the Bank of Chengdu (BOCD)



OCTOBER

**2009**

HLCB 1:1 Rights Issue completed



FEBRUARY

**2009**

Insurance holding company, HLAH, was incorporated



JANUARY

**2009**

- HLIB obtained investment bank status
- HLB granted Vietnam banking license



OCTOBER

**2008**

HLIB acquired SBB Securities Sdn Bhd



FEBRUARY

**2010**

Sichuan Jincheng consumer finance JV incorporated



OCTOBER

**2010**

MSIG Strategic Partnership completed



MAY

**2011**

HLB acquired EON Capital Bhd's assets and liabilities



SEPTEMBER

**2012**

Merger of HLIB & MIMB Investment Bank completed



## Corporate Milestones

NOVEMBER

### 2019

HLISAM (formerly known as Hong Leong Fund Management Sdn Bhd) converted its license to an Islamic asset management license



NOVEMBER

### 2020

Upliftment of suspension in the trading of the ordinary shares in HLCB



FEBRUARY

### 2022

HLB broadened portfolio to include Regional Wealth Management



JUNE

### 2023

HLFG Group FY23 pretax profit surpassed the RM5b mark



JULY

### 2018

HLMT converted its composite Takaful license to a single Family Takaful license



JANUARY

### 2018

BOCD was listed on the Shanghai Stock Exchange. HLB's equity interest was reduced from 20% to 18%



DECEMBER

### 2015

HLFG and HLB completed Rights Issues raising RM1.1 billion and RM3.0 billion respectively



JUNE

### 2014

HLFG Group FY14 pretax profit surpassed the RM3b mark



JUNE

### 2013

HLAS obtained Singapore general insurance license



JULY

### 2013

HLB Cambodia commenced operations



OCTOBER

### 2013

HLIB awarded 'Best Investment Bank Malaysia' (World Finance Awards)



NOVEMBER

### 2013

HLB established a Representative Office in Nanjing, China





# Awards & Accolades

## HONG LEONG FINANCIAL GROUP BERHAD

### The Edge Billion Ringgit Club Corporate Awards 2022

#### Highest Growth in Profit After Tax Over Three Years - Financial Services RM10 Billion and Above Market Capitalisation

Second Consecutive Year

Organised by The Edge Billion Ringgit Club (BRC)

## HONG LEONG BANK BERHAD

### Asian Banking & Finance Retail Banking Awards 2022

#### Best SME Bank in Malaysia 2022

Organised by Asian Banking & Finance

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

#### Best SME Bank in Malaysia 2022

Four consecutive years 2019, 2020, 2021, 2022

Organised by The Asian Banker

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

#### Most Recommended Retail Bank by Consumers 2022

Organised by The Asian Banker

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

#### Anugerah Pembayar Cukai Terbaik Tahun 2022 - in Recognition of HLB's Continuous Commitment in Good Tax Governance and Compliance

Organised by LHDN

### Recognised by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP)

#### Best Performance for a Financial Institution 2022

Organised by SJPP

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

#### Environmental Finance Bond Awards 2022

Organised by Environmental Finance

### Awarded by Green Climate Initiative (GCI)

#### Titanium+ Tier Certification for HLB Data Centre

Organised by Green Climate Initiative (GCI)

### Sustainability & CSR Awards Malaysia 2022

#### Bank of the Year - Financial Literacy 2022

Organised by CSR Malaysia

### The Edge Malaysia ESG Awards 2022

#### Best Performer - Financial Institution 2022

Organised by The Edge

### National Energy Awards 2022

#### Best Bank - Sustainable Energy Financing - Conventional Financing 2022

Organised by Ministry of Natural Resources,  
Environment and Climate Change

### Asset Benchmark Research 2023

#### Best Trading Individual in Pan Asia 2023

Organised by The Asset

### Asset Benchmark Research 2023

#### 4<sup>th</sup> Best in Malaysian Ringgit Bonds - Research 2023

Organised by The Asset

### Asset Benchmark Research 2023

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

Organised by The Asset

### Global Good Governance Awards 2023

#### 3G Best Sustainability Disclosure & Reporting Award 2023

Organised by Cambridge IFA

### Global Good Governance Awards 2023

#### 3G Best Corporate Governance Framework 2023

Organised by Cambridge IFA

## Awards & Accolades

### HONG LEONG INVESTMENT BANK BERHAD

**The Asset Triple A Islamic Finance Awards 2022**

**Best Securitization Sukuk**

Organised by *The Asset*

**The Asset Triple A Islamic Finance Awards 2022**

**Best Project Finance Sukuk**

Organised by *The Asset*

**The Asset Triple A Country Awards for Sustainable Finance 2022**

**Best Green Bond**

Organised by *The Asset*

**The Asset Triple A Country Awards for Sustainable Finance 2022**

**Best Securitization**

Organised by *The Asset*

**The Asset Triple A Country Awards for Sustainable Finance 2022**

**Best IPO**

Organised by *The Asset*

**The Asset Triple A Islamic Finance Awards 2023**

**Best Sustainability Sukuk – Transport**

Organised by *The Asset*

**The Asset Triple A Islamic Finance Awards 2023**

**Best Securitization Sukuk**

Organised by *The Asset*

**The Asset Triple A Islamic Finance Awards 2023**

**Best Islamic Reit**

Organised by *The Asset*

**The Asset Triple A Sustainable Infrastructure Awards 2023**

**Transport Deal of the Year**

Organised by *The Asset*

**16<sup>th</sup> Annual Best Deal & Solution Awards 2022**

**Best Domestic M&A Deal of the Year (Malaysia)**

Organised by *Alpha Southeast Asia*

**16<sup>th</sup> Annual Best Deal & Solution Awards 2022**

**Best Islamic Finance Deal & Most Innovative Islamic Finance Deal of the Year 2022**

Organised by *Alpha Southeast Asia*

**16<sup>th</sup> Annual Best Deal & Solution Awards 2022**

**Best IPO For Retail Investors In Southeast Asia & Best Deal of the Year For Minority Shareholders In Southeast Asia 2022**

Organised by *Alpha Southeast Asia*

**IFN Deals of the Year 2022**

**Malaysia Deal of the Year**

Organised by *Islamic Finance News*

**IFN Deals of the Year 2022**

**Structured Finance Deal of the Year**

Organised by *Islamic Finance News*

**IFN Deals of the Year 2022**

**Equity & IPO Deal of the Year**

Organised by *Islamic Finance News*

## Awards & Accolades

### HONG LEONG INVESTMENT BANK BERHAD (CONTINUED)

#### Finance Asia Deals Award 2022

##### Best Property Deal

Organised by Finance Asia

#### RAM Award of Distinction 2022

##### Lead Manager Award by Number of Issues - Joint 3<sup>rd</sup> ranking

Organised by RAM Ratings

#### BPAM Bond Market Awards 2023

##### Top ESG Issuance

Organised by Bond Pricing Agency Malaysia

#### 2022 Lead Managers' League Tables

##### MARC's Innovative Deal of the Year Award 2022

Organised by Malaysian Rating Corporation

#### Euromoney Islamic Finance 2023

##### Best Islamic Project Finance Deal

Organised by Euromoney

#### Bursa Excellence Awards 2022

##### Best Retail Equities Participating Organisation - Investment Bank - 2<sup>nd</sup> runner up

Organised by Bursa Malaysia

#### Bursa Malaysia Retail Investor Campaign 2022

##### Top Broker for Highest Traded Value for ETFs

Organised by Bursa Malaysia

#### Bursa Malaysia Retail Investor Campaign 2022

##### Top Dealer/Remisier for Highest Number of New Accounts Opened

Organised by Bursa Malaysia

#### Bursa Malaysia Retail Investor Campaign 2022

##### Top Dealer/Remisier for Highest Traded Value from New Accounts Opened

Organised by Bursa Malaysia

#### Bursa Malaysia Retail Investor Campaign 2022

##### Top Dealer/Remisier for Highest Traded Value for ETFs

Organised by Bursa Malaysia

### HONG LEONG ASSET MANAGEMENT BHD

#### Refinitiv Lipper Fund Awards 2023 - Malaysia Provident (Funds Award)

##### Hong Leong Asia-Pacific Dividend Fund Best Fund Over 3 Years: Equity Asia Pacific Ex Japan

Organised by Refinitiv

#### Refinitiv Lipper Fund Awards 2023 - Malaysia Provident (Funds Award)

##### Hong Leong Asia-Pacific Dividend Fund Best Fund Over 5 Years: Equity Asia Pacific Ex Japan

Organised by Refinitiv

#### Refinitiv Lipper Fund Awards 2023 - Malaysia Provident (Funds Award)

##### Hong Leong Dividend Fund Best Fund Over 3 Years: Equity Malaysia Income

Organised by Refinitiv

#### Refinitiv Lipper Fund Awards 2023 - Malaysia Provident (Funds Award)

##### Hong Leong Dividend Fund Best Fund Over 5 Years: Equity Malaysia Income

Organised by Refinitiv

#### Refinitiv Lipper Fund Awards 2023 - Malaysia Provident (Funds Award)

##### Hong Leong Dividend Fund Best Fund Over 10 Years: Equity Malaysia Income

Organised by Refinitiv

#### Refinitiv Lipper Fund Awards 2023 - Malaysia Provident (Funds Award)

##### Hong Leong Dana Makmur Fund Best Fund Over 3 Years: Equity Malaysia

Organised by Refinitiv

## Awards & Accolades

### HONG LEONG ASSET MANAGEMENT BHD (CONTINUED)

**Refinitiv Lipper Fund Awards 2023 – Malaysia Provident (Funds Award)**

**Hong Leong Dana Makmur Fund Best Fund Over 5 Years: Equity Malaysia**

*Organised by Refinitiv*

**Refinitiv Lipper Fund Awards 2023 – Malaysia Provident (Funds Award)**

**Hong Leong Dana Makmur Fund Best Fund Over 10 Years: Equity Malaysia**

*Organised by Refinitiv*

**Refinitiv Lipper Fund Awards 2023 – Malaysia Islamic (Funds Award)**

**Hong Leong Dana Makmur Fund Best Fund Over 3 Years: Equity Malaysia**

*Organised by Refinitiv*

**Refinitiv Lipper Fund Awards 2023 – Malaysia Islamic (Funds Award)**

**Hong Leong Dana Makmur Fund Best Fund Over 5 Years: Equity Malaysia**

*Organised by Refinitiv*

**Refinitiv Lipper Fund Awards 2023 – Malaysia Islamic (Funds Award)**

**Hong Leong Dana Makmur Fund Best Fund Over 10 Years: Equity Malaysia**

*Organised by Refinitiv*

**Refinitiv Lipper Fund Awards 2023 – Global Islamic (Funds Award)**

**Hong Leong Dana Makmur Best Fund Over 3 Years: Equity Malaysia**

*Organised by Refinitiv*

**Refinitiv Lipper Fund Awards 2023 – Global Islamic (Funds Award)**

**Hong Leong Dana Makmur Fund Best Fund Over 5 Years: Equity Malaysia**

*Organised by Refinitiv*

**Refinitiv Lipper Fund Awards 2023 – Global Islamic (Funds Award)**

**Hong Leong Dana Makmur Fund Best Fund Over 10 Years: Equity Malaysia**

*Organised by Refinitiv*

**Refinitiv Lipper Fund Awards 2023 – Malaysia Provident (Funds Award)**

**Hong Leong Dana Maa'rof Fund Best Fund Over 3 Years: Mixed Asset MYR Balanced**

*Organised by Refinitiv*

**Refinitiv Lipper Fund Awards 2023 – Malaysia Provident (Funds Award)**

**Hong Leong Dana Maa'rof Fund Best Fund Over 5 Years: Mixed Asset MYR Balanced**

*Organised by Refinitiv*

**Refinitiv Lipper Fund Awards 2023 – Malaysia Islamic (Funds Award)**

**Hong Leong Dana Maa'rof Fund Best Fund Over 3 Years: Mixed Asset MYR Balanced**

*Organised by Refinitiv*

**Refinitiv Lipper Fund Awards 2023 – Malaysia Islamic (Funds Award)**

**Hong Leong Dana Maa'rof Fund Best Fund Over 5 Years: Mixed Asset MYR Balanced**

*Organised by Refinitiv*

**Refinitiv Lipper Fund Awards 2023 – Global Islamic (Funds Award)**

**Hong Leong Dana Maa'rof Fund Best Fund Over 3 Years: Mixed Asset MYR Balanced**

*Organised by Refinitiv*

**Refinitiv Lipper Fund Awards 2023 – Global Islamic (Funds Award)**

**Hong Leong Dana Maa'rof Fund Best Fund Over 5 Years: Mixed Asset MYR Balanced**

*Organised by Refinitiv*

### HONG LEONG ASSURANCE BERHAD

**Malaysia Technology Excellence Awards 2023**

**Winner of Insurtech - Life Insurance Category**

*Organised by The Asian Business Review*

**26<sup>th</sup> Asia Insurance Industry Awards 2022**

**Group Managing Director & CEO - Woman Leader of the Year**

*Organised by Asian Insurance Review*

## Chairman's Statement

**In the year under review, the world emerged from a prolonged period of health concern and economic difficulty with an economic rebound catalysed by pent-up demand for goods and services that supported consumer spending, a surge in travel with the opening up of borders and increase in cross-border trades with the easing of supply chain disruptions.**



However, the growth momentum was short-lived as inflationary pressure built up and most central banks around the world raised interest rates in their attempt to manage the rapid increase in the cost of living. This weighed on the global economy and dampened investment appetite.

On the domestic front, Malaysia's economic growth moderated to 4.2% year-on-year ("Y-o-Y") supported by sustained domestic demand and low unemployment rate even as inflationary pressure eased with the Consumer Price Index cooling to 2.4% in June 2023. But as a trading nation, our economy is exposed to further deterioration in global demand and the spillover effects of our largest trading partner China's weaker-than-anticipated economic growth.



## Chairman's Statement



Overall, the Group had successfully navigated through a challenging operating environment and delivered a set of commendable result for our shareholders. While we strive for growth, we will maintain our focus on the Group's strong credit quality, careful management of all risks, stringent cost discipline and ensure that our actions are ESG compliant.

On that note, I am pleased to present our Annual Report and Audited Financial Statements of Hong Leong Financial Group Berhad ("HLFG" or "the Group") for the financial year ("FY") ended 30 June 2023.

**REVIEW OF THE YEAR'S PERFORMANCE**

For the year under review, HLFG recorded a net profit attributable to shareholders ("PATAMI") of RM2,791 million, 14% higher than the preceding financial year. HLFG's earnings per share in FY2023 improved to 246.1 sen, from 216.3 sen in the previous financial year. The return on equity was at 10.9%, while net assets per share rose by 10.3% from RM21.41 to RM23.62. In FY2023, the Board of Directors has declared a final dividend of 32 sen per share and combined with the interim dividend of 17 sen per share that was paid on 30 March 2023, the total dividend for FY2023 is 49 sen per share, higher than last year by 3 sen for a total dividend payment of RM562 million.

All key capital, liquidity and credit metrics remain sound and robust with policies in place to manage our franchise through any exceptional economic volatility.

In respect of the performances of our key businesses, Hong Leong Bank Berhad ("HLB") net profit was RM3,818 million, higher by 16% y-o-y driven by recovery in trading income, robust contribution from its associated companies, lower loan impairment allowances as well as the normalisation of tax rates with the absence of last year's prosperity tax ("Cukai Makmur"). The commercial banking business sustained its above industry loan growth with an 8% y-o-y expansion to its loan portfolio. In addition, the robust state of HLB's financials is also supported by stringent cost control, asset quality discipline and effective management of funding mix. HLB continued to strategically invest in the digitalisation endeavour to provide a more interconnected financial services ecosystem to the customers.

For our Life Insurance business, Hong Leong Assurance Berhad ("HLA") net profit improved by 11% y-o-y to RM284 million largely driven by the positive impact of higher long-term MGS rates. HLA's gross premium contracted by 2% y-o-y to RM3,102 million due to consumer caution amid a challenging economic environment and competition from higher fixed deposit rates. The focus now is to revitalise our agency force as we accelerate the launch of new products to cater to the ever-changing needs of customers.

Outside of Malaysia, the Group's general insurance business continued to fare better with HL Assurance Pte Ltd in Singapore delivering a 41% y-o-y increase in gross premium while our Hong Kong outfit, Hong Leong Insurance (Asia) Limited registered a commendable business premium growth of 20% y-o-y.

On the investment banking front, Hong Leong Capital Berhad ("HLCB") reported a lower net profit of 31% y-o-y to RM50 million, dampened by higher interest rates, weak investor sentiment and thinner trading liquidity during the year. Profit contribution from Hong Leong Investment Bank ("HLIB") was affected by the lack of larger deals, lower market activities and significantly

## Chairman's Statement

lower trading volume on Bursa Malaysia by 25% y-o-y. Our fund management business under Hong Leong Asset Management Berhad ("HLAM") recorded a decrease in net profits by 60% to RM7.6 million due to a contraction in the Money Market Funds segment as a result of the withdrawal of tax exemption for this category of funds. Nevertheless, HLAM continued to deliver good fund performance and was awarded with 20 individual Refinitiv Lipper Fund Awards Malaysia and Global Islamic.

### ISLAMIC BANKING & TAKAFUL BUSINESS

Malaysia is one of the leading global hubs of Islamic financing and is one of the faster growing financial business segments driven by increasing demand for Islamic finance products. Family Takaful penetration rate in Malaysia continues to rise with the wider acceptance of takaful products as preferred protection schemes.

Our Hong Leong Islamic Bank Berhad ("HLISB") was successful in capturing new growth opportunities to register a net profit of RM425 million which is higher by 43% y-o-y with encouraging financing book growth of 13% y-o-y to RM41 billion. The stellar performance was underpinned by topline growth and lower loan impairment allowances.

For Family Takaful, Hong Leong MSIG Takaful Berhad ("HLMT") continues its strong trajectory with a 20% y-o-y growth in gross contribution to RM654 million in FY2023. Gross contribution from the agency channel grew by 37% y-o-y underpinned by new product innovation and robust agency recruitment. HLMT complements our Financial Group's Islamic financial service franchise and offers attractive growth potential given that Takaful in Malaysia remains largely underpenetrated.

### STRATEGIC PRIORITIES

The Group's philosophy embodies an entrepreneurial vision focused on building long-term sustainable value for all of our stakeholders. With value creation at the heart of our strategic priorities, we strive to add new dimensions and business lines to the Group.

Our business focus for the upcoming financial year and onwards will be to unlock wealth management opportunities, boost insurance distribution capabilities and strengthen foreign fund management capabilities. We will also continue to employ cutting-edge technologies and digital solutions for better insight into our businesses, simplify operational processes and most importantly, to enhance customer engagement experience.

Concurrently, we will continue to operate on a firm financial footing with prudent credit and liquidity discipline and effective strategic cost management.

### CUSTOMER-CENTRIC DIGITAL OUTREACH

In the ever-evolving world of digital technologies, the banking industry has undergone significant transformation over the years and all players within the industry will continue to adopt newer technologies as they become available. Banks are actively modularising their legacy front-end technology stacks to enable the adoption of the latest cutting-edge solutions. While data analytics and chatbots have been transforming the banking landscape by providing customers with personalised banking experiences around the clock, the latest industry development places greater emphasis on the application of Artificial Intelligence and Machine Learning. The Group recognises the merits of innovative digital solutions for our customers but never at the expense of IT security. To that end, we are committed to continuously upgrade our service delivery and judiciously invest in technologies to protect the security of our customers data as part of our "Digital at the Core" strategy.

Our commercial banking business, HLB, is committed to invest in market-relevant capabilities. The priority is to find fresh approaches to leverage on technology in delivery of banking products and services. Today, HLB is serving 2.6 million or almost three-quarters of its retail banking customers digitally. In addition, more than 120,000 business customers' banking needs are fulfilled over their digital platforms.

Likewise, HLA has been judiciously redirecting its resources to invest in digital capabilities and to embrace the adoption of latest technologies to grow its customer base. Over the past 5 years, the total number of registered users for our insurance Customer Portal HLA360° has increased by three (3) fold to about 430,000. Additionally, they are also employing robotic process automation solutions in areas such as customer screening and data processing. Separately, both of our overseas general insurance businesses continue with their digital-led and data-driven business model with a sharp focus on enhancing their online distribution proposition.

Customers' demand for a better digital experience has accelerated due to the rapid pace of change across the services industry. At HLCB, our investment banking outfit achieved a new milestone with the launch of a Shariah trading platform and its fully digitalised stockbroking account opening experience.

## Chairman's Statement

Digitisation remains a core part of the Group's business strategy. In delivering long-term sustainable growth to stakeholders, HLFG is committed towards investing in digital capabilities and aspires to provide best-in-class touchpoints to customers across all our operating businesses.

### **FUTURE-READY WORKFORCE**

Our employees are our most important asset; the future success of the Group has a direct correlation with the talent we have in our group of companies. The key to realising our vision is predicated on our commitment in attracting, nurturing and retaining talent. As, we continually seek to equip our employees with the right tools and capabilities to effectively drive change, we foster a work environment that promotes closer collaborations and shared values that can bind us together.

We value a working environment that makes every employee feel appreciated while embracing our diversity regardless of their age, religion, nationality, gender or background. Every employee has an equal opportunity to grow and succeed. To this end, the Group will continue to make investments in the professional development of our workforce to provide them with the skills needed to respond to the business environment's constant change.

### **HIGH STANDARD OF GOVERNANCE**

We are committed to upholding a high standard of governance, emphasizing corporate responsibility, transparency, and accountability by continuously enhancing our risk management frameworks to proactively address emerging risks, and adapting to the evolving needs of the dynamic operating environment. Our Board and management work collaboratively to align long-term sustainable strategies with the interests of our shareholders and stakeholders.

Our dedication is grounded in ethical business principles with zero tolerance for bribery and corruption. We foster a culture of compliance and integrity, adhering to best practices for accountability and transparency. For the Board to properly carry out its oversight functions and obligations, a corporate governance framework has been put in place. The Group Board Information and Technology Committee ("GBITC") provides oversight on technology matters and cyber security, while the Board Audit and Risk Management Committee ("BARMC") oversee matters involving risk management, compliance, and internal controls.

We implement comprehensive group-wide policies and procedures, including the Board Charter, Code of Conduct and Ethics, Anti-Bribery and Corruption Policy (ABC), Gifts and Entertainment

Policy, and Whistleblowing Policy. Regular reviews were carried out to ensure effectiveness. Transparent communication and understanding are crucial across the organisation, with employees attesting to key policies. Compliance controls are diligently monitored, with results reported to the relevant committees. In-house and external training sessions further enhance governance awareness among directors and employees.

### **OUR SUSTAINABILITY ENDEAVOUR**

The Board and Management of the Group is firmly committed to sustainable corporate governance and stewardship. We are guided by our corporate values to make the right decisions that will hold us in good stead today and in the future, improving the well-being of our people, our communities and the environment that we live in. It is our priority to entrench sustainability principles throughout the Group and integrate the same into every aspect of our operating footprint.

The effects of climate change are becoming increasingly noticeable in Malaysia. In recent times, the country has been experiencing extreme weather events with the latest being the floods in Johor which affected over 50,000 of our countrymen. It is imperative for us to act and do our part in the global efforts in arresting broader environmental degradation caused by climate warming.

In FY2023, the Group has expanded our coverage of GHG emissions monitoring to include Scope 3 employees commuting. Collectively, our footprint has reduced the combined GHG emission by 18% over the past four (4) financial years. On 19 June 2023, HLFG was recognised for its efforts in embracing sustainability with an improved score and continues to be a constituent of the FTSE4Good Bursa Malaysia index for the 5<sup>th</sup> consecutive year.

Across the Group, our key operating entity, HLB has been recognised through the Special Award for Sustainable Energy Financing by Domestic Bank in 2022 for their renewable energy financing commitment which reached an approved sum of RM3.2 billion at the end of FY2023. In the same period, in its effort to strengthen the commitment to low carbon transition, HLB became a signatory to the Partnership in Carbon Accounting Financials ("PCAF") and started monitoring financed emissions.

During the year, our insurance division, HLA, has accelerated its endeavour of becoming a leading sustainable life insurer in Malaysia with the unveiling of an ambitious sustainability campaign, 'Saving Our Planet Saves Us'. Several sustainable initiatives under the campaign encompasses the launch of HLA Global ESG Fund, reduction of GHG emissions, roll out of eco-friendly practices, climate awareness education and community outreach programmes.

## Chairman's Statement

Additionally, HLA has also integrated ESG considerations into its investment process guided by BNM's Climate Change and Principle-Based Taxonomy ("CCPT") and will monitor its investment portfolio to shift towards climate-friendly investments that share the same values toward building sustainable business practices.

Last year, the Group's investment banking division introduced the Sustainability Framework which is guided by four central pillars, namely Engaging on Sustainability, Addressing Climate Change, Strengthening Internal Capabilities and Impactful Digitalisation. On 19 December 2022, HLCB was admitted to the Bursa Malaysia FTSE4Good Index, a recognition of its efforts in embracing sustainability. Our asset management company, HLAM launched its Shariah-compliant ESG fund, namely Hong Leong Global Shariah ESG Fund, to provide access to sustainable investing to its client base.

As we strive for greater integration of the sustainability agenda in the way we operate, the focus is to grow our Group responsibly and at the same time, contribute positively to our environment, customers, employees and communities.

### LOOKING AHEAD

At the time of writing, the global economy's near-term outlook remains uncertain and is anticipated to soften amid weaker global demand and elevated inflation. Although there are signs that interest rate upcycle is nearing its peak, the prospect of a pause in rate hike remains uncertain with the recent rally in crude oil prices that may fuel further inflationary pressure. The International Monetary Fund ("IMF") has projected global GDP to moderate from 3.5% in 2022 to 3.0% in 2023 and 2024. Likewise, Malaysia's trade-reliant economy, sensitive to these macroeconomic headwinds is expected to moderate but remain on a positive trajectory, supported by resilient domestic demand,

healthy labour market conditions and investor-friendly initiatives by the Malaysian government to spur both domestic and foreign direct investments.

The Group's fundamentals and financial position remain solid backed by robust capital and healthy liquidity levels, prudent cost management and uncompromised credit discipline. Moving forward, we shall continue to invest in our human capital, accelerate our digitalisation transformation while keeping a sharp focus on risk management and further integrate ESG considerations into the way we conduct our business to deliver sustainable business performance and long-term value for all stakeholders.

### ACKNOWLEDGEMENTS

I would like to take this opportunity to extend my heartfelt thanks and appreciation to my fellow Board members for their insightful wisdom and support. Our employees, who deserve special acknowledgement for their dedication and commitment to upholding the Group's core values. Special recognition to our senior management team for their invaluable contribution through all our endeavours.

Finally, I would like to express my gratitude to our regulators, government authorities, shareholders, customers, business partners and the community we serve for their continued faith and confidence in Hong Leong Financial Group.

### QUEK LENG CHAN

Chairman

20 September 2023



## Management Discussion & Analysis



The Malaysian economy continued its positive trajectory for first half of FY2023, boosted by a combination of solid domestic demand and robust external trade following the relaxation of pandemic measures and full reopening of global economies. However, in the second half of FY2023, the domestic economic growth moderated as external demand softened amidst persistent inflationary and elevated cost of funding conditions. While external trade contracted, the domestic demand remained resilient with pick-up in consumption, underpinned by policy support and a robust labour market that helped cushion the slowdown in net exports.

The domestic banking sector's margins benefited from the Overnight Policy Rate ("OPR") increase of 75 bps to pre-pandemic levels of 3.00%. That said, the positive impact of the OPR has been curtailed by intensified deposit competition and normalisation of banks' funding profiles, especially in the latter part of FY2023. As for the capital markets, it was a challenging financial year that was faced with a lower Bursa Malaysia trading volume and higher interest rates subduing new bond issuances and customers' appetite for investments in unit trust.



## Management Discussion & Analysis

Against this backdrop, our business operations and financial performance showcased resilience throughout FY2023. The Group attained a net profit attributable to shareholders ("PATAMI") of RM2.8 billion, marking a robust 13.8% improvement compared to the preceding year. This improvement primarily stemmed from robust contributions within our core businesses, notably the commercial banking division and insurance division. In line with our overarching strategy of being "digital at the core," we not only achieved commendable financial outcomes but also fortified our business franchises to ensure sustained growth over the long term.

On that note, we are pleased to present the Management Discussion and Analysis ("MD&A") for the financial year ended 30 June 2023 ("FY2023"). In this report, we would like to provide a review of Hong Leong Financial Group Berhad's ("HLFG" or "the Group") business operations and financial performance during FY2023.

### HLFG GROUP PERFORMANCE HIGHLIGHTS

Hong Leong Financial Group Berhad is an investment holding company and has three core businesses in the group:

- Commercial and Islamic banking under Hong Leong Bank Berhad ("HLB");
- Insurance and Family Takaful, housed under our insurance holding company HLA Holdings Sdn Bhd ("HLAH"); and
- Investment banking and asset management under Hong Leong Capital Berhad ("HLCB").

The Group recorded a Profit Before Tax ("PBT") of RM5,102 million, an increase of 5.4% year-on-year ("y-o-y"), and a PATAMI of RM2,791 million, an increase of 13.8% y-o-y attributed to higher contributions from the commercial banking division and the insurance division, while the investment banking division recorded lower contribution. The commercial banking segment contributed more than 90% of the Group's PBT. The robust performance of HLB was primarily driven by top-line growth, prudent cost management, lower loan impairment allowances, and strong contributions from associates.

For asset quality, the gross impaired loan ratio ("GIL") stood at 0.57%, well below the industry GIL ratio of 1.75%. This is attributed to our proactive strategies, including preventive measures and tactical action plans for accounts in arrears, effective management of high-risk accounts, customer site visits, and the implementation of targeted programmes to address both pre-impaired and impaired accounts.

HLFG achieved a Return on Equity ("ROE") of 10.9%, and our book value per share improved by 10.3% y-o-y to RM23.62. Accordingly, the Board of Directors declared a final dividend of 32 sen, resulting in a full-year dividend of 49 sen. This marks a 3 sen increase from the previous financial year.

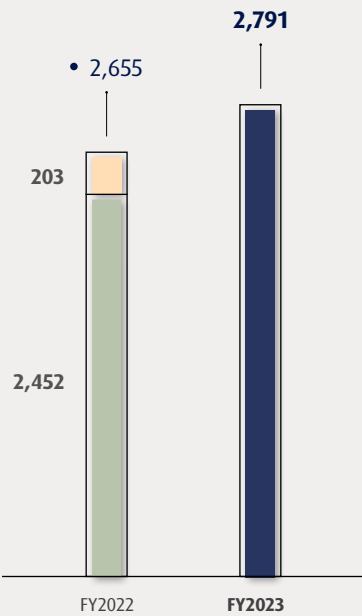
The Group maintains a prudent capital and risk management approach to ensure our operating businesses remain resilient and adequately capitalised to achieve our business objectives. The Group's consolidated capital positions surpass regulatory requirements, with Common Equity Tier 1, Tier 1, and Total Capital Ratios at 11.0%, 12.1%, and 14.6% respectively as of 30 June 2023.

In terms of corporate credit rating, RAM Rating Services Berhad ("RAM") has reaffirmed AA1/Stable/P1 Corporate Credit Ratings for HLFG and maintained the Financial Institution Ratings of HLB, HLISB and HLIB at AAA/Stable/P1, acknowledging the superior asset quality of our businesses. Meanwhile, Moody's Investors Services Ltd has reaffirmed HLB's baseline credit assessment at A3, underpinned by HLB's robust retail and small and medium enterprise (SME) franchises as well as effective risk management practices.

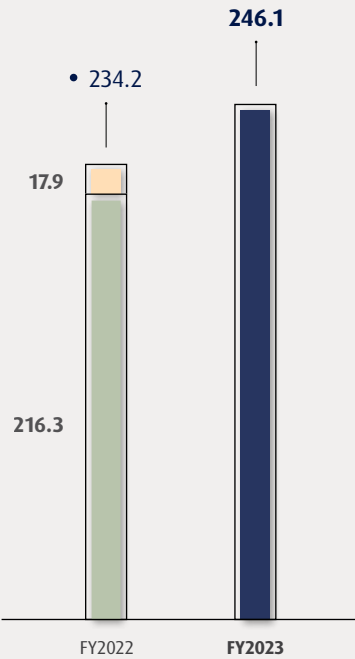
During the financial year, the Group received various external recognitions of achievements for our operating companies. Notably, the Special Award for Sustainability Energy Financing by Domestic Bank in 2022 for HLB, Woman Leader of the Year award at the 26<sup>th</sup> Asia Insurance Industry Awards 2022 and Insurtech – Life Insurance at the Malaysia Technology Excellence Awards 2023 for HLA, Best Domestic M&A Deal of the Year in Malaysia and eight prestigious awards accorded by various other channels to HLIB, while our fund management HLAM also won 20 individual awards at the Refinitiv Lipper Fund Awards Malaysia 2023 and Refinitiv Lipper Fund Awards Global Islamic 2023.

## Management Discussion & Analysis

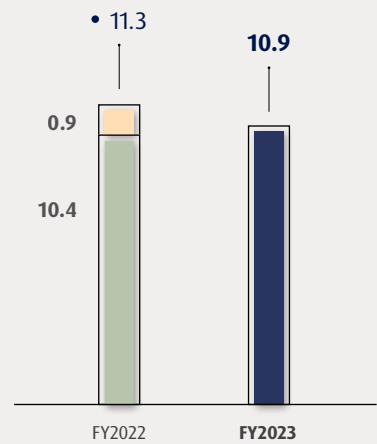
### Net Profit Attributable to Shareholder (RM Million)



### EPS (Sen)

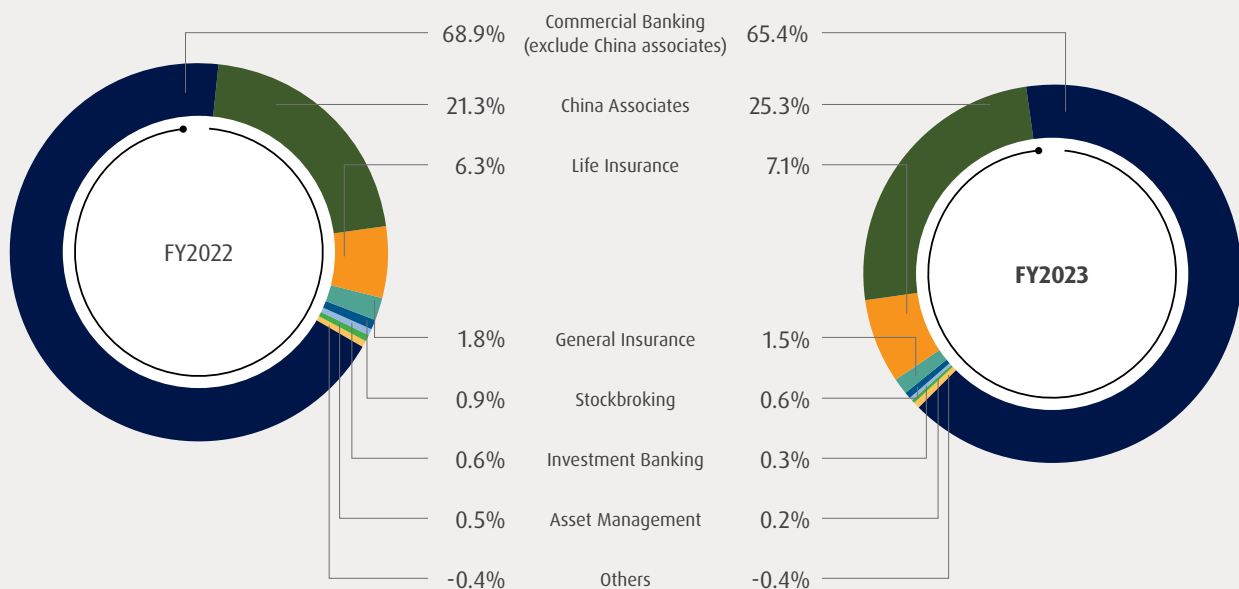


### ROE (%)



- Normalised
- Cukai Makmur (Prosperity Tax)

### PBT contribution by business segments for FY2022 and FY2023



#### Notes:

- General Insurance includes 30% profit contribution from MSIG Insurance (Malaysia) Bhd
- Life Insurance includes Family Takaful
- Others (includes consolidation adjustments)

## Management Discussion & Analysis

### COMMERCIAL BANKING FINANCIAL & OPERATIONAL REVIEW

| HLB Financial Highlights                           | FY2022  | FY2023         | Growth (%) |
|----------------------------------------------------|---------|----------------|------------|
| <b>Profitability &amp; Efficiency (RM'Million)</b> |         |                |            |
| Revenue                                            | 5,597   | <b>5,686</b>   | 1.6%       |
| Operating Profit                                   | 3,499   | <b>3,452</b>   | -1.3%      |
| Profit Before Tax ("PBT")                          | 4,367   | <b>4,627</b>   | 6.0%       |
| Profit After Tax ("PAT")                           | 3,289   | <b>3,818</b>   | 16.1%      |
| Earnings Per Share (sen)                           | 161     | <b>186</b>     | 15.5%      |
| Net Interest Margin ("NIM") (%)                    | 2.14%   | <b>1.98%</b>   | -0.16%     |
| Cost-to-Income Ratio ("CIR") (%)                   | 37.5%   | <b>39.3%</b>   | 1.8%       |
| Return on Assets (%)                               | 1.34%   | <b>1.43%</b>   | 0.09%      |
| Return on Equity (%)                               | 10.9%   | <b>11.8%</b>   | 0.9%       |
| <b>Balance Sheet (RM'Million)</b>                  |         |                |            |
| Total Assets                                       | 254,331 | <b>279,850</b> | 10.0%      |
| Gross Loans, Advances and Financing                | 168,234 | <b>181,677</b> | 8.0%       |
| Customer Deposits                                  | 197,292 | <b>211,652</b> | 7.3%       |
| <b>Asset Quality</b>                               |         |                |            |
| Gross Impaired Loan Ratio                          | 0.49%   | <b>0.57%</b>   | 0.09%      |
| Loan Impairment Coverage Ratio ("LIC")             | 212%    | <b>169%</b>    | -43%       |
| LIC (provisions made on GIL and security value)    | 282%    | <b>239%</b>    | -43%       |
| <b>Liquidity and Capital Ratio</b>                 |         |                |            |
| Loan-to-Deposit Ratio                              | 83.5%   | <b>84.3%</b>   | 0.9%       |
| Common Equity Tier-1 Capital Ratio                 | 13.4%   | <b>12.8%</b>   | -0.6%      |
| Tier 1 Capital Ratio                               | 14.5%   | <b>13.9%</b>   | -0.7%      |
| Total Capital Ratio                                | 16.7%   | <b>15.9%</b>   | -0.8%      |

HLB's regional financial services are provided via:

- A branch in Singapore;
- A branch in Hong Kong;
- 100% owned commercial bank Hong Leong Bank Vietnam Limited;
- 100% owned commercial bank Hong Leong Bank (Cambodia) PLC;
- 19.8% equity interest in the Bank of Chengdu Co., Ltd; and
- 12% equity interest in the Sichuan Jincheng Consumer Finance Limited Company.

## Management Discussion & Analysis

### Profitability & Efficiency

In FY2023, HLB achieved a net income of RM5,686 million, driven by strong loan/financing expansion and increased non-interest income contribution. Non-interest income surged by 15.8% y-o-y to RM1,133 million in FY2023, fuelled by higher credit card fees, trade finance activities, and foreign exchange performance, resulting in an improvement to the non-interest income ratio of 19.9%. Fee income remained steady at RM599 million, where growth in credit card-related fees and improved trade finance activities was offset by lower wealth management income from reduced sales commission. During the financial year, net interest margin ("NIM") came under pressure with the heightened cost of funds arising from a combination of intense deposit competition in both retail and wholesale markets and the impact from banks striving to comply with the Statutory Reserve Requirement ("SRR"). This led to a NIM compression from 2.14% to 1.98% on y-o-y basis.

Operating expenses were prudently managed at RM2,233 million through our strategic cost management initiatives, while keeping the cost-to-income ratio ("CIR") solid at 39.3%. Personnel costs accounted for 54% of total operating expenses, increased by 4.3% y-o-y from higher salaries and allowances. Sales-related expenses, namely in sales incentives and card-related expenses were higher for the financial year driven by increased sales, merchant volume and retail spending in line with the recovery of economic activities.

Notwithstanding the market challenges, HLB delivered a higher PBT of RM4,627 million or 6.0% y-o-y increase underpinned by our solid fundamentals, robust underlying performance, reduced loan impairment allowances and strong contributions from associates. The higher contributions from associates are mainly attributable to Bank of Chengdu ("BOCD"), our associate in China. The share of profit from our China associates recorded a 25.1% y-o-y upswing to RM1,289 million, accounting for approximately 28% of the bank's PBT. Profit After Tax increased to RM3,818 million or 16.1% y-o-y due to the normalisation of tax rates with the absence of last year's prosperity tax ("Cukai Makmur"). Correspondingly, HLB's ROE climbed to 11.8% from 10.9%, and earnings per share improved to 186 sen from 161 sen in FY2022.

### Balance Sheet & Liquidity

Gross loans, advances, and financing sustained a growth trajectory, expanding by 8.0% y-o-y to RM181.7 billion. HLB's domestic loans/financing constituted 92% of its total loan/financing portfolio and registered a 7.2% y-o-y increase to RM167.7 billion,

outpacing the industry growth. Residential properties segment registered an encouraging 8.1% y-o-y expansion to RM89.1 billion, driven by a strong loan/financing pipeline. Transport vehicle loans/financing reached RM19.6 billion, marking a 10.9% y-o-y growth that was boosted by vigorous motor vehicle sales activities, sales tax exemptions, and promotional campaigns from car manufacturers.

SME segment reported encouraging growth, advancing by 9.7% y-o-y to RM33.0 billion. The HLB's steadfast support for SMEs in their business and financial needs was instrumental in this expansion. Within the SME portfolio, the community banking initiative demonstrated solid performance, leading to a commendable 13.2% y-o-y growth. This can be attributed to proactive and innovative efforts to meet client needs, along with the implementation of digitalised onboarding initiatives.

Total customer deposits achieved a 7.3% y-o-y growth to RM211.7 billion in FY2023, primarily driven by higher fixed deposits. Domestic customer deposits, constituting 91% of the total deposit base, grew by 5.1% y-o-y to RM192.9 billion. Core customer deposits, encompassing demand, savings, and fixed deposits, constituted 84% of HLB's total customer deposit base experienced 10.9% y-o-y growth. The CASA ratio stood at 30.8% reflecting HLB's continued prioritisation of cash management solutions and community acquisition initiatives, while fixed deposits expanded 19.6% y-o-y to RM112.2 billion which represented a domestic market share of 8%. HLB Loan-to-Deposit ratio stood at 84.3% and a Loan-to-Fund ratio of 86%, placed HLB in a robust funding and liquidity position to support sustainable business growth, while a strong liquidity coverage ratio of 136.4% provides ample coverage of short-term liquidity.

### Asset Quality & Capital Adequacy

HLB asset quality remained healthy with a GIL ratio of 0.57%. The loan impairment coverage ratio ("LIC") closed at 169% and inclusive of provisions made and the value of securities held on the GIL, the LIC ratio is even higher at 239%. HLB's capital positions remain adequate to support the sustained business growth, with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 12.8%, 13.9% and 15.9% respectively.

HLB maintained a balanced approach between growth and proactive capital management to ensure sustainable dividend payouts to the shareholders. HLB has declared a final dividend of 38 sen per share, bringing the total dividend to 59 sen per share for the current financial year, with a dividend payout ratio of 32.0%.

## Management Discussion & Analysis

### Personal Financial Services (“PFS”)

The PFS business remained the largest contributor to HLB in FY2023 and contributed to HLB’s revenue and PBT of 56% and 38% respectively. PFS recorded strong loan/financing growth of 7.1% y-o-y and low GIL ratio of 0.45% driven by a 6.7% expansion in the mortgage business, with a focus on the affordable housing segment, and first-time homebuyers. The auto loan business achieved strong growth attributed to several factors such as the introduction of new car models, the availability of sales tax exemptions, and attractive promotional campaigns from car manufacturers. This was also bolstered by a 66% growth in Green Car Financing for Hybrid and Electric Vehicles (EV) segments. In terms of personal loans, the business experienced marginal growth as borrowers adjusted to higher loan instalments from interest rate hikes that weighed on demand. We have taken a proactive stance to address the adverse impact through portfolio diversification, risk-based pricing, enhanced risk assessment and collections strategy.

PFS CASA performed admirably with new accounts acquisitions rising 48% y-o-y, which led to a 7.3% y-o-y rise in customer deposits base. During the financial year, HLB introduced the innovative multi-currency e-wallet, designed for a convenient digital payment experience with an instant cashback feature for our customers that travel overseas. Several initiatives were launched to serve the often-underserved sole proprietor segments, that garnered a 9.3% y-o-y growth in non-individual account balances. The bank launched the Pay & Save Sole Prop multi-currency deposit product that enabled business owners to transact in twelve (12) currencies with interest-bearing features. In addition, our “Cashless Lagi Senang” solution continues to support small business owners in accepting digital payments effortlessly. We remain committed towards uplifting and empowering underserved communities and supporting them via access to superior digital banking and customer experience.

HLB’s brand promise of “Built Around You” defines the way we deliver exceptional financial solutions and unique digital banking experience for our customers. Our digital platform, HLB Connect registered a 16% y-o-y increase in user base with over two million users, of which 73% are active monthly users of the platform. Retail transactions conducted via Connect have grown by 12% y-o-y, representing 93% of the Bank’s total retail transactions. HLB also experienced significant growth in product take-up through digital channels, as approved credit cards climbed 62% and flexi payment plans popularity improved by 75% in sign-up via Connect.

During the financial year, HLB Connect App rolled out several enhancements, namely the new innovative HLB Wealth feature

which allows customers to seamlessly invest in unit trusts with a wide selection of funds accompanied by comprehensive investment insights. In addition, the bank also launched our cross-border QR capability on the HLB Connect App that allows our customers the convenience to make payments digitally to merchants in Thailand, Indonesia, and Singapore during their travels.

Looking ahead, PFS is committed to sharpen our brand promise of “Built Around You” to drive exponential customer growth and deliver a personalised retail banking experience. The bank aims to leverage on the growing popularity of HLB Connect and enhance customer onboarding and service processes, particularly for underserved segments while building an integrated and agile payments strategy that caters to our customers’ needs.

### Regional Wealth Management (“RWM”)

RWM business was a standout performer with a strong PBT growth of 23% y-o-y despite the challenging operating environment. Revenue growth for fixed income was higher at 53% y-o-y given the significant interest in fixed income products in line with the rise in interest rates. This spilled over to cross-selling opportunities of foreign exchange (“FX”) products, where revenues nearly doubled this financial year. Our deposit franchise contributed to a 4% y-o-y growth in segment deposits and an 8% y-o-y increase in Assets Under Management (“AUM”).

Bancassurance recorded a solid credit insurance sales growth of 23% y-o-y, primarily driven by the expansion of the mortgage business but the savings products were impacted by the weak equity markets environment. On the digital front, the bank launched the HLB Wealth investment feature in HLB Connect, that enables customers to transact unit trust digitally with plans for enhancement to include a wealth position dashboard providing real-time information.





## Management Discussion & Analysis

Moving forward, RWM will remain vigilant in monitoring market conditions amidst prevailing economic headwinds and the impact of higher interest rates on investment outlook. Nonetheless, we are confident in our ability to meet our clients' investment appetite by enhancing our investment offerings and adapting our products to meet our customer needs.

### Business & Corporate Banking ("BCB")

BCB business has delivered a commendable set of results with 7% y-o-y growth in loan/ financing, outpacing the industry average. Our strategic focus on small and medium enterprise ("SME") and commercial client segments yielded encouraging results that led to expansion in loan/financing by 12% and 8% y-o-y respectively, while the demand deposits grew 5% y-o-y. Overall, BCB contributed 29% and 25% to HLB's revenue and PBT respectively.

BCB had been actively supporting domestic businesses recover to a stronger footing from the economic scars of the pandemic by providing working capital facilities, offering bank-initiated payment relief assistance, and facilitating government financial assistance programmes. Our SME Banking segment achieved an above-industry loans portfolio growth rate of 12% y-o-y, whilst maintaining healthy portfolio asset quality. The bank has also doubled the size of our SME Cash, Trade, and Foreign Exchange ("CTFX") team from the prior year to enhance our ability and capacity to service the evolving clients' transactional and hedging needs.

BCB is committed to deliver exceptional customer experiences through our digital banking innovations. We have enhanced our corporate internet banking platform Hong Leong ConnectFirst ("HLCF") to include improved digital onboarding experience for account opening and rolled out various new features including multilingual options, introduction of eTokens usage, and incorporation of a treasury module for FX transactions. In terms of new products, BCB launched the PrimeBiz Current Account, a business current account service that offers rebates for current account balances to offset against selected banking charges. The bank has also intensified its customer engagement and outreach efforts through nationwide Transaction Banking roadshows, where our experienced specialists shared valuable insights into market outlook and showcase how BCB can support our SME customers to take advantage of potential market opportunities.

BCB remains a key growth engine for the bank. BCB will stand by our customers and offer a comprehensive range of financing and banking services as businesses navigates a challenging operating condition. We aim to expand our business banking coverage to

our regional offices, to support our customers' competitiveness by facilitating our customers' expansion into these markets and streamlining capital and transaction flows for SMEs and corporates engaged in import and export activities.

### Global Markets ("GM")

In FY2023, GM operated under tough and volatile market conditions including lower portfolio yields, mark-to-market impact on bond portfolios and pressure from higher funding cost coupled with lower FX transaction volume. Despite these challenges, Global Markets recorded a PBT of RM163 million accounting for 5% of the HLB's PBT.

During the financial year, GM collaborated closely with internal partners and clients to deliver innovative treasury solutions with an enhanced treasury module, HLCF Live, that allowed corporate clients to directly book spot FX rates with the bank to also include forward FX contracts. This has helped to drive FX volume within our SME and corporate segments.

Our GM team's performance received recognition from a leading publication, The Asset that earned it accolades for Best Local Currency Bond Individuals in Trading and Research, and Highly Commendable Persons in Sales for FY2023. This recognition further solidified HLB's prominent position in the local institutional space.

### Islamic Banking

Hong Leong Islamic Bank Berhad ("HLISB") recorded strong performance in FY2023, with Profit before Zakat and Taxation ("PBZT") increasing to RM567 million or 29.2% y-o-y. This laudable performance was driven by a 5.1% y-o-y increase in operating profit with credit costs reducing by 46.3% y-o-y, while preserving disciplined cost management with a cost-to-income ratio of 29.7%. HLISB grew its retail and commercial segments with a 10% expansion in assets, reaching RM57 billion. This raised its gross financing higher by 13% y-o-y, surpassing the industry average of 9%.

HLISB aims to be a one-stop Islamic bank that provides innovative financial solutions tailored to the diverse and evolving needs of the communities that we serve. We are committed to offer innovative digital banking solutions while adhering to our core values of Shariah-compliant financial services. The PFS-i business achieved solid growth backed by our digital strategies that serviced our customers through a simplified banking journey. During the year under review, the active users for both Retail Connect Internet Banking and Retail Connect Mobile Banking increased 16% y-o-y,

## Management Discussion & Analysis

indicating the growing preference for digital banking solutions among our clientele. We have also widened our offerings and introduced two new Islamic Structured Products as part of our Islamic Wealth Management Shariah compliant offerings to cater for clients that seeks more sophisticated products.

Likewise, HLISB's BCB-i recorded an impressive financing growth rate of 14.3% y-o-y, with the SME segment improving 19.8% y-o-y largely attributed to our expansion and outreach efforts to SME customers through a close-knit collaboration with Hong Leong Bank Group and our extensive branch network nationwide. To promote SME growth, we have introduced the MicroSME financing and Islamic SME Grow programmes as part of our partnership with SME Corporation via the Shariah-Compliant SME Financing Scheme 3.0 ("SSFS 3.0"). Our support for the Halal sector remains strong and has yielded a commendable growth rate of 12.1% y-o-y. We continue to strengthen our staff force and enhance their expertise in this field. Nine of our full-time staff have qualified as Halal Executives under the Majlis Profesional Halal, JAKIM training programme, and the bank is actively involved in numerous business-focused research activities and knowledge-sharing programmes within the community that we serve.

On sustainability and financial inclusion, HLISB takes pride in empowering our customers to transition toward a low-carbon economy and promote financial inclusion among the younger generation. The bank sees encouraging take-up in Green Financing uptake among our retail customers through our Green affordable property financing in collaboration with developers to promote the adoption of Green Certification applications. Our community-based programmes such as HLB@School, have advocated financial literacy to the younger segment with 70% of all Junior Savings accounts opened in Islamic accounts, signifying the success of our inclusive approach.

Moving forward, HLISB is steadfast in promoting Islamic Finance and will play our part to bridge and broaden access to Islamic financial services for both individuals and business communities. We aim to strengthen our position as a prominent player in the Islamic finance industry and carry on making positive impacts on the communities that we serve.

### Overseas Banking Operations

Bank of Chengdu delivered a stellar profit growth and was a significant contributor to HLB's PBT with 25% improvement in its share of profit of RM1,289 million. In part, this can be attributed to HLB's increased shareholding in BOCD resulting from a recent convertible bond conversion ahead of other bond holders. BOCD aims to build on the bank's growth momentum through

strengthening its presence in Chongqing and other branches outside Chengdu city limits to further solidify its leading position. BOCD will focus on enhancing its competitiveness to become the preferred bank for enterprises and residents in the region that it operates.

In Vietnam, Hong Leong Bank Vietnam ("HLBVN") delivered a stellar performance that saw total income improving by 33% y-o-y, and PBT increasing by 115% to reach RM24 million on the back of a robust loan growth of 18% y-o-y, better NIM and a superior GIL ratio below 0.10%. While Hong Leong Bank Cambodia ("HLBCAM") maintained a steady loan portfolio of RM2.6 billion with a total assets size of RM3.4 billion as of June 2023. The strategic priorities for HLBCAM are focused on accelerating customer acquisition and growing the local deposit base, while effectively managing and expanding the lending book with qualified existing customers.

For HLB's overseas branches, Hong Leong Bank Singapore ("HLBS") reported an operating profit of RM86 million and revenue of RM223 million. Gross loans/financing grew significantly by 22.9% y-o-y to RM9.4 billion, spurred by a strategic shift to expand into BCB and targeted PFS segments. At Hong Leong Bank Hong Kong ("HLBHK"), the branch saw its loan growth double from prior year as it focuses on SMEs that qualify under the Hong Kong Government's SME Financing Guarantee Scheme. The branch with plans to capitalise on the city's status as an international financial centre and a financial hub for Mainland China, will leverage on the extensive network of Hong Leong Bank in Malaysia, Singapore, and other Southeast Asian countries to drive further business growth.

### INSURANCE/TAKAFUL FINANCIAL & OPERATIONAL REVIEW

HLFG's 100%-owned subsidiary, HLA Holdings Sdn Bhd ("HLAH") is the insurance holding company of our insurance division. HLAH holds:

- 70% equity interest in life insurance company Hong Leong Assurance Berhad ("HLA");
- 65% equity interest in Family Takaful operator Hong Leong MSIG Takaful Berhad ("HLMT");
- 100% equity interest in Hong Kong general insurance company Hong Leong Insurance (Asia) Limited ("HLIA");
- 100% equity interest in Singapore general insurance company HL Assurance Pte. Ltd. ("HLAS"); and
- 30% equity interest in general insurance company MSIG Insurance (Malaysia) Bhd ("MSIG").

## Management Discussion & Analysis

In FY2023, HLAH recorded a PBT of RM441 million or higher of 12% y-o-y attributed to higher revenue from improvement in investment income reported from positive mark-to-market valuation gains on investments.

### Life Insurance

HLA, as a life insurer, is the largest operating business within our insurance division contributing over 80% of HLAH's total insurance PBT. HLA's PBT increased by 12.5% y-o-y to RM353 million in FY2023. Its gross premiums declined 2.2% y-o-y to RM3.1 billion while new business regular premiums ("NBRP") dropped 17.3% y-o-y to RM530 million mainly due to the cautious sentiments among customers and the impact from competitive bank deposit rates. Consequently, the new business embedded value ("NBEV") was lower by 10.9% y-o-y to RM178 million. In terms of embedded value ("EV"), HLA's EV improved to RM3.8 billion or 16.0% y-o-y in FY2023 underpinned by underwriting of profitable new business and improvement in investment performance during the financial year.

The Investment-Linked segment sustained its growth, albeit at a slower pace of 3% y-o-y as a result of stiff competition from banks' fixed deposits. The mix of Investment-linked premium to total gross premium improved from 75% to 79%. Our market ranking in terms of new business for the Investment-Linked segment remained at No. 4 position as at 30 June 2023. In terms of distribution, HLA continues to focus on building a productive and professional agency force while executing its bancassurance by leveraging off the distribution network of its sister company HLB's wide network of branches. The agency channel accounted for more than 70% of the total gross premiums contribution followed by the banca channel. Our agency force is also gradually pivoting towards distributing more protection products with HLA's protection and savings premium mix ratio increasing to 38:62 versus 24:76 in FY2022. HLA's management expense ratio stood at 6.3% in FY2023, amongst the lowest in the industry, reflecting its continuing efforts in strategic cost management whilst reinvesting into its digital transformation plans. HLA's digital transformation, product re-positioning plans and multi-channel distribution will contribute to building long-term value creation for the franchise.

HLA's Group Managing Director/ CEO has been awarded the Woman Leader of the Year award at the 26<sup>th</sup> Asia Insurance Industry Awards 2022 while HLA itself is the proud winner of the Insurtech – Life Insurance at the Malaysia Technology Excellence Awards 2023.

These awards truly reflect HLA's steadfast commitment to offer innovative insurance solutions, provide comprehensive coverage and service excellence that are the catalysts in delivering best-in-class customer experience.

### Family Takaful

Our Family Takaful business, HLMT stayed on a growth trajectory with 20% y-o-y increase in gross contribution to RM654 million in FY2023, outperforming the industry. The strong business growth was supported by a robust banca channel, network of affinity partners and an enlarged agency distribution that has more than 5,500 agents.

As part of our efforts to strengthen the affinity partnerships, HLMT has introduced an online system for submission and claims to enhance the operational efficiency and deliver an improved customer experience. Besides, HLMT has been implementing various efforts to reinforce its sustainability agenda into its business, amongst others, HLMT has incorporated Environmental, Social and Governance ("ESG") factors into its investment policy, launched a new ESG investment-linked funds and embarked on a new partnership with Tabung Haji to offer coverage to its approximately 9 million depositors.

HLMT is committed to the implementation of Value Based Intermediation for Takaful (VBiT) and will continue to support Bank Negara Malaysia's aspiration to make takaful coverage accessible to all by having diverse choices for different segments of customers, including "digital first" solutions.

### Overseas General Insurance

Our overseas general insurance companies, namely HLAS in Singapore and HLIA in Hong Kong, operate a business focusing on online distribution channels in their digital-led and data-driven business model.

In FY2023, HLAS experienced a remarkable 41% y-o-y increase in gross premiums, primarily driven by a surge in travel insurance demand following the reopening of national borders. This growth momentum was fuelled by our direct digital initiatives and strategic affinity partnerships. Notably, HLAS' corporate insurance segment also underwent an accelerated expansion in line with its strategic distribution efforts and diversified portfolio strategy. Throughout, HLAS maintained a sustainable operational framework, underpinned by solid digital infrastructure that spans both individual and corporate operations.

## Management Discussion & Analysis

Likewise, HLIA achieved a noteworthy 20% y-o-y improvement in gross premiums following the resurgence of our travel insurance business, as border restrictions were lifted in Hong Kong in early 2023. HLIA has adeptly diversified its insurance distribution channels, effectively leveraging affinity partnerships and intermediary collaborations to facilitate rapid growth in our customer base.

### MSIG General Insurance

MSIG Insurance (Malaysia), our general insurance associate, recorded lower profit contribution of -12.8% from RM78 million to RM68 million due to higher net claims from economic resumption, especially from motor segment returning to pre-pandemic normalisation.

MSIG Insurance (Malaysia) is also ranked No.2 based on gross direct premium in the local general insurance industry, solidifying its position as one of the leading general insurers in Malaysia.

Moving forward, MSIG Insurance (Malaysia) will continue to focus on further digitalising its services, developing products in line with market trends, growing strategic segments and exploring new partnerships to equip the Company with sustainable long-term growth.

### INVESTMENT BANKING FINANCIAL & OPERATIONAL REVIEW

HLCB is an investment holding company for our investment banking, stockbroking, and asset management business. HLCB's key operating subsidiary companies are 100%-owned Hong Leong Investment Bank Berhad ("HLIB"), 100%-owned Hong Leong Asset Management Bhd ("HLAM") and HLAM's 100%-owned Hong Leong Islamic Asset Management Sdn Bhd ("HLISAM"). HLIB provides a full range of investment banking services encompassing Debt Markets, Equity Markets and Treasury & Markets, while its Stockbroking services are provided through the head office at Menara Hong Leong, branches, and several regional hubs across Malaysia. HLAM and HLISAM are fund management, Islamic fund management and unit trust companies offering and managing a broad spectrum of investment solutions through equities, fixed income, money market and multi-assets for segregated customised portfolios, unit trust funds and wholesale funds.

HLCB had a challenging year as its performance was impacted by weak investment sentiment and higher interest rates that resulted in increased funding costs and reduced liquidity for trading. Consequently, HLCB's PBT of RM 61.4 million fell 36.8%

y-o-y due to lower profit contributions from its key operating subsidiaries HLIB and HLAM. The stockbroking division's financial performance was affected by weaker Bursa market activity with traded value contraction of almost 26% y-o-y. The investment banking division's performance was impacted by the elevated interest rate which led to an escalation in funding costs and a challenging underwriting environment. As for our fund management business, the reduced earnings were mainly due to the contraction of assets under management in the money market funds driven by the removal of tax exemption for this category of funds coupled with impact from competitive fixed deposits interest rates.

HLCB had adopted a prudent approach in respect of the dividend payment and had declared a final dividend of 17.0 sen per share for FY2023 which was 2.0 sen lower than last year. The total capital ratio of HLCB's key operating subsidiary, HLIB, remained healthy at 46.0% as at 30 June 2023.

### Investment Banking

The investment banking business of HLIB recorded a revenue of RM53.4 million and a PBT of RM13.1 million in FY2023. The Treasury & Markets business remained a key revenue generator, contributing RM22.2 million or 41.7% to the investment banking business's total revenue in FY2023. The escalation of funding cost has compressed net revenue earned by Treasury & Markets and there was less opportunity to monetize gains in our fair value through other comprehensive income ("FVOCI") investments in a high interest rate climate. Nonetheless, the liquidity profile of HLIB remained strong with a liquidity coverage ratio of 139.6%.

The Equity Markets division faced headwinds stemming from lower capital market activities as issuance sizes across initial public offering ("IPO") and secondary fundraising contracted by 20.5% y-o-y that led to a decline in revenue by 25.0% y-o-y. During the financial year, HLIB successfully led and completed four (4) IPO exercises and sixteen (16) other corporate advisory exercises. The most notable transaction completed by the team was the RM4.5 billion disposal of concession highways for Gamuda Berhad to Amanat Lebuhraya Rakyat Berhad, where HLIB acted as the Principal Adviser. This transaction led to HLIB winning the "Best Domestic M&A Deal of the Year in Malaysia" in the 16<sup>th</sup> Annual Best Deal & Solution Awards 2022 organized by Alpha South East Asia, an institutional investment publication.

The Debt Markets division rebounded impressively achieving a robust y-o-y revenue growth of 67.3% in FY2023, largely due to our mandated pipeline from previous year. The debt markets team successfully completed thirteen (13) key transactions,

## Management Discussion & Analysis

and was appointed as the Joint Principal Advisers, Joint Lead Arranger and Joint Lead Managers in the issuance of RM5.5 billion Sustainability Sukuk Murabahah Programme issued by Amanat Lebuhraya Rakyat Berhad to finance the acquisition of four (4) highway concessionaries. The issuance of RM5.5 billion Sustainability Sukuk Murabahah by Amanat Lebuhraya Rakyat Berhad, earned HLIB recognition with eight prestigious awards accorded by various publications and Malaysian Rating Corporation. These achievements reaffirm our team's innovation capability and product superiority in providing unrivalled value to our clients in the debt capital markets space.

Looking ahead, the capital market landscape is anticipated to remain challenging with limited large-scale infrastructure projects in the pipeline. Our Debt Markets and Equity Markets divisions shall build upon their strengths in structuring and distribution capabilities to enhance HLIB's competitiveness and respective market share. The teams will also place greater focus in growing HLIB's presence in the ESG space and seek opportunities to collaborate with clients in accelerating their transition towards sustainable practices. The Treasury & Markets division shall pursue trading opportunities sensibly as we steer through a high funding costs environment that is expected to stay elevated in the near term.

### Stockbroking

The Stockbroking division of HLIB recorded revenue of RM90.7 million and PBT of RM 29.4 million, a decline of 30.6% y-o-y. This financial performance was negatively affected by subdued activity in Bursa Malaysia's market during the year, which registered a decline in daily average trading volume to RM2.0 billion from RM2.7 billion on a y-o-y basis.

Net Brokerage income reduced by 33.5% y-o-y to RM44.7 million mainly due to lower trading volume from the retail segment but offset by higher participation in the institutional segment. Retail participation in the overall Bursa Malaysia market shrank to 26.3% in FY2023 from 29.3% in the previous financial year, while institutional participation has grown from 30.7% to 35.0% in FY2023. The shift in market participation led to a slight decrease in HLIB's market share from 3.88% to 3.85% during the financial year given that the retail segment remains the primary contributor to HLIB's net brokerage income with 66.6% contribution in FY2023. Correspondingly, the contribution of the institutional segment to HLIB's net brokerage income has increased to 33.4%. Our retail foreign share trading business, that offers access to eight (8) foreign markets also saw a lower

traded volume of RM4.1 billion in FY2023 as compared to RM6.9 billion in the previous financial year, mainly due to our customers' cautious stance in an uncertain investment environment.

During the financial year, our Stockbroking business launched a fully digitalised account opening experience for our clients in April 2023 that improved the turnaround time to onboard a client from approximately five (5) working days to two (2) working days. In addition, we enhanced our share trading website with a single sign-on capability and upgraded our foreign trading mobile application with a better user interface that makes trading simpler.

Moving forward, the team will focus on growing market share and expanding our revenue base. We will enhance our client's investment and trading experience through advance deployment of technology, product innovation and plan ways to embed ESG into our stockbroking products.

### Asset Management

The unit trust and fund management business operated under HLAM and its subsidiary, HLISAM recorded a PBT of RM10.2 million, marked a reduction of 59.5% y-o-y in FY2023. The weaker performance primarily stems from a 26.1% contraction in AUM of Money Market Funds following the discontinuation of tax exemption for this fund category. The competitive fixed deposits interest rates have also contributed to rapid redemptions from our Money Market Funds.

On 9 January 2023, HLAM launched its second ESG fund, notably its maiden Shariah-compliant ESG fund, the Hong Leong Global Shariah ESG Fund that is designed to yield medium to long-term capital growth by investing in a globally diversified portfolio of companies that prioritize ESG criteria in their investment processes. This product expands the accessibility of sustainable investing to a wider spectrum of clients. During the financial year, HLAM displayed its proven track record of delivering stellar fund performance, winning 20 individual awards at the Refinitiv Lipper Fund Awards Malaysia 2023 and Refinitiv Lipper Fund Awards Global Islamic 2023. These funds have recorded a total of RM170.1 million increase in AUM y-o-y.

Moving forward, HLAM and HLISAM will be focusing on executing new strategies to diversify the AUM base and drive the expansion of our distribution channels. We will deepen our digital capabilities to support the business expansion, improve operational efficiencies and enhance our customers' investing experience.



## Management Discussion & Analysis

### SUSTAINABILITY

At HLFG, we placed emphasis in managing Environmental, Social and Governance (“ESG”) and its associated risks under a Group-wide approach. We have amplified our commitment to advancing the global sustainability agenda, embedding the principles and tenets of sustainability deeply into our operations. During the year, HLFG reviewed our material sustainability matters and performed an in-depth analysis of these material matters that are listed in our sustainability statement. Our operating companies have set in place internal policies encompassing ESG considerations and sustainability best practices, that spans across our product and service offerings, tax strategy and approaches, lending assessment frameworks, investment policies, and decision-making processes across all our businesses. Details of our sustainability achievements are set out in our Sustainability Statement.

Our commitment to sustainability has been duly acknowledged, as HLFG and all its public-listed operating companies, HLB and HLCB, are constituents of the FTSE4GOOD Bursa Malaysia (F4GBM) Index.

### OUTLOOK

At the time of writing, Malaysia’s GDP growth is projected to stay modest in the region of 4.0% in 2023. A resilient domestic demand is expected to cushion a softer external trade amidst sluggish global demand, geopolitical uncertainties, and spillover effects from a slower-than-expected recovery of China’s economy. Nevertheless, we anticipate the domestic economy will continue to be a key driver of economic growth into 2024 as inflationary pressures stabilise, supported by a robust labour market and gradual recovery in the economies of our major trading partners, notably China.

Overall, we approach the new financial year with caution as the current operating environment warrants vigilance with interest rates likely to remain higher for longer and the macroeconomics uncertainties of FY2023 persists into the new year. The Group shall guard against emerging risks and manage our businesses prudently, advancing on multiple fronts whilst strengthening our foundations for a digitalised and sustainable future.

### ACKNOWLEDGEMENT

We would like to take this opportunity to express our gratitude to the Board of Directors for their support and guidance, the management, colleagues, and members of staff throughout the HLFG Group for their dedication and commitment.

Our sincere appreciation also goes out to the regulators, government authorities, shareholders, customers, and business partners as well as to the community we serve for their continued faith and confidence in Hong Leong Financial Group.

### FURTHER INFORMATION

For further information on our subsidiary companies, please refer to:

- HLB’s FY2023 MD&A in their FY2023 annual report at [www.hlb.com.my](http://www.hlb.com.my) or [www.bursamalaysia.com](http://www.bursamalaysia.com);
- HLAH and HLA’s financial statements at [www.hla.com.my](http://www.hla.com.my); and
- HLCB’s FY2023 MD&A in their FY2023 annual report at [www.hlcab.com.my](http://www.hlcab.com.my) or [www.bursamalaysia.com](http://www.bursamalaysia.com).

# Sustainability Statement

## OUR SUSTAINABILITY APPROACH



## ABOUT THIS STATEMENT

This sustainability statement covers progress made by Hong Leong Financial Group Berhad ("HLFG") for the financial year of 1 July 2022 to 30 June 2023 ("FY2023") towards addressing economic, environmental, social, and governance matters within our business and operations, in line with HLFG's sustainability ambitions. The Report is guided by the material sustainability matters of HLFG and our operating entities ("the Group") and prepared with reference to the Global Reporting Initiative ("GRI") 2021 Sustainability Reporting Standards and Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Bursa Malaysia") for Sustainability Statements in Annual Reports.

## REPORTING SCOPE AND BOUNDARIES

This report encompasses sustainability data collected from the key operating companies of the following Group entities with the ensuing core businesses:















- Hong Leong Bank Berhad ("HLB") – Commercial and Islamic banking;
- Hong Leong Capital Berhad ("HLCB") – Investment banking and fund management; and
- HLA Holdings Sdn. Bhd. ("HLAH")\* – Life insurance and family takaful.

\* The information disclosed relates to Highlights & Achievement of 2023, Climate Metrics & Targets and Addressing the Emission Imperative. The remaining information relates to Hong Leong Assurance Berhad ("HLA").



## Sustainability Statement

## HIGHLIGHTS &amp; ACHIEVEMENTS OF 2023

| HLFG                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <div>  </div> <div>Expanded reporting boundaries for GHG Scope 2 and Scope 3 emissions to include purchased cooling and employee commuting</div> <div>  </div> <div>&gt;50% female representative in HLFG Board</div> |                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                       |
| HLB                                                                                                                                                                                                                                                                                                                                                                                       | HLCB                                                                                                                                                                                                                                                                              | HLAH                                                                                                                                                                                                                  |
| <div>  </div> <div>Financed over RM390 million for battery electric vehicles ("BEV"), hybrid electric vehicles ("HEV"), and plug-in hybrid electric vehicles ("PHEV")</div>                                                                                                                              | <div>  </div> <div>Mandated with up to RM1.4 billion programme limits for financing of renewable energy projects</div>                                                                           | <div>  </div> <div>Adopted Robotic Process Automation across business processes to increase productivity and accuracy</div>        |
| <div>  </div> <div>Cumulatively approved over RM13 billion for Green Mortgage &amp; Affordable Property Financing</div>                                                                                                                                                                                 | <div>  </div> <div>Launched Hong Leong Global Shariah ESG Fund ("HLGSESGF") to increase accessibility to sustainable investing</div>                                                            | <div>  </div> <div>Conducted HLA L.I.V.E Hour to engage employees, covering trending topics such as Mental Health Awareness</div> |
| <div>  </div> <div>Cumulatively approved over RM3 billion for Solar, Bioenergy, Small Hydro &amp; Any RE* projects</div>                                                                                                                                                                               | <div>  </div> <div>36% increase in green bonds investment, contributing to the generation of hydropower</div>                                                                                  | <div>  </div> <div>Reduced approximately 20% of carbon emissions since base year FY2019</div>                                    |
| <div>  </div> <div>Reduced approximately 21% of Scope 1 &amp; 2 carbon emissions since base year FY2019, ahead of the targeted reduction of 15% to 25% by the year 2026</div>                                                                                                                          | <div>  </div> <div>Appointed a Chief Sustainability Officer ("CSO") to lead the Sustainability Department and drive strategic sustainability initiatives throughout HLCB group companies</div> |                                                                                                                                                                                                                       |
| <div>  </div> <div>HLFG, HLB and HLCB have been listed as a constituent of FTSE4Good Bursa Malaysia index, as a recognition of our Group's efforts in embracing sustainability</div>                                                                                                                   |                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                       |
| * Any RE consist of customers with facilities that is not concentrated on a single RE resource                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                       |

## OUR APPROACH TO SUSTAINABILITY

The Group has adopted a progressive approach to embedding sustainability into our businesses. This is in line with our vision to be an integrated financial services group that strives to consistently meet our customers' needs. We foster strength and resilience across the entire Group as we grow our businesses responsibly while conscientiously balancing environmental, social, and governance ("ESG") considerations to create value for our stakeholders and the communities within which we operate.

We achieve this through continuous technological innovation and transformation, supported by a robust risk management framework. As an investment holding company, HLFG aims to

guide our operating companies to enhance their ESG performance, including actively working towards financial inclusivity, a low-carbon economy, and an empowering and future-ready workplace.

At HLFG, we are guided by the five Sustainability Pillars that serve as the foundation for evaluating, monitoring, and developing sustainability efforts across the Group's key operating companies. Our operating companies are empowered to integrate ESG principles into their operations, lending practices, provision of financial services and products, and investment framework, while also facilitating transparent sustainability disclosures. By aligning our overall business practices with ESG principles, we aim to create a meaningful impact on the well-being of the society and the environment, contributing to a more sustainable future.

## Sustainability Statement



## STAKEHOLDER MANAGEMENT

Acknowledging the interests of our diverse stakeholder groups is fundamental to our long-term success. Through continuous engagement with our stakeholders via our operating companies, we strive to foster and enhance meaningful connections. We maintain valuable relationships with stakeholders using diverse engagement channels, as outlined in the table below:

| Stakeholder                | Engagement Channel                                                                                                                                                                                                               | Areas of Interest                                                                                                                                                                                  | Section                                   |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| Employees                  | <ul style="list-style-type: none"> <li>- Daily operations</li> <li>- Performance management</li> <li>- Whistleblowing channels</li> <li>- Corporate communications</li> <li>- Training and development</li> </ul>                | <ul style="list-style-type: none"> <li>- Effective communication</li> <li>- Professional development</li> <li>- Job security</li> <li>- Benefits and well-being</li> <li>- Transparency</li> </ul> | Workforce Readiness, pg68                 |
| Investors                  | <ul style="list-style-type: none"> <li>- Annual reports</li> <li>- Announcements</li> <li>- Financial reports</li> <li>- General meetings</li> <li>- Whistleblowing channels</li> <li>- Briefings</li> <li>- Meetings</li> </ul> | <ul style="list-style-type: none"> <li>- Corporate governance</li> <li>- Financial performance</li> <li>- Regulatory compliance</li> <li>- Transparency</li> </ul>                                 | Good Governance, pg40                     |
| Regulators and Authorities | <ul style="list-style-type: none"> <li>- Daily operations</li> <li>- Audits</li> <li>- Meetings</li> <li>- Circulars</li> <li>- Enforcement</li> <li>- Reports</li> </ul>                                                        | <ul style="list-style-type: none"> <li>- Regulatory compliance</li> <li>- Corporate governance</li> <li>- Ethical business conduct</li> </ul>                                                      | Good Governance, pg40                     |
| Clients                    | <ul style="list-style-type: none"> <li>- Daily operations</li> <li>- Social media</li> <li>- Corporate communications</li> <li>- Corporate events/workshops</li> </ul>                                                           | <ul style="list-style-type: none"> <li>- Client experience</li> <li>- Value-added products and services</li> <li>- Data privacy and cybersecurity</li> <li>- Ethical business conduct</li> </ul>   | Driving Sustainable Economic Growth, pg58 |
| Community                  | <ul style="list-style-type: none"> <li>- Daily operations</li> <li>- Social media</li> <li>- Roadshows and events</li> <li>- Corporate communications</li> <li>- Corporate Social Responsibility events</li> </ul>               | <ul style="list-style-type: none"> <li>- Ethical business conduct</li> <li>- Transparency</li> <li>- Community investment</li> <li>- Financial inclusion</li> <li>- Financial literacy</li> </ul>  | Driving Sustainable Economic Growth, pg58 |
| Vendors and Suppliers      | <ul style="list-style-type: none"> <li>- Procurement process</li> <li>- Tender process</li> <li>- Outsourcing service provider due diligence review</li> <li>- Proof of Concept engagement</li> </ul>                            | <ul style="list-style-type: none"> <li>- Fair procurement</li> <li>- Transparent tender process</li> <li>- Ethical business conduct</li> </ul>                                                     | Good Governance, pg40                     |
| Analysts and Media         | <ul style="list-style-type: none"> <li>- Social media</li> <li>- Corporate website</li> <li>- Media announcements</li> </ul>                                                                                                     | <ul style="list-style-type: none"> <li>- Transparency</li> <li>- Strategic communication</li> </ul>                                                                                                | Good Governance, pg40                     |
| Associations               | <ul style="list-style-type: none"> <li>- Meetings</li> <li>- Corporate events</li> <li>- Online correspondences</li> </ul>                                                                                                       | <ul style="list-style-type: none"> <li>- Industry stewardship</li> <li>- Regulatory compliance</li> </ul>                                                                                          | Good Governance, pg40                     |

## Sustainability Statement

### MATERIALITY

Engaging with our stakeholders helps us to recognise emerging sustainability risks and opportunities, prioritise our efforts, and create long-lasting value for our organisation and the community. Through this, we are able to identify material sustainability topics that will ensure our progress in providing meaningful impact to our stakeholders, in line with their evolving requirements. We undertake a structured approach to identify the material topics, and conduct assessments and reviews to determine the relevance of these topics, which process is carried out at least biennially across the Group.

In FY2023, the Group undertook a materiality assessment exercise, taking into account the diverse views of a broad range of stakeholders across our operating entities, including the Board, senior management, employees, regulators, investors, customers, media, vendors, and suppliers.

#### Approach in Determining Our Material Topics

| Topic Identification                                                                                                                                     | Stakeholder Engagement                                                                                                                                                                        | Prioritisation & Validation                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Identified key sustainability topics through comprehensive review of ESG standards and industry trends, backed by deep understanding of our value chain. | Captured the views and understanding of the internal and external stakeholders of our operating entities, HLB, HLCB, and HLA, on what matters to them through online surveys and engagements. | Processed the inputs gathered to produce our FY2023 Materiality Matrix, which was validated by the Senior Management. |

HLFG's materiality assessment approach encourages recognition and communication of the impact of sustainability topics on our Group's performance, as well as the impact of our business activities along the value chain on the community and environment. The Group has identified 17 topics that are material to our operations, which have been tabled in the materiality matrix and further explained in the following section.



## Sustainability Statement

### Material Sustainability Topics

#### Digital at the Core

1. Digitalisation & Innovation
2. Customer Experience
3. Privacy, Data Protection & Cybersecurity

#### Environmental Management

4. Managing Our Operational Environmental Footprint
5. Building Climate Resilience

#### Workforce Readiness

6. Talent Attraction, Development & Retention
7. Diverse and Inclusive Workforce
8. Creating a Fair and Nurturing Workplace
9. Fostering a Sustainability-Driven Culture

#### Socially Responsible Business

10. Good Governance & Ethical Business Conduct
11. Sound Risk Management
12. ESG Integration into Financial Products

13. Fair Treatment of Financial Consumers

14. Sustainable Supply Chain

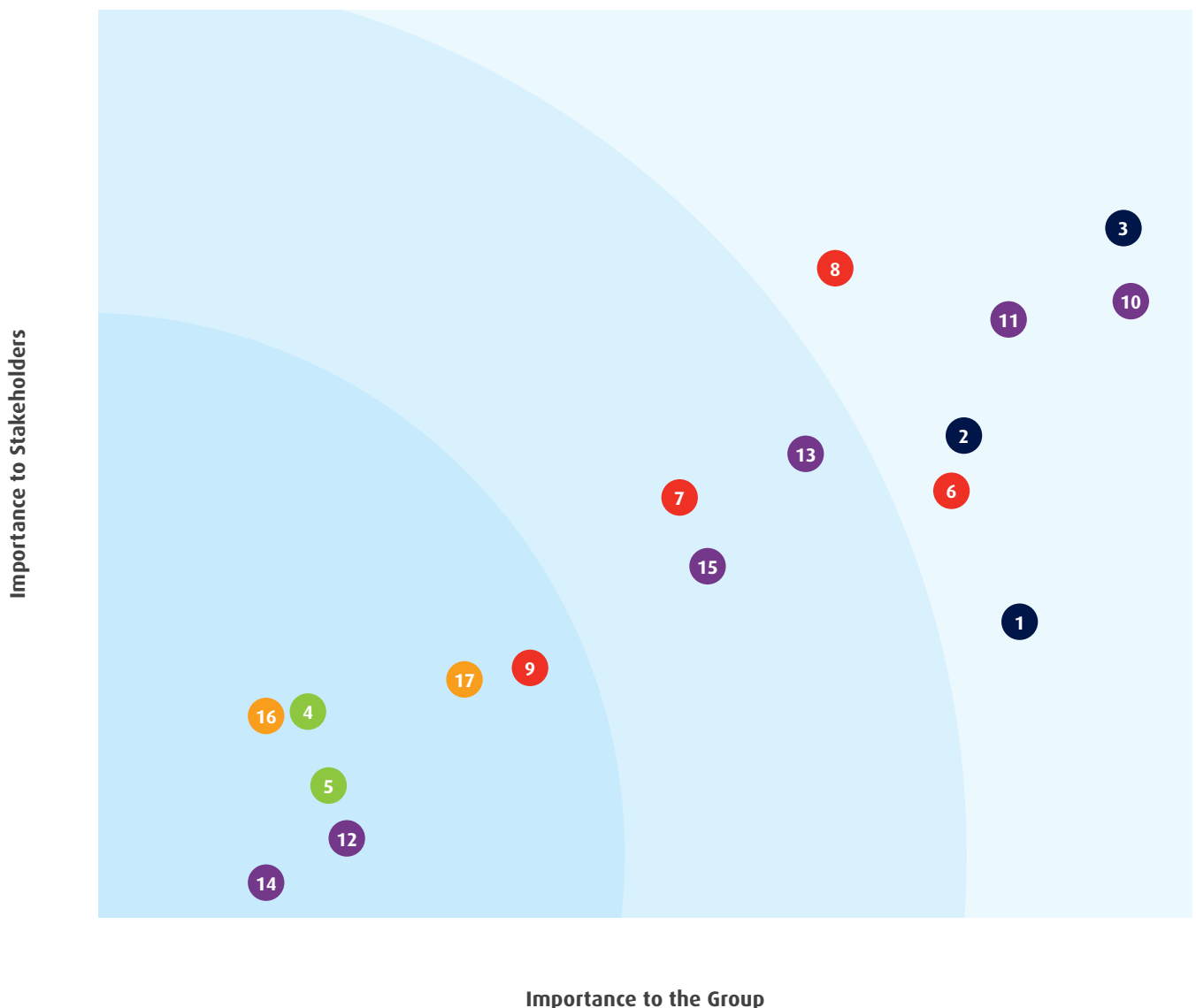
15. Human & Labour Rights

#### Community Investment

16. Supporting Social Enterprises and Communities
17. Financial Inclusion & Literacy

#### Legend:

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



## Sustainability Statement

### Digital at the Core

| No. | Material Matters                         | Description                                                                                                                                                                                                                                       |
|-----|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | Digitalisation & Innovation              | Leveraging advanced data analytics and digital systems to develop innovative products aligned with customers' needs, and increase operational effectiveness to drive productivity, while simultaneously increasing accessibility of our products. |
| 2   | Customer Experience                      | Embedding a customer-centric culture throughout the organisation and undertaking initiatives to enhance end-to-end customer experience and customer satisfaction; leading to higher customer retention rates.                                     |
| 3   | Privacy, Data Protection & Cybersecurity | Safeguarding employees' and customers' data from unauthorised access, cyber attacks, and threats through responsible collection, handling, storage, and protection of personal and proprietary data.                                              |

### Environmental Management

| No. | Material Matters                                 | Description                                                                                                                                                                                                                         |
|-----|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4   | Managing Our Operational Environmental Footprint | Responsibly optimising resource efficiency to effectively manage the environmental footprint of our operations, especially in energy management, paper consumption, water consumption, and greenhouse gas ("GHG") emissions.        |
| 5   | Building Climate Resilience                      | Embedding climate-related risks into our risk management and operational framework to facilitate the transition towards a low-carbon economy, including reducing exposure to high-risk sectors and supporting low-carbon solutions. |

### Workforce Readiness

| No. | Material Matters                           | Description                                                                                                                                                                                            |
|-----|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6   | Talent Attraction, Development & Retention | Establishing a sustainable, high-quality talent stream, while also fostering a growth mindset in our employees to ensure their adaptability in the ever-evolving business and technological landscape. |
| 7   | Diverse and Inclusive Workforce            | Promoting and embracing a diverse and inclusive workplace, whereby all employees are treated equally and without discrimination, thus encouraging productivity and innovation.                         |
| 8   | Creating a Fair and Nurturing Workplace    | Creating an inclusive and supportive work environment which prioritises employee health and safety via effective policies, processes, and labour standards.                                            |
| 9   | Fostering a Sustainability-Driven Culture  | Establishing a corporate culture that embraces and promotes sustainable practices, values, and behaviours throughout the organisation, including encouraging employee volunteerism.                    |

## Sustainability Statement

| Socially Responsible Business |                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| No.                           | Material Matters                              | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 10                            | 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.                                                                                                                                                                                                                                                    |
| 11                            | Sound Risk Management                         | <p>Upholding a strong compliance culture throughout the organisation to ensure adherence to applicable laws, regulations, and standards, as well as preventing financial crimes including money laundering, terrorism financing, fraud, corruption, and bribery.</p> <p>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.</p> |
| 12                            | ESG Integration into Financial Products       | <p>Integrating ESG factors into our products and services including:</p> <ul style="list-style-type: none"> <li>- Issuance of green and sustainable finance (HLB);</li> <li>- Investment practices (HLCB);</li> <li>- Insurance processes (HLA)</li> </ul>                                                                                                                                                                                                                        |
| 13                            | Fair Treatment of Financial Consumers         | Ensuring fair treatment of our customers throughout our operations by prioritising their financial needs and risk appetite, as well as providing transparent, accurate, and comprehensive information about our products and services.                                                                                                                                                                                                                                            |
| 14                            | Sustainable Supply Chain                      | Upholding sustainability procurement principles across the supply chain via robust supplier policies, assessment, and engagement practices, while also encouraging supplier diversity to include local businesses.                                                                                                                                                                                                                                                                |
| 15                            | Human & Labour Rights                         | Implementing policies to ensure the protection and respect of human rights throughout our value chain and business operations, including prevention of human rights violations.                                                                                                                                                                                                                                                                                                   |
| Community Investment          |                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| No.                           | Material Matters                              | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 16                            | Supporting Social Enterprises and Communities | Forming partnerships with social enterprises for community empowerment programmes as a way of creating long-term social impact for underserved communities across our operations.                                                                                                                                                                                                                                                                                                 |
| 17                            | Financial Inclusion & Literacy                | Empowering individuals and businesses to improve their financial well-being by promoting financial literacy and facilitating accessibility of affordable financial services to all segments of society.                                                                                                                                                                                                                                                                           |

For additional information on HLB's material sustainability topics, please refer to the HLB SR2023

For additional information on HLCB's material sustainability topics, please refer to the HLCB AR2023



## Sustainability Statement

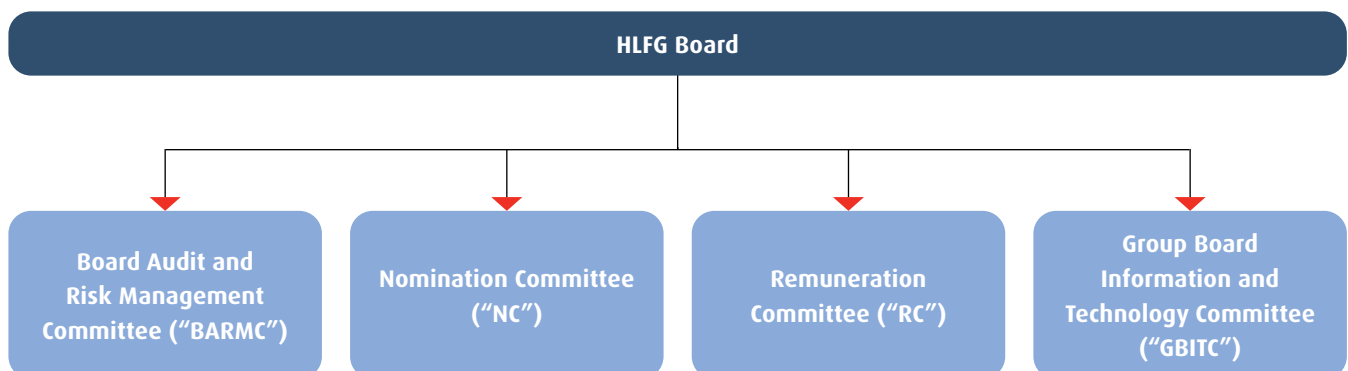
### GOOD GOVERNANCE



### DRIVING SUCCESS THROUGH STRATEGIC LEADERSHIP

#### Corporate Governance

Robust corporate governance and clear leadership form the basis for our organisation's success, leading the way towards achieving the Group's sustainability goals. With a commitment to ensuring an effective governance framework, our Board of Directors ("Board") set the tone at the top, maintaining oversight of management and the development and execution of our overall sustainability strategy.



The Board is supported by BARMC, NC, RC, and GBITC. Together with Senior Management, the Board oversees compliance with the regulations on Anti-Bribery and Corruption ("ABC"), Anti-Money Laundering ("AML"), whistleblowing, and other regulatory requirements. In order to ensure relevance and regulatory compliance, these policies and their respective standard operating procedures ("SOPs") are reviewed annually.

## Sustainability Statement

| Governing Body                                             | Roles and Responsibilities                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Board of Directors                                         | Establishes a sound governance structure for the implementation of sustainability efforts and practices in business operations, to ensure that sustainability is embedded in business strategies.                                                                                                                                                                                                                                                                                 |
| Board Audit and Risk Management Committee ("BARMC")        | Comprising members of the Board, the BARMC has been set up to oversee the implementation of the governance framework and internal control framework and policies by the management of the organisation and that risk management is being managed effectively. They, in turn, report all material governance, internal control, and risk management activities to the Board.                                                                                                       |
| Group Board Information and Technology Committee ("GBITC") | Jointly supports the Boards of HLFG, Hong Leong Investment Bank Berhad ("HLIB"), HLA and Hong Leong MSIG Takaful Berhad ("HLMT") to oversee technology and cybersecurity issues, foster discussions to harmonise digital development practices, ensure robust risk assessments for important technology applications, and oversee management's compliance with BNM Risk Management in Technology ("RMiT") Policy.                                                                 |
| Nomination Committee ("NC")                                | Supports the Board in matters of appointments, composition, performance assessment, and skills evaluation for the Board, senior management, and company secretary. This includes setting criteria for appointments, reviewing appointments and removals, assessing overall Board composition and effectiveness. The committee also reviews the performance of the BARMC, manages senior management succession planning and evaluations, and ensures the Board's ongoing training. |
| Remuneration Committee ("RC")                              | Supports the Board and reviews the structure and guidelines for remuneration concerning Directors, Chief Executive Officer, senior management officers, and material risk-takers; evaluating executive directors' and the Chief Executive Officer's remuneration packages for Board approval; and assessing for Board approval the remuneration of key senior management officers and other material risk-takers.                                                                 |

## Sustainability Governance

Establishing a top-down approach focused on sustainable development and growth, the roles and responsibilities of the Board, Senior Management, and Sustainability Team are defined within the organisation. With a streamlined direction and leadership from the top, we are able to oversee sustainability initiatives and monitor efforts and progress in addressing our material sustainability matters across the Group.



## Sustainability Statement

### Board and Senior Management Roles and Responsibilities

HLFG Board is committed to ensuring sustainable practices are progressively embedded across the organisation to manage sustainability matters effectively. The Board provides oversight on all sustainability governance matters and is supported by Senior Management, namely our President & Chief Executive Officer, with the support of the Group Chief Financial Officer, who is responsible for driving the implementation of our sustainability strategy and ensuring that our objectives are met. We are currently outlining the roles and responsibilities of our Sustainability Committee, which is expected to be approved and adopted by FY2024.

| Governing Body                      | Roles and Responsibilities                                                                                                                                                                         |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Board of Directors                  | To establish a sound governance structure for the implementation of sustainability efforts and practices in business operations, to ensure that sustainability is embedded in business operations. |
| President & Chief Executive Officer | To drive the implementation of our sustainability strategy and ensuring that sustainability objectives are met.                                                                                    |
| Group Chief Financial Officer       |                                                                                                                                                                                                    |

The Boards across our operating entities are cognisant of their duties and responsibilities in addressing sustainability for the wider Group, with sustainability governance structures implemented for each entity.

### ESG Capacity Building for the Board

Our Board, which comprises individuals with diverse skills and backgrounds, is responsible for overseeing critical aspects of our company, including ESG-related matters. We seek to ensure that we operate as a team, leveraging our diverse strengths and expertise that contribute to achieving the strategic ESG priorities of the Group. In line with this, our Boards across the Group are equipped with a wide range of skill sets and expertise, including banking and/or financial services, insurance, technology, corporate governance, risk management or compliance, sustainability, financial acumen, and international business experience.

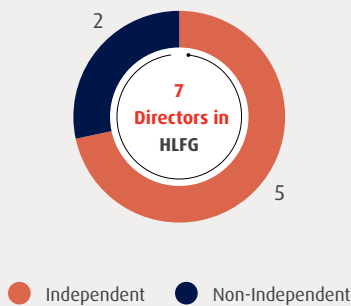
We also strive to provide ongoing board training on sustainability-related topics to ensure the Boards remain well-equipped to integrate ESG considerations into the respective organisation's overall strategy, decision-making processes, and risk management. With this approach, we endeavour to ensure transparency, integrity, and sustainable decision-making across all aspects of our operations.

## Sustainability Statement

### Diversity & Inclusivity Across the Board

Maintaining a diverse Board is in line with our focus on encouraging diversity and inclusivity at every level of our organisation. All of our directors are nominated and appointed fairly, with no discrimination made based on gender, race, or religion, with HLB and HLCB further establishing their respective Board Diversity Policies. By prioritising an inclusive culture, we are able to maximise the strengths of a diverse workforce, creating a lasting and meaningful impact on our organisation in a rapidly changing business landscape.

#### Board Independence in FY2023

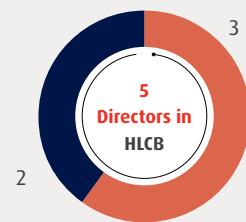
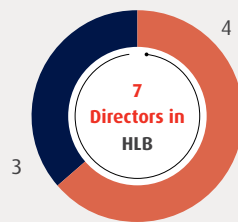
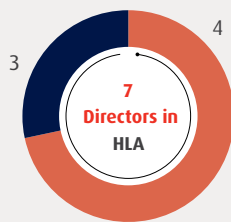


#### Board Gender Diversity in FY2023



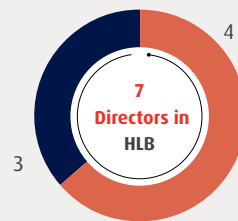
### BOARD DIVERSITY ACROSS OUR OPERATING ENTITIES

#### Board Independence in FY2023



Independent Non-Independent

#### Board Gender Diversity in FY2023



Male Female

## Sustainability Statement

### ESG Risk Governance

Guided by the Sustainability Risk Governance Framework, which is aligned to the Group's overall Risk Management Framework, our ESG risk management governance structure promotes active involvement of all parties in the ESG risk management process to ensure a uniform view of risk across the organisation. It also ensures accountability while facilitating an appropriate level of independence and segregation of duties between all parties involved in the process.

All operating companies across the Group has incorporated ESG and sustainability factors into their operations to promote positive effects on the communities they operate in. This involves a structured approach towards identifying, evaluating, quantifying, monitoring, mitigating, and reporting ESG risks. Despite the inherent risks associated with ESG, the operating companies have introduced strategies to minimise and adapt to these risks, enabling the Group to improve 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 operating companies have 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.

### Embedding Sustainability into Our Organisational Philosophy

The Group is cognisant of the role we play in driving the sustainability initiative for the economy. We are committed to advocating for sustainable development and integration, not only to our external stakeholders, but also internally. To that end, our organisational philosophy has taken measures to facilitate smooth sustainability integration, driving granularity in the implementation and integration of sustainability considerations across the organisation.

### Sound Risk Management

We have made steady progress in embedding ESG considerations, through our interactions with stakeholders, into daily business practices, products, and services. This ideal drives our sustainability progress and aspirations, enforcing our dedication to promote sustainability within our business value chains and network of stakeholders across our operating businesses.

With that in mind, our operating businesses, through their respective Risk Management Frameworks, have implemented comprehensive mitigation measures to address the inherent ESG risks within their operations. These include policies and action plans to manage the following risks:



## Sustainability Statement

**ETHICAL BUSINESS PRACTICES**

Conducting business in a sound and responsible manner is fundamental to the organisation, increasing the need for robust internal controls and rigorous risk management procedures. To that end, the Group works assiduously, ensuring our principles and ambitions continue to drive the organisation towards providing positive lasting value for all of our stakeholders by building trusted partnerships and ensuring fairness and integrity.

**Upholding Compliance and Integrity**

HLFG is committed to upholding the highest standards of business conduct across the Group, ensuring the safety and security of our customers. A robust suite of policies, procedures, and controls are set in place to prevent unlawful activities from taking place, including money laundering, terrorism financing, bribery and corruption, among others. The BARMC oversees and monitors issues relating to the Group's regulatory compliance. Guided by the Group's Compliance Framework, the Group looks to build a strong compliance culture for all employees to not only understand and manage compliance risk, but also comply with evolving legal and regulatory requirements. The Group remains steadfast in our efforts to provide and maintain high standards of conduct in all our business dealings across the Group. We endeavour to ensure that all business activities are carried out with the highest levels of ethics and integrity.

As part of our approach towards good corporate governance, all our operating companies have implemented key compliance policies, including the Code of Conduct and Ethics, Anti-Bribery and Corruption, and Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions ("AML/CFT & TFS"), Personal Data Protection, and Whistleblowing policies to ensure responsible business conduct is continuously upheld. We proactively engage and train our employees on a regular basis with an emphasis on proper and ethical behaviour among our workforce. Employees are encouraged to raise their concerns about any improper conduct through the channels established by the Whistleblowing Policy.

**Anti-Money Laundering and Counter  
Financing of Terrorism (AML/CFT)****Anti-Bribery & Corruption (ABC)****Fraud****Data Privacy and Protection****Fair Treatment****Human Rights**

For additional information on our Compliance policies across the Group, please refer to our page at <http://www.hlfg.com.my/about-us/codes-and-policies>

For additional information on HLB's compliance policies, please refer to the HLB SR2023

For additional information on HLCB's compliance policies, please refer to the HLCB AR2023



## Sustainability Statement

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### PRACTISING RESPONSIBLE PROCUREMENT

Vendors and suppliers seek transparency in our procurement process and fairness in our business conduct. To achieve this, we adhere to our Procurement/Tender policy principles and procedures, which ensures proper governance and fair procurement, including due diligence, conflict of interest management, and approval requirements, across our operating entities.

We are committed to reducing the environmental impact of our operations throughout the value chain. To that end, HLB, HLCB, and HLFG have integrated ESG considerations in supplier and vendor selections for their procurement and outsourcing processes, while HLA will be looking to roll out similar initiatives moving forward.

Aligning with the Group's Anti-Bribery and Corruption ("ABC") Policy, we expect suppliers and vendors to adhere to our zero-tolerance stance against bribery and corruption. To ensure supplier integrity, we conduct due diligence, including background checks and document verification, before entering into formal relationships with vendors and periodically thereafter.

### CLIMATE RESILIENCE ACROSS THE GROUP

We are mitigating climate-related risks by working towards enhancing our management of climate-related risks and opportunities, as well as improving our climate-related disclosures leveraging guidance from BNM's Task Force on Climate-related Financial Disclosures ("TCFD") Application Guide for Malaysian Financial Institutions, in line with Bursa Malaysia's Sustainability Reporting Guide and in compliance with BNM's Climate Change and Principle-based Taxonomy. We have conducted various exercises to identify and disclose our climate-related risks and opportunities at the operating level, with further details reported by individual operating companies around four thematic areas: Governance, Strategy, Risk Management, and Metrics and Targets.

#### Climate Governance

We are aware that incorporating climate risk considerations into our policies forms the foundation for the identification and management of climate-related risks across the Group. In an effort to create long-term value for our stakeholders, prioritising the strengthening of climate risk management remains key to the organisation.

In order to ensure that members of the Board not only have the necessary skills and knowledge on climate change, but are also kept up-to-date on the latest climate issues, our Boards across our operating entities attended a variety of climate-related training sessions in 2023, including training on climate-related risks, climate governance, and the integration of climate considerations into business.

## Sustainability Statement

## Climate Strategy

We continue to disclose our approach to managing climate risks and opportunities, aligned with the TCFD recommendations. Our operating entities have taken guidance from JC3's TCFD Application Guide for Malaysian Financial Institutions in developing climate-related disclosures as they look to drive the integration of climate considerations into their daily operations.

As our operating businesses operate at varying levels, individual climate strategies of these entities are denoted below:

| Operating Entities | Climate Strategy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| HLB                | <ul style="list-style-type: none"> <li>Established a Vendor Sustainability Self-Assessment to ensure that climate-related aspects are considered in the vendor risk assessment</li> <li>Developed and implemented the Green Bond Framework, where proceeds from the issuance of green bonds are used to finance or refinance new or existing green assets/projects</li> <li>Introduced the BCB ESG Assessment Framework and Policy, an inclusionary approach to assist our customers in transitioning to climate-resilient business operations, and better manage the ESG risks of loan/financing portfolios</li> <li>Implemented the Wealth Management ESG Framework, to consider ESG risks in the wealth management products such as mutual funds, unit trusts, bonds, and equity products</li> <li>Initiated the Developer End Financing Framework to drive the integration of ESG evaluation into decision-making processes for panel developers</li> <li>Rolled out the Environmental Policy on Energy, Water, and Waste Management to promote efficient utilisation of energy and water resources while effectively managing waste without compromising safety, comfort, and reliability of the Bank's physical operations</li> </ul> |
| HLCB               | <ul style="list-style-type: none"> <li>Established a time-bound implementation plan to address the requirements of BNM's Climate Risk Management and Scenario Analysis policy document in the short and medium term. Climate scenarios are progressively embedded into the time-bound implementation plan</li> <li>Established a Sustainability Framework in July 2022 that strategically guides HLCB's business, including the incorporation of climate-related considerations</li> <li>Launched Hong Leong Global ESG Fund ("HLGESGF") and Hong Leong Global Shariah ESG Fund ("HLGSESGF") which emphasise ESG investments</li> <li>Progressively embedding ESG requirements into investment decisions including steady growth in green bond portfolio and investment in green energy projects</li> <li>Conducting a comprehensive and holistic climate-related risk and opportunity assessment to understand the impact, implication and methods for managing risks and opportunities</li> </ul>                                                                                                                                                                                                                                         |
| HLA                | <ul style="list-style-type: none"> <li>Continue to enhance sustainability practices and progressively embed ESG in every aspect of HLA's business operations and processes</li> <li>Integrated ESG considerations into Employee Benefits Department's existing clients, to identify and classify existing clients based on their environmental and social risk scoring</li> <li>Taken progressive measures to reduce water usage and electricity consumption in HLA's nationwide operations</li> <li>Implemented initiatives to reduce GHG emissions through waste and e-waste recycling</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

## Sustainability Statement

### Climate Risk Management

The Group views climate change as an emerging risk that could impact our operations. As such, we recognise that physical, transition, and liability risks may transfer through microeconomic and macroeconomic perspectives and subsequently impact HLFGB and our operating companies' performance. These risks may potentially have both financial and non-financial impacts on our business and portfolio exposure.

Our operating entity, HLB categorises climate-associated risks based on 5-year intervals, aligning with the Paris Agreement's stipulation that each member is required to communicate their Nationally Determined Contributions every 5 years.

### Climate Metrics & Targets

We are committed to driving change within and throughout our businesses. In support of this, our operating company, HLB, has committed to achieving a carbon neutral position for their own emissions by 2030, and a Net Zero Carbon equivalent position by 2050. Our operating entities continue to enhance data integrity and quality in this regard, and our performance for the year is described below.

| Operating Entities | Metrics & Targets                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| HLB                | <ul style="list-style-type: none"> <li>• Successfully reduced about 21% of operational emissions (Scope 1 and 2) since FY2019</li> <li>• Enhanced Scope 3 boundaries to include employee commuting and downstream leased assets as well as operational and business travel emissions from branches in Hong Kong and Singapore</li> <li>• Completed retrofitting of LED light fittings in 21 HLB-owned branches</li> </ul> |
| HLCB               | <ul style="list-style-type: none"> <li>• Began measuring and monitoring GHG emissions under Category 7 - employee commuting for Scope 3, in addition to Scope 1, Scope 2, and Scope 3 business travel</li> </ul>                                                                                                                                                                                                          |
| HLAH               | <ul style="list-style-type: none"> <li>• HLAH's GHG emissions encompass HLA and HLMT premises across Malaysia including headquarters and branches</li> <li>• Began measuring and monitoring GHG emissions under Category 7 - employee commuting for Scope 3, in addition to Scope 1, Scope 2, and Scope 3 business travel</li> </ul>                                                                                      |

## Sustainability Statement

## RESPONDING TO CYBER SECURITY RISKS

As the industry landscape increasingly shifts towards digital platforms and online financial services channels, the Group recognises the importance of strengthening the robustness of our cyber security controls.

| Operating Entities | Enhancing Cyber Security                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| HLB                | <ul style="list-style-type: none"> <li>The Board Information and Technology Committee ("BITC") jointly supports the Boards of HLB and Hong Leong Islamic Bank Berhad ("HLISB") in overseeing technology and cyber security-related matters</li> <li>Board policies on Technology Risk Management, Cyber Resilience, Data Management, Data Protection and Customer Secrecy</li> <li>Multi-layered security implementations that safeguard the integrity of our systems and our customers' information</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                    |
| HLCB               | <ul style="list-style-type: none"> <li>Group Board Information and Technology Committee ("GBITC") jointly supports the Board of HLIB in overseeing technology and cyber security-related matters</li> <li>Stringent compliance, through policies and controls, with requirements in the Financial Services Act 2013 ("FSA"), Capital Markets and Services Act 2007 ("CMSA"), Personal Data Protection Act 2010 ("PDPA"), as well as other regulations issued by BNM, SC, and Bursa Malaysia</li> <li>Red Team Exercise: an attack simulation designed to measure the Group's ability to withstand real-life threats</li> <li>Cyber Drill Exercise to simulate cyberattacks, information security incidents and disruptions</li> <li>Tipping Point Intrusion Prevention System implemented, safeguarding computer systems from vulnerability attacks and web application vulnerabilities</li> </ul> |
| HLA                | <ul style="list-style-type: none"> <li>GBITC jointly supports the Board of HLA in overseeing technology and cyber security-related matters</li> <li>Technology Risk Management Framework to address risks that may arise from failures or breaches of IT systems and/or applications</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

| Operating Entities | Promoting Cyber Awareness Culture                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| HLB                | <ul style="list-style-type: none"> <li>Mandatory e-learning on Cyber Security and Cyber Risk Management</li> <li>Thematic Huddles on Cyber Risk Awareness</li> <li>Cyber Leaders Training to give a practical overview of cyber handling for managers to guide their team</li> <li>Roll out cyber comics series to promote cyber risk awareness with a virtual cyber security ambassador</li> <li>Quarterly Cyber Security and Risk Awareness Videos</li> </ul>                                                                                                                             |
| HLCB               | <ul style="list-style-type: none"> <li>Cybersecurity Threat Modelling briefing</li> <li>Materials on cybersecurity awareness communicated via email</li> <li>Gamification of learning on malware, mobile security, and phishing through videos and crossword puzzles</li> <li>Training via video and assessment relating to password security</li> <li>Cybersecurity awareness pop-up reminder appears on staff PC or laptop upon login on a bi-weekly basis</li> </ul>                                                                                                                     |
| HLA                | <ul style="list-style-type: none"> <li>Cyber Resilience Framework to strengthen our technological resilience against operational disruptions and ensure all our business units take collective responsibility over cyber risk management</li> <li>Endpoint Detection and Response providing protection against ransomware and malware while also facilitating threat hunting and incident response</li> <li>Periodic cyber security and risk newsletters that cover various topics relevant to all staff in educational and comics form to provide bite-sized and casual reading</li> </ul> |

## Sustainability Statement

### **TRANSITIONING TO A LOW-CARBON ECONOMY**



### **OUR SUSTAINABILITY IMPERATIVES**

As a responsible financial holding company, HLFH is aware of the potential environmental issues that our operating companies may have an impact on. To that end, we strive to minimise our environmental impact across our operating companies, which includes tracking our carbon footprint. We track our year-on-year performance against our baseline to identify areas for further improvement. Our cause is furthered by our operating companies expanding the ability to provide financing solutions for greener investments and better strategies in managing our carbon footprint.

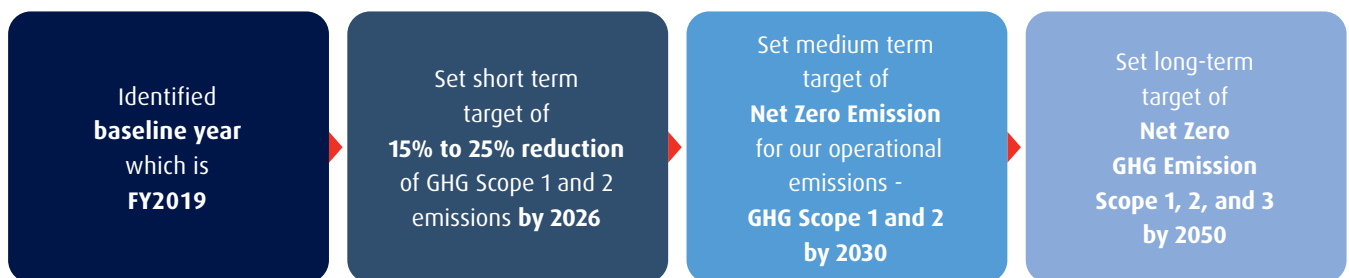
We have taken a leap forward in our sustainability journey as we enhance measuring and monitoring Scope 1 and Scope 2 GHG emissions for operations, as well as Scope 3 business travel and employee commuting emissions. We also currently track key environmental metrics, including electricity and paper consumption, which are linked to our impact on climate change.

## Sustainability Statement

## Sustainability Considerations at Our Operating Entities

Our sustainability considerations are guided by our outlined targets and goals, defining the direction of sustainability integration across the Group. The Group's business operations are committed to mitigating the adverse impacts in the form of environmental degradation through climate change. This ideology is reflected across our operating companies' ambitions and goals.

## HONG LEONG BANK BERHAD



To this end, HLB has approached the finalisation stage of the Mangrove restoration project, in FY2023, at which they are expected to capture and store carbon through 50,000 mangrove trees. The initiative, in collaboration with MNS, is part of the Bank's commitment to mitigate the adverse impacts of climate change and reduce its own operations' carbon footprint. This is estimated to be achieved through an average of more than 1,200 tonnes of CO2 equivalent annually over the next 20 years.

## HLB's Green Financing Solutions



## INTRODUCED GREEN DEBT FINANCING IN FY2022

## Existing Financing Schemes



Enabling Access to Cleaner Energy with Renewable Energy Financing



Promoting Green Transportation via Green Car Financing



Supporting Green Developments via Developer End Financing

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.



## Sustainability Statement

### HONG LEONG CAPITAL BERHAD

Laid out a time-bound implementation plan to align with BNM's Climate Risk Management and Scenario Analysis ("CRMSA") policy document.

Taken steps to begin the journey towards quantifying climate-related risks as part of its Semi-Annual Stress Test.

Took a step forward by expanding its Scope 3 emissions reporting to include employee commuting.

Taken guidance from BNM's TCFD Application Guide, Bursa Malaysia's Sustainability Reporting Guide and BNM's Climate Change and Principle-based Taxonomy ("CCPT"), to enhance its approach to climate-related disclosures around the four thematic areas of Governance, Strategy, Risk Management and Metrics & Targets.

Introduced the HLGSESGF to provide green and sustainable financing solution to a broader client base.

In line with HLCB's endeavour to play a crucial role in establishing climate-conscious practices and providing climate friendly financial solutions, HLCB has laid out a time-bound implementation plan, aligning with BNM's CRMSA policy document. In addition, they are progressively heading to further alignment by beginning the journey to quantifying climate-related risks and expanding their Scope 3 emissions reporting.

HLCB is also enhancing their climate-related disclosures with guidance and reference to regulatory standards and frameworks. Moreover, HLCB is expanding their range of sustainable products to integrate Shariah-compliant sustainable products, providing sustainable financing access to a broader client base through the HLGSESGF.

### HONG LEONG ASSURANCE BERHAD

#### **BNM's Exposure Draft on Climate Risk Management and Scenario Analysis**

HLA and HLMT have completed the gap analysis of the exposure draft together with a high-level Implementation Roadmap.

#### **Sustainability Committee**

Newly formed Sustainability Committees in HLA and HLMT will provide support to the Board in undertaking its oversight responsibilities relating to sustainability and climate risks.

#### **Raising Competencies**

HLA and HLMT have implemented an ongoing training programme designed to enhance the ESG awareness of our Board, Senior Management, and staff, while progressively building their knowledge on climate-related risks.

HLA has undertaken several initiatives during FY2023 which underscore their efforts to manage climate-related risks effectively. To that end, HLA has set out on their sustainability journey based on their high-level Implementation Roadmap with guidance from BNM's Exposure Draft on CRMSA. Further driving the cause, a Sustainability Committee has been formed, acting as the oversight on their sustainability journey. This comes together with internal capacity building seen through the ESG awareness training programme for their Board, Senior Management, and staff.

## Sustainability Statement

## Addressing the Emissions Imperative

We are working towards improving how we address climate-related risks and opportunities while improving the quality and expanding the boundaries of our climate disclosures, aligning better with BNM's TCFD policy document. The assessment of our carbon footprint across all of our operating companies is a crucial effort to identify and improve our operational impact on the environment.

Group Emissions\* (tCO<sub>2</sub>e)

■ Scope 1 ■ Scope 2 ■ Scope 3

## HLFG

## Total GHG Emissions

|        |    |    |    |     |
|--------|----|----|----|-----|
| FY2023 | 14 | 58 | 31 | 103 |
| FY2022 | 14 | 60 | 27 | 101 |
| FY2021 | 16 | 54 | 27 | 97  |

## HLB\*\*

## Total GHG Emissions

|        |     |        |        |        |
|--------|-----|--------|--------|--------|
| FY2023 | 122 | 27,423 | 12,216 | 39,761 |
| FY2022 | 91  | 28,298 | 9,215  | 37,604 |
| FY2021 | 141 | 30,154 | 7,580  | 37,875 |

## HLCB

## Total GHG Emissions

|        |    |     |     |       |
|--------|----|-----|-----|-------|
| FY2023 | 35 | 662 | 719 | 1,416 |
| FY2022 | 28 | 718 | 419 | 1,165 |
| FY2021 | 32 | 743 | 194 | 969   |

## HLAH

## Total GHG Emissions

|        |    |       |       |       |
|--------|----|-------|-------|-------|
| FY2023 | 63 | 4,682 | 1,335 | 6,080 |
| FY2022 | 49 | 3,810 | 885   | 4,744 |
| FY2021 | 43 | 4,139 | 901   | 5,083 |

## The Group (consolidated)

## Total GHG Emissions

|        |     |        |        |        |
|--------|-----|--------|--------|--------|
| FY2023 | 234 | 32,825 | 14,301 | 47,360 |
| FY2022 | 182 | 32,886 | 10,546 | 43,614 |
| FY2021 | 232 | 35,090 | 8,702  | 44,024 |

\* Revision in GHG emissions figures is due to expansion of scope and boundaries

\*\* HLB's GHG emissions covers only the Malaysian operations

## Sustainability Statement

### SCOPE AND BOUNDARIES OF GHG EMISSIONS REPORTING

The Group has taken a phased approach to address the need for enhanced carbon footprint disclosures, taking into account data readiness and limitations. At present, the reporting boundaries for GHG emissions are Scope 1, Scope 2, and business travel and employee commuting under Scope 3. HLFG has expanded their own Scope 2 emissions calculations to include purchased cooling while HLB has expanded their boundaries to include downstream leased assets under their Scope 3 reporting.

|                |                                                                                                                                                                          |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Scope 1</b> | Direct GHG emissions that encompass: <ul style="list-style-type: none"> <li>- Stationary Combustion</li> <li>- Mobile Combustion</li> <li>- Fugitive Emission</li> </ul> |
| <b>Scope 2</b> | <ul style="list-style-type: none"> <li>- Indirect GHG emissions from the generation of purchased electricity</li> <li>- Purchased cooling</li> </ul>                     |
| <b>Scope 3</b> | Other indirect GHG emissions: <ul style="list-style-type: none"> <li>- Business Travel</li> <li>- Employee commute</li> </ul>                                            |

Our measurement and reporting of greenhouse gas emissions are in accordance with the GHG Protocol: A Corporate Accounting and Reporting Standard, Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories, and using relevant local emissions factors where applicable.

#### HLB in FY2023

HLB's carbon footprint saw a slight increase in their total GHG emissions in FY2023, a 5.7% increase to 39,761 tCO<sub>2</sub>e from 37,604 tCO<sub>2</sub>e in the previous year. The marginal increase in total emissions is attributed to the expansion of the Bank's Scope 3 boundaries which saw the inclusion of employee commute and downstream leased assets as well as the inclusion of operational and business travel emissions from branches in Singapore and Hong Kong. HLB is determined to further enhance the climate disclosures, to achieve a more reliable accounting and reporting of GHG emissions.

#### HLCB in FY2023

HLCB's GHG emissions disclosure is systematically documented in terms of scopes (Scope 1, Scope 2, and Scope 3) from FY2021 to FY2023, covering operations at their main offices, Menara Hong Leong and Plaza Zurich, three HLIB branches, four HLAM branches, as well as six hubs across different states. HLCB recorded a total of 1,416 tCO<sub>2</sub>e for FY2023, reflecting an increase from the previous year. This can be primarily attributed to the inclusion of employee commuting in the calculation of Scope 3 emissions, driven by a higher number of staff resuming work in office. HLCB is driven to be guided by the goals outlined in their Sustainability Framework, propelling them to persistently oversee, assess, and enhance their GHG reporting.

#### HLAH in FY2023

HLAH's GHG emissions encompass HLA and HLMT premises across Malaysia including headquarters and branches.

Both absolute and intensity emissions in FY2022 and FY2023 saw an increase as employee and business travel has resumed to pre-COVID19 condition.

## Sustainability Statement

## A HOLISTIC APPROACH TOWARDS REDUCING OUR ENVIRONMENTAL FOOTPRINT


## Our Environmental Progress

We recognise the importance and significance of resource management to progressively and efficiently reduce our environmental footprint. This encompasses effective identification and management of resource consumption with no compromise on business operations or productivity. Tackling effective resource management requires sustainability awareness from our stakeholders to drive our efforts towards sustainable changes within our daily operations. We identify and monitor key resource consumption metrics to track indicators material to us, which subsequently help strategise our management and ultimately reduce emissions and consumption across the Group.

At HLF, we strive to make a concerted effort in ensuring our resource management is met with initiatives that are in line with our environmental goals. This includes greening our buildings, paper consumption management, and water consumption management.

## GREENING OUR BUILDINGS

The Group has made conscious efforts to integrate sustainability into our daily operations. Extending initiatives to enhance resource efficiency, the operating companies under the Group have implemented measures to ensure energy savings and efficient resource management in our day-to-day business operations. In FY2023, HLA installed larger-scale solar PV panels for Tower B, PJ City, which is planned to be operational in early FY2024. In addition, the operating locations of HLA has also been retrofitted with LED light tubes while our buildings' Chiller Starter System has been upgraded to regulate energy consumption. This, paired with the expansion of our energy data inventory, has led to a granular understanding of our operational consumption across the Group.


| <div></div> <div>Annual Electricity Consumption (kWh)</div> |            |           |            |  |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|--|
| The Group                                                                                                                                      |            |           |            |  |
| FY2021                                                                                                                                         | FY2022     |           | FY2023     |  |
| 43,810,427                                                                                                                                     | 40,858,116 |           | 39,549,465 |  |
| FY2023                                                                                                                                         |            |           |            |  |
| HLB*                                                                                                                                           | HLCB       | HLA       | HLFG       |  |
| 36,886,512                                                                                                                                     | 847,788    | 1,738,222 | 76,943     |  |
| FY2022                                                                                                                                         |            |           |            |  |
| HLB*                                                                                                                                           | HLCB       | HLA       | HLFG       |  |
| 38,202,545                                                                                                                                     | 919,822    | 1,662,345 | 73,404     |  |
| FY2021                                                                                                                                         |            |           |            |  |
| HLB*                                                                                                                                           | HLCB       | HLA       | HLFG       |  |
| 41,036,503                                                                                                                                     | 939,240    | 1,765,422 | 69,262     |  |

\* HLB's Annual Electricity Consumption covers only Malaysian operations

## Sustainability Statement

### WATER CONSUMPTION

Ongoing efforts include metrics tracking of water consumption and management across and the considerations of HLA to adopt rainwater harvesting. The Group is intent on reducing the usage of water in our operations without compromising the safety, comfort, and reliability of the Group's physical operations.


|  Annual Water Consumption (m <sup>3</sup> ) |               |               |            |
|------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|------------|
| The Group                                                                                                                    |               |               |            |
| FY2021                                                                                                                       | FY2022        | FY2023        |            |
| <b>91,463</b>                                                                                                                | <b>73,849</b> | <b>86,700</b> |            |
| FY2023**                                                                                                                     |               |               |            |
| HLB*                                                                                                                         | HLCB          | HLA           | HLFG       |
| <b>71,095</b>                                                                                                                | <b>1,763</b>  | <b>13,470</b> | <b>372</b> |
| FY2022                                                                                                                       |               |               |            |
| HLB*                                                                                                                         | HLCB          | HLA           | HLFG       |
| <b>61,192</b>                                                                                                                | <b>2,109</b>  | <b>10,220</b> | <b>328</b> |
| FY2021                                                                                                                       |               |               |            |
| HLB*                                                                                                                         | HLCB          | HLA           | HLFG       |
| <b>75,578</b>                                                                                                                | <b>1,649</b>  | <b>13,950</b> | <b>286</b> |

\* HLB's Annual Water Consumption covers only Malaysian operations

\*\* The increased water consumption for HLB, HLA, and HLFG from FY2022 to FY2023 was due to the normalised movement of people coming back to work post pandemic

### PAPER CONSUMPTION

The Group is cognisant of the need for a reduction in the usage of paper, as it is a material resource in the operations of financial institutions. This is achieved through streamlining of operations and the adoption and integration of digital innovation to reduce the need for paper consumption. The operating companies have begun adopting the use of e-policies, statements, and other paper trails as a byproduct of the use of financial services. These initiatives are aimed at reducing the total weight of paper used across the operating companies, which would reduce operating costs.

|  Paper Consumption |                  |                 |               |
|-------------------------------------------------------------------------------------------------------|------------------|-----------------|---------------|
| FY2023                                                                                                |                  |                 |               |
| HLB*                                                                                                  | HLCB             | HLA             | HLFG          |
| <b>78,953 reams</b>                                                                                   | <b>6,818 kg</b>  | <b>5,907 kg</b> | <b>328 kg</b> |
| FY2022                                                                                                |                  |                 |               |
| HLB*                                                                                                  | HLCB             | HLA             | HLFG          |
| <b>71,121 reams</b>                                                                                   | <b>9,697 kg</b>  | <b>5,467 kg</b> | <b>492 kg</b> |
| FY2021                                                                                                |                  |                 |               |
| HLB*                                                                                                  | HLCB             | HLA             | HLFG          |
| <b>108,796 reams</b>                                                                                  | <b>10,496 kg</b> | <b>5,942 kg</b> | <b>269 kg</b> |

\* HLB's Paper Consumption covers only Malaysian operations and is tracked through Total Office Paper Purchased (in reams).

While paper is an integral resource to financial institutions, HLB is aware of the need for better management of this precious resource. To that end, HLB is active in their recycling initiative, recording 17,686kg of paper recycled in FY2023 for their Hong Leong Tower and PJC Tower A buildings. HLA has also significantly increased their paper recycling, with 1,783kg of paper recycled in FY2023, an 80% increase as compared to the previous financial year, which recorded a total of 988kg.

## Sustainability Statement

**E-WASTE MANAGEMENT**

The growing integration of digitalisation into the Group's business operations has a direct correlation with the usage of digital technologies. As a result, the need for e-waste management has increased in importance and the Group maintains effective handling mechanisms for the management of e-waste including recycling programmes. HLB circulated posters and infographics and conducted an e-waste recycling drive during their sustainability month from March to April in FY2023. HLCB engaged with HP and expanded their lease agreement to encompass recycling services in order to ensure proper collection, recycling, and disposal of e-waste, particularly toners and cartridges, and are currently identifying contractors for recycling plastic and glass waste generated within facilities. HLA conducted their inaugural, year-long e-Waste Collection Drive which recorded 620kg of e-waste collected. This initiative was in collaboration with Electronic Recycling Through Heroes (ERTH), encouraging staff to recycle desktops, printers, laptops, smartphones, and household electrical items in a safe and responsible manner. This contributed to the diversion of 72kg of precious metals and 6kg of toxic metals from landfills.

For additional information on HLB's resource efficiency efforts, please refer to the HLB SR2023

For additional information on HLCB's resource efficiency efforts, please refer to the HLCB AR2023

**Bolstering the Journey****HLB RENEWABLE ENERGY FINANCING**

HLB set an initial target of RM500 million in Renewable Energy financing for five years starting 2019. With over RM3.2 billion in Renewable Energy financed to date, HLB has revised its target to RM4 billion Renewable Energy financing by FY2025.

HLB's initiatives to further the sustainability cause are seen through the extent of green financing provided, including creating access to green transportation, driving green and sustainable development, and the HLB Green Bond. To date, the cumulative total in green transportation financing has exceeded RM812 million, with over RM391 million in financing for electric vehicles ("EV") mobilised in FY2023, exceeding our initial target of RM240 million. For green and sustainable development efforts, HLB has provided financing for three portfolios: affordable property, green and affordable property and mortgage. Green bonds issued by HLB were used to finance renewable energy projects, green building initiatives and sustainable transportation efforts with outstanding balances of RM261.1 million, RM863 million, and RM412.8 million respectively.

#### HLB Total Approved Renewable Energy Financing Over RM3.2 billion

**Any RE\***

RM182.3 million

**Bioenergy**

RM458.82 million

**Small Hydro**

RM163.59 million

**Solar**

RM2,425.82 million

\* Any RE consists of customers with facilities that are not concentrated on a single RE resource.

**SUSTAINABLE INVESTING AT HLCB**

Prioritising clients that have embraced comprehensive internal ESG policies, practices, and commitments aligned with industry standards is instrumental in creating additional opportunities for green and sustainable financing. In line with this, HLCB has continued their efforts in raising capital through their offerings, including ASEAN Sustainability-Linked Bonds and Sukuk. In FY2023, HLCB has also been mandated with two solar power projects valued at RM1.4 billion.

In FY2023, HLCB's Treasury and Markets team maintained a considerable investment in green bonds (Green energy sectors through hydropower), whereby the holdings in the bond observed a 36% increase year-on-year. To further the Treasury & Markets teams' commitment in addressing climate change, the team will place greater focus in seeking investment opportunities in ESG or green bonds such as solar and hydro plants with preference given to bonds with ESG classification of C3 and above.

For additional information on HLCB's sustainable investing efforts, please refer to the HLCB AR2023



## Sustainability Statement

### DRIVING SUSTAINABLE ECONOMIC GROWTH



As a notable presence in the financial services landscape, the Group plays a role in helping to foster the country's inclusive development and sustainable growth. We endeavour to achieve this vision by ensuring our subsidiaries mobilise financing, investments, and insurance activities to drive economic growth, promote social development, and safeguard the climate and environment.

### **FINANCIAL INCLUSION & EMPOWERMENT**

As a financial holding company, our foremost commitment is to ensure proper oversight of our operating entities in empowering customers through inclusive financial solutions, primarily by leveraging the power of technology and digitalisation. To achieve this, our subsidiaries consistently work to develop financially inclusive products, including loans, bonds, investment funds, and insurance. With proper controls and oversight in place, our operating entities aim to serve people from diverse backgrounds so that they could gain confidence in their financial future, build their wealth, and protect themselves against unexpected circumstances. Additionally, we strive to democratise access of financial services to all, through our subsidiaries, by creating opportunities for the underserved, promoting financial and digital literacy, as well as levelling the playing field for small and medium enterprises ("SMEs").

## Sustainability Statement

## Initiatives and Progress in Driving Financial Inclusion &amp; Empowerment

## HONG LEONG BANK BERHAD

As a socially responsible business, HLB endeavours to engage in impactful initiatives that lend support to social enterprises and advocate for enhanced financial empowerment within the community. The following are the major initiatives launched by HLB in FY2023:

**Fostering Small Businesses via HLB Jumpstart - Micro Business**

In FY2023, HLB launched 'HLB Jumpstart - Micro Business,' a social finance programme that provides funding to individuals with limited employment options or aspiring entrepreneurs without credit history, nurturing small business startups. In collaboration with MADCash and AlfieTech, the initiative provides zero-profit financing and mentorship to ensure sustainable income sources for underserved micro-entrepreneurs.

**Encouraging Green Supply Chain Practices for Malaysian SMEs**

HLB hosted an exclusive session with the Small and Medium Enterprises Association themed "Sustainability Meets Strategy: Enhancing Competitiveness Through Green Supply Chain." The session highlighted expert insights regarding changing trends in regulation, finance and market demand on green supply chains, helping SMEs stay ahead and make informed decisions for their businesses, while contributing to the country's sustainability agenda.

**HLB Pocket Connect App for Junior Savers**

In FY2023, HLB has piloted the 'QR Pay' feature to their Pocket Connect users. Pocket Connect app for Junior Savers, launched in FY2021, is a market-first digital platform that caters to both savers under the age of 18 and their parents. Through its patented Earn, Save, and Spend interactive features, the app assists young users to manage their pocket money and savings while encouraging parents to instil healthy financial habits in their children at an early age.

**Promoting Financial Literacy via DuitSmart**

HLB launched their DuitSmart platform in FY2021 to equip and empower Malaysians with financial knowledge to influence sound financial decisions. The Bank has established plans to expand the outreach programme and form strategic partnerships with PayWatch and BNM in FY2023 to FY2025. In FY2023, HLB's DuitSmart Kids programme, conducted in collaboration with Smart Reader® Worldwide, witnessed 1,789 students' graduating from the programme.

## HONG LEONG CAPITAL BERHAD

HLCB is dedicated to promoting financial inclusion via the adoption of technology and digitalisation, with the aim of increasing accessibility to financial services. Apart from providing a range of sustainable products to encourage responsible investments among their clientele, HLCB also strives to enhance investing knowledge by continuously engaging with clients and local communities.

**Enabling Shariah-compliant Trading Through Platform Upgrade**

In July 2022, HLeBroking enhanced its trading platform to enable our customers to trade in Shariah-compliant stocks.

By opting for Shariah accounts, customers can exclusively purchase stocks that adhere to Shariah principles. The total traded value as at FY2023 amounted to more than RM2.5 million, with 150 accounts opened.

**Conducting Financial Literacy and Investment Talks**

In FY2023, 15 investment talks were conducted with more than 1,700 participants.

To promote financial literacy awareness and literacy among the community, more than 1,400 reports were published on HLeBroking platforms in FY2023.

## Sustainability Statement

### HONG LEONG ASSURANCE BERHAD

#### Cashless Facility for Outpatient Cancer Treatment

In line with their customer-first vision, HLA continuously strives to deliver a hassle-free customer experience journey. The latest feature extends the cashless facility for outpatient cancer treatment benefit, which is the benefit that covers cancer therapeutic sessions which do not require hospitalisation. This aims to replace the outgoing reimbursement method, thereby providing customers with smooth payment experience at panel hospitals, as well as easing the financial burden of policyholders.

Additionally, this cashless facility reduces documentations required during admission and claims, and the digitalisation of guarantee letter submission allows policyholders to track their guarantee letter facility status on the HLA360° application.

## SHAPING THE FUTURE OF FINANCE VIA DIGITALISATION

At HLFG, digitalisation stands as a core value, evident in our "Digital at the Core" strategy. We are steadfast in our commitment to offer both digital and physical access to financial services, ensuring inclusivity for underserved communities, regardless of their geographical or socioeconomic limitations. While traditional brick-and-mortar branches remain available where and when necessary, we embrace the dynamic digital landscape, consistently placing innovation at the forefront of our approach.

### Initiatives and Progress in Digitalising Our Solutions

#### HONG LEONG BANK BERHAD

HLB's digital innovation efforts aim to create customer value while driving the nation towards a cashless society and advancing the banking sector's technology. HLB's aspirations for FY2023 are evident through the following programmes:



#### Launching of Cashless Sekinchan to Boost Town's Tourism Activity

In partnership with Payments Network Malaysia Sdn Bhd ("PayNet"), HLB has rolled out digital payment tools to help transform Sekinchan to be the first cashless kampung in Malaysia. This initiative equips around 800 businesses in Sekinchan with a HLB DuitNow starter kit that aids cashless transactions, which would popularise the town as a holiday destination, in line with its 'Visit Sekinchan 2023' campaign.



#### Digital Transformation for 16 Schools in Kota Kinabalu

Hong Leong Bank's 'HLB@School' programme offers a cashless ecosystem for 16 schools, while nurturing financial and environmental literacy among students. The programme facilitates digital transformation by equipping the students of these schools with the HLB 3-in-1 Junior Account, enabling students to track their pocket money, expenditure, and savings.

## Sustainability Statement

## HONG LEONG CAPITAL BERHAD

HLCB's digital innovation approach is driven by enhancing client trading and investment in the operating companies, as well as increasing productivity and turnaround time. In FY2023, they implemented key internal digitalisation efforts, including digital client onboarding, eStatements, and personalised services through the HL iSmart Invest data collection. Other activities undertaken in FY2023 are detailed below:



## HLeBroking Digital Platforms

HLeBroking mobile application (app) offers ePayments for instant trading after fund deposition, providing a seamless trading experience.

HLeBroking trading platform has digitised their clients' onboarding process, reducing the turnaround time. Clients can now open their conventional accounts digitally, and they can do so for Shariah accounts by FY2025.



## Direct Market Access ("DMA") Trading

DMA electronic trading solution, launched in July 2020, enables clients to execute investment orders in real time at lower costs.

In HLCB's pursuit of enhancing market efficiency, the DMA system will be upgraded with algorithmic trading capabilities, expected to complete in FY2024. HLCB clients will thereby gain access to a broader range of trading options.



## HLAM's Online Transaction Platform

HLAM's Online Transaction Platform has offered increased flexibility and accessibility to fulfil clients' specialised needs.

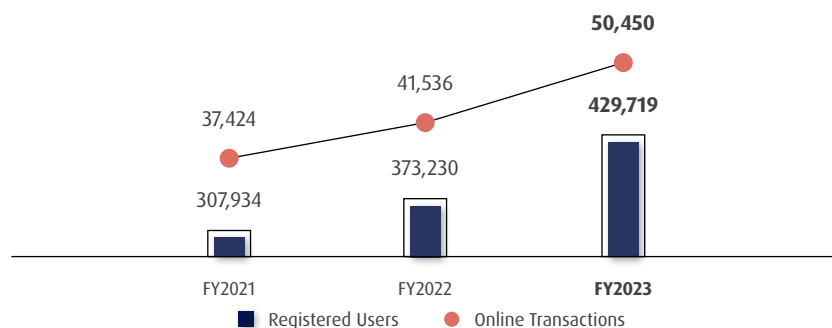
The HL iSmart Invest and EPF i-invest modules offer a seamless transaction process that enhances the user experience for HLAM's clients.

## HONG LEONG ASSURANCE BERHAD

HLA has embraced digital technology to streamline product purchases and provide seamless customer service. These efforts are evident in the following digital platforms and enhancements, aimed at delivering better and more personalised customer experiences.

## HLA360°

The online Customer Portal enables customers to have instant and seamless access to policy information, e-medical card and the ability to perform self-service online transactions.



## Robotic Process Automation (RPA)

HLA has accelerated its automation in order to create digitalised processes that help businesses scale rapidly, in line with HLA's modernisation and digitalisation goals. HLA has adopted RPA across various business processes, including customer screening and data processing, in order to increase productivity, accuracy and achieve cost-savings. As at June 2023, the RPA initiative has cumulatively saved approximately RM113,000 and more than 530 manhours. Additionally, over 180 HLA staff have been trained as a continuous effort towards automation and process improvement.



## Sustainability Statement

### Enhancing e-Policy Issuance

In an effort to reduce paper usage across the organisation, HLA monitors and drives e-Policy issuance to customers. HLA has been diligently educating agents and customers about the benefits of e-contracts, including secured and seamless access via HLA360°, reducing the risk of losing physical contracts.

### E-Annual Statement

HLA is persistently working on improving customer satisfaction and minimising the need for physical paper handling, evident through their ongoing efforts to digitise customer annual statements. With the E-Annual Statement, customers will be able to view copies of their annual statements anytime and anywhere via the HLA360° customer portal. This initiative reduces paper and printing, while providing customers with secure access.



## Sustainability Statement

**DEVELOPING SUSTAINABLE FINANCE PRODUCTS**

HLFG is committed to advocating for a sustainable financial system with a positive socio-economic impact, while also minimising harm to the environment. To facilitate the transition to a low-carbon economy, all operating companies across the Group are encouraged to expand their portfolio of ESG-compliant and ESG-rated offerings, aligning with our commitment to climate risk and corporate sustainability.

As a financial holding company, we continuously strengthen our capabilities to support our subsidiaries in their transition towards sustainable and inclusive growth. This section highlights how our subsidiaries integrate ESG considerations into their diverse range of financial services, aligned with our Sustainability Theme, "Socially Responsible Business".

**Initiatives in Developing Sustainable and Inclusive Financial Products****HONG LEONG BANK BERHAD**

As a financial institution, HLB acknowledges their capacity to help drive the shift to a low-carbon economy. With the commitment to attain Net Zero carbon emissions by 2050, they have implemented a diverse strategy, including facilitating green debt financing via their Green Bond Framework, which focuses on projects relating to renewable energy, green transportation, as well as sustainable developments.

HLB's Green Bond framework adheres to the ASEAN Green Bond Standards and the globally recognised Green Bond Principles. The HLB Green Bond portfolio has since grown in outstanding balance from RM1,056.6 million in FY2022 to RM1,536.9 million in FY2023.

**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, HLB has revised their Renewable Energy ("RE") financing commitment, which was initially set at RM500 million for a period of 5 years starting in 2019, to RM4 billion by FY2025. By the end of FY2023, HLB had financed over RM3 billion in RE financing, encompassing various projects including bioenergy, solar, hydro plant, and other RE projects. The result of its green financing is expected to save over 800,000 tCO<sub>2</sub>e emissions in a year.

**Enabling Access to Green Transportation**

In an effort to facilitate the transition to Net Zero, HLB strived to innovate and roll-out green car financing solutions in Malaysia. Through the HLB Green Car Financing Framework, HLB aims to increase the financing for BEV, HEV and PHEV by providing attractive financing interest rates. To date, the cumulative total in green transportation financing has exceeded RM812 million, with over RM391 million financing for EV mobilised in FY2023, exceeding the initial target of RM240 million.

**Driving Green Developments**

HLB's Developer End Financing policy, introduced in FY2021, guides and streamlines green financing for property developers.

The policy incentivises ESG integration-based sustainability scores, offering attractive financing packages and expedited approvals for developers with low ESG risk profiles. The policy also assists developers who do not meet the Green Developer benchmark by helping them to address their gaps and improve their ESG risk profile. Beginning FY2023, all property development projects are required to be assessed under the green building criteria as HLB looks to drive the incorporation of ESG practices across industries. A total of 804 companies and projects have been assessed under the ESG Assessment for Developer End Financing in FY2023.



## Sustainability Statement

### HONG LEONG CAPITAL BERHAD

In the past two years, HLCB has kickstarted their sustainable investment journey by introducing multiple sustainability-themed funds, and they are dedicated to further expanding their sustainable product offerings in the future. They aim to offer both Islamic and conventional investment choices that align with their sustainability objectives and progress.

#### Hong Leong Global Shariah ESG Fund ("HLGESGF")

Following the launch of the first ESG fund, HLGESGF in FY2022, HLCB continued to launch HLGESGF in FY2023, which is also their first Shariah-compliant ESG fund. The fund is aimed at providing medium- to long-term capital growth by investing in a globally diversified portfolio of companies with a focus on ESG criteria in the investment process.

#### Hong Leong PRS Growth Fund

The Hong Leong PRS Scheme was launched in December 2022. The holistic scheme provides investors the opportunity to diversify their retirement funds by investing in various avenues including equity, fixed income, money markets, or balanced collective investment schemes, allowing investors to optimise their retirement savings.

### HONG LEONG ASSURANCE BERHAD

HLA firmly believes that providing responsible products and services goes hand-in-hand with delivering positive financial outcomes to our customers.

#### Money Laundering & Terrorism Financing Assessment for New Product and Business Practices

- Before launching or using new products, HLA and HLMT conduct assessments to identify potential money laundering and terrorism financing ("ML/TF") risks. All new products and services are given ML/TF risk ratings before their launch.



## Sustainability Statement

## Integrating ESG Principles into Our Assessment Processes

We recognise our responsibility to guide our subsidiaries in implementing sustainable business models and practices that ultimately deliver value to customers. Our operating companies are actively working to identify, acknowledge, and mitigate environmental and social impacts related to the products and services we offer.

All operating companies within the Group follow a similar 3-stage ESG assessment framework, encompassing general exclusion screening, sector/sub-sector screening, and entity-specific screening. The following is HLA's Investment Department's ("ID") ESG Assessment Framework:

For additional information on HLB's ESG Assessment Framework, please refer to the HLB SR2023

For additional information on HLCB's ESG Assessment Framework, please refer to the HLCB AR2023

| Approach to Integrating ESG Principles into Assessment Procedures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hong Leong Bank Berhad                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Hong Leong Capital Berhad                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Hong Leong Assurance Berhad                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <i>BCB ("Business &amp; Corporate Banking") ESG Policy and Assessment Framework</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <i>ESG Risk Management &amp; Assessment</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <i>ESG Approaches of Investment and Employee Benefits Department</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <p>HLB's BCB ESG Policy and Assessment Framework supports SMEs, commercial, and corporate customers in high-risk Environmental &amp; Social (E&amp;S) sectors, facilitates their carbon reduction journey and accelerates the transition to a more sustainable economy.</p> <p>The framework assesses ESG risks based on national and international frameworks, including the UN Sustainable Development Goals, Value-based Intermediation Financing and Investment Impact Assessment Framework ("VBIAF"), BNM's CCPT guidance paper, and IFC Performance Standards. Enhancements to the Framework in FY2022 enable our Credit Risk teams to evaluate customers' business activities as well as their risk mitigation prospects.</p> | <p>HLCB's Core Credit Risk Policy integrates ESG assessment for lending, underwriting, and bond investments to effectively mitigate ESG risks in accordance with BNM's CCPT requirements. The assessment evaluates clients' risk profiles, sustainability objectives, and environmental impact.</p> <p>Hong Leong Asset Management Berhad ("HLAM") has also established quantitative and qualitative metrics for their ESG methodology, thus empowering their fund managers to make well-informed decisions. As of FY2023, approximately 25% of the stocks under coverage have incorporated ESG trend analysis.</p> | <p>HLA's Investment Department's ESG Policy includes environmental and social considerations in the investment assessment process, resulting in an internal ESG scoring.</p> <p>They conduct their ESG analysis on an annual basis, or more frequently if significant risks emerge, prompting necessary actions by their investment team.</p> <p>Additionally, the ESG approach was extended to the Employee Benefits Department, which provides group term life, group hospitalisation &amp; surgical, and other coverage solutions for corporate clients. The department has adopted ESG considerations to identify and classify existing clients based on their environmental and social risk scoring, as guided by BNM's CCPT.</p> |

## Sustainability Statement

### PRACTISING A CONSUMER-CENTRIC CULTURE

#### Strengthening Consumer Relationships

Across the Group, we continuously strengthen consumer relationships through meaningful connections and provision of value-added solutions. Our consumer-centric approach ensures that our community enjoys unfettered access to comprehensive banking services, to help overcome geographic and socioeconomic limits. In our pursuit of digitalising our operations, we are committed to maintaining physical branches to cater to customers who still prefer or require them in an ever-evolving digital landscape.

Through proactive engagement with our valued consumers, we have been able to extend support and provide guidance on available financial assistance options, while also encouraging them to embrace digital banking solutions. By integrating both digital and physical accessibility, we remain dedicated to catering to the diverse preferences and needs of our customers, striving to provide a seamless and comprehensive banking and financial service experience for all.

#### Building Trust Through Fair Dealing

We firmly believe that fair dealing practices form the foundation of our business. Given the substantial monetary flow involved, we are determined to be highly diligent in ensuring fair and transparent dealings with our consumers. Upholding the principles of integrity and ethics, the Group is committed to promoting fair dealing and conducting business with utmost responsibility.

In our pursuit of sustainable practices, the Group places utmost importance on fair dealing as a fundamental pillar of our business operations. Our primary objective is to instil unwavering confidence in our consumers regarding our offerings, fostering enduring consumer loyalty that plays a vital role in driving our ongoing business growth. Committed to regulatory compliance and guided by our Code of Conduct and Ethics, we endeavour to implement a range of fair dealing initiatives that safeguard the integrity and excellence of our products and services, aligning them with our dedication to sustainable principles.

| Ensuring Transparency                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Responsible Marketing                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Our commitment to transparency is reflected in our operating companies' policies and practices, upholding fair dealing principles and legal requirements. We provide clients with comprehensive information on our services and products and ensure clear and mutually agreed-upon terms. Our efforts are supported by regularly reviewed policies, SOPs, and codes of conduct.                                                                                             | The Group's goal is to provide equitable products tailored to meet our consumer requirements. Following rigorous due diligence, we create terms and conditions, memorandums and pricing supplements, ensuring compliance with regulatory standards before submitting them to regulators where required and/or circulating them to potential customers or clients.                                                                                                                                           |
| HLB's Fair Dealing and Treatment of Customers                                                                                                                                                                                                                                                                                                                                                                                                                               | HLCB's Efforts in Instilling Integrity                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Through the incorporation of BNM's Fair Treatment of Financial Consumers ("FTFC") Policy Document into our operations, HLB has managed to enhance its existing policies to promote required standards of fair, responsible, and professional conduct when dealing with customers, adopting the FTFC policy document requirements that outline the expectations for financial institutions to manage fair practices and provide customers with confidence in their dealings. | HLCB has put in place measures such as Key Risk Area, SOPs and training to ensure that employees and/or agents adhere with the applicable laws and regulations. Only employees who hold Capital Markets Services Representative's Licence ("CMSRL") issued by SC are permitted to offer counsel on capital market transactions. Individuals who wish to market and distribute Unit Trust Scheme or Private Retirement Scheme are required to be registered with Federation of Investment Managers Malaysia. |

## Sustainability Statement

**Strengthening Our Consumer Engagement & Experience**

By proactively engaging with our consumers, we gain valuable insights into their financial needs and can henceforth pinpoint areas for improvement. This enables all operating companies across the Group to offer tailored solutions that effectively address our consumers' specific requirements. To foster meaningful interactions, we organise workshops, events, seminars, and online webinars that cater to our consumers' financial needs.

Recognising the importance of leveraging digitalisation and technology to enhance the consumer experience, we are also committed to the continuous enhancement of our IT systems across all operating companies. This commitment ensures the creation of a secure, resilient, and efficient digital infrastructure that aligns with our consumer needs and promotes sustainable business growth.

**Initiatives and Progress in Enhancing Consumer Experience****Hong Leong Bank Berhad****Customer Experience Lab**

To enhance customer experience, HLB utilises their Customer Experience ("CX") lab to understand evolving customer demands. The CX Lab is the result of collaborative efforts from multiple stakeholders to innovate and shape customer journeys, products, and services.

**Hong Leong Capital Berhad****HLCB's Effort in Promoting Financial Accessibility among Female Investors**

In support of International Women's Day, HLCB's operating companies have taken significant strides in promoting accessibility and financial literacy among female investors through HLeBroking Woman's Choice Campaign and HLAM International Women's Day Campaign.

**Electronic Know-Your-Customer ("e-KYC")**

In May 2023, HLCB's operating companies introduced the e-KYC solution to automate client assessment and approval in HLeBroking's online portal, thus enhancing client onboarding.

**HLAM ESG Awareness Programme**

To increase awareness of their ESG funds and the importance of sustainable investing, HLAM launched their first ESG Awareness Programme featuring various activities including:

- "Adopt a Plant", an on-ground activity where 250 plants were prepared at Plaza Zurich lobby. Visitors are encouraged to take home a plant as they learn about HLAM ESG funds;
- New HLAM ESG Funds Investor Campaign, a programme that rewards our new investors who signed up and invested in HLAM ESG Fund during the campaign period.



## Sustainability Statement

### WORKFORCE READINESS



The Group recognises that employees, as our most valuable asset, play a pivotal role in integrating sustainability into our operations and creating value for stakeholders. Our goal is to foster sustainable value by embedding sustainability within our workforce and preparing ourselves for future market developments. Through various initiatives, the Group empowers their employees to ensure personal growth through a diverse and inclusive working environment that fuels creativity and innovation. Employee development programmes equip them with distinct skill sets, while meaningful engagement helps maintain a high-performing workforce that is consistently driven to deliver exceptional business results.

### SUSTAINABLE TALENT DEVELOPMENT STRATEGY

Establishing a thriving and competent workforce is essential to gaining a competitive edge in the financial industry. To this end, the Group is committed to attracting, retaining and developing top talent through thoughtfully designed programmes that foster growth, development, and job satisfaction. This dedication to employee well-being and growth resonates throughout the Group, encouraging our people to flourish while giving their best to serve our customers and clients.

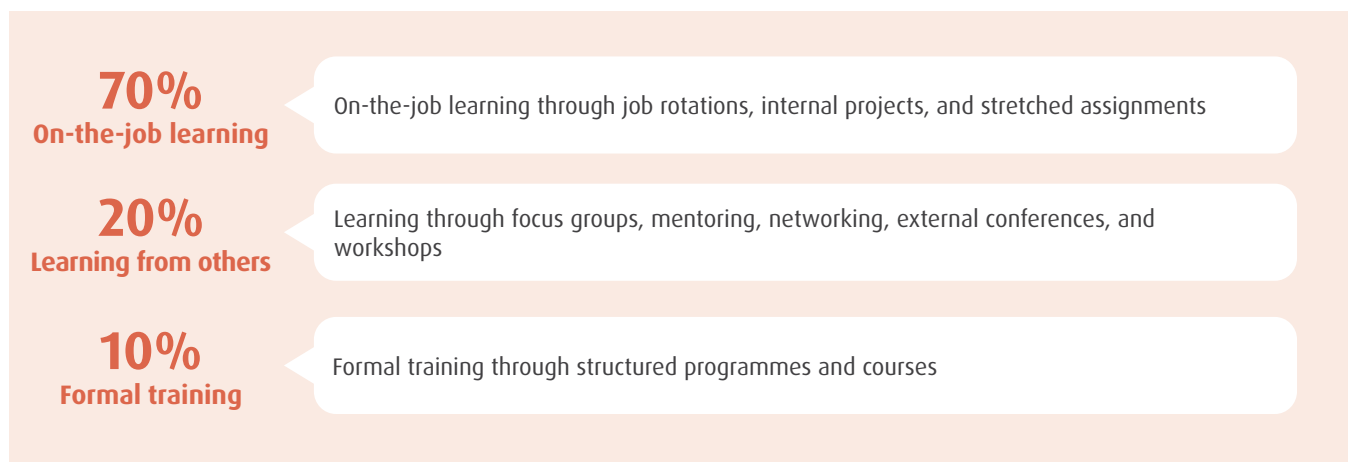
We seek diverse and motivated candidates who are eager to contribute meaningfully to our business. To ensure inclusive hiring, we utilise various recruitment channels. Additionally, we support ongoing professional development and offer training in leadership, role-specific skills, and sustainability to enhance our internal capabilities.

## Sustainability Statement

## Talent Development

Across the Group, we have adopted a Learning Framework which aims to provide a holistic approach to developing the employees of our operating companies, enhancing their knowledge, experience, and skill sets across different areas. To establish a nurturing and empowering work environment, we promote peer and mentor learning among our employees. We offer a comprehensive array of development programmes, covering leadership, soft skills, and functional and technical abilities that are accessible to all.

### 70-20-10 TALENT DEVELOPMENT MODEL



#### HONG LEONG BANK BERHAD

- **Employees Onboarding Programme**
  - To facilitate a seamless integration of new employees into the Bank, HLB requires them to participate in an onboarding programme within the first 60 days of their employment. This structured virtual programme emphasises the Bank's sustainability efforts, ethical banking principles, and internal policies and processes.
- **Accreditation Programmes**
  - HLB and HLISB strive to develop the competency of their workforce through the pursuit of accreditation programmes, including the Chartered Bankers Programme, Islamic Finance Qualification, and AICB Certification in Risk, Audit, Compliance, Credit, and AML/CFT.
- **Talent Pipeline Building Initiatives**
  - HLB offers structured internships and training programmes including the Internship Programme, Graduate Trainee, and Protégé, to attract and sustain a diverse and inclusive talent pipeline. They collaborate with universities to scout for talent through career fairs and campus recruitment days.

- **Talent Review and Succession Planning**

- HLB provides their employees with lateral and vertical career growth opportunities by regularly advertising internal job openings, offering numerous career pathways within the company. Through the HLB Leaders Programme, a personalised development plan is included as part of the talent review and succession planning process to prepare potential future leaders and nurture their leadership potential.

#### HONG LEONG CAPITAL BERHAD

- **High Potential ("HiPo") Programme**
  - Utilising the 70-20-10 model, the HiPo programme enables effective identification and professional development of promising talents.

In FY2023,

**26 EMPLOYEES**

were identified as HiPo based on talent development, and

**12 EMPLOYEES**

were identified as potential successors for critical roles.



## Sustainability Statement

### • Continuing Professional Education ("CPE")

- HLCB has set prerequisites for all licensed employees to fulfil their Continuing Professional Education ("CPE") requirements by attending recognised CPE programmes conducted by the relevant authorities. All HLCB licensed employees are required to fulfil their annual CPE requirements.

### • Management Associate ("MA")

- HLIB's Management Associate ("MA") programme recruits and develops graduates by allowing them to gain career exposure for two years. Thus far, seven MA trainees have been recruited, and two of them have been confirmed as permanent staff.

### • Investing in Talent Development

- To foster a high-performance workforce and ensure our talent's agility, adaptability, and future readiness, HLCB employees received an average 11.7 hours of training during the financial year.

## HONG LEONG ASSURANCE BERHAD

### • Developing People Managers

- To continuously develop good leadership, HLA has organised various talks and sharing sessions to keep leaders and people managers informed on the latest industry developments and regulatory changes. These sessions included a refresher on anti-bribery and corruption as well as the amendments to the Employment Act, which provided a 2-way communication for information sharing and clarifications with subject matter experts. 81 People Managers were trained under these programmes.

### • HLA L.I.V.E Hour

- Recognising the importance of building strong working relationships among colleagues across business units, HLA L.I.V.E Hour is conducted to engage employees to Learn, Interact, Value-add and be Energised. These series of programmes cover trending topics such as Mental Health Awareness, with a workshop session to promote awareness and educate on ways to support mental health development.

|                           | HLFG | HLB | HLCB | HLA |
|---------------------------|------|-----|------|-----|
| Average Hours of Training | 13   | 79  | 12   | 21  |

## ESG Capacity-building Initiatives

The Group recognises the significance of fostering ESG knowledge and capabilities in our employees to drive our ambition of becoming a more sustainable business. Our operating companies are actively developing structured ESG training programmes to empower their employees to integrate ESG principles into their roles and responsibilities. Policies and SOPs enhanced with ESG considerations were also communicated to employees across the operating companies.

## HONG LEONG BANK BERHAD

### • Mandatory Sustainability Training

- All HLB employees have completed the mandatory sustainability e-learning module. As part of the onboarding programme, 1,840 new hires completed the "Introduction to Sustainability" training. Additionally, in FY2023, HLB collaborated with the WWF Asia Sustainable Finance Initiative Academy to provide fundamental knowledge on sustainability for bankwide employees, which was completed by 1,620 employees voluntarily.

### • Sustainability Month

- HLB's annual Sustainability Month conducted in FY2023 attracted 1,910 participants. The month-long initiative was dedicated to conducting training and raising sustainability awareness among our employees through 13 activities, including Introduction to the HLB GHG Framework, Earth Chat Series, and Love Food, Hate Waste webinars.

## Sustainability Statement

- **Employees as Drivers of Change**

- Aligned with the Group's sustainability commitments, HLB empowers their employees to actively contribute and make significant community impact through the HLB Employee CSR Programme. Employees are encouraged to volunteer or initiate new community-centred projects.

### HONG LEONG CAPITAL BERHAD

- **Three-pronged ESG Awareness Training Programme**

- In alignment with the Group's sustainability objectives, HLCB is launching a comprehensive programme aiming to foster a deeper understanding of ESG principles and encourage proactive involvement in driving positive changes at a personal level, as employees, and as advisors. Partnered with the Asian Banking School, the training programme is scheduled to roll out from August 2023 to January 2024.

- **ESG Certification**

- As of March 2023, two HLIB analysts have been ESG certified, with one of them also obtaining the CFA UK Certificate in Climate and Investing.

- **ESG Capacity-building Efforts**

- In FY2023, 96 HLCB employees attended ESG-related seminars or training, totalling up to 1,068 hours of ESG capacity building. HLAM and HLISAM have also launched quizzes and campaigns related to their ESG funds.

### HONG LEONG ASSURANCE BERHAD

- **Strategic Partnership for ESG Capacity Building**

- HLA has been proactively building their internal ESG capacity through partnerships with external consultants. In FY2023, HLA has continued their collaboration with the Jeffrey Sachs Centre on Sustainable Development of Sunway University to develop a comprehensive training module to instil knowledge among employees regarding climate change and sustainability-related issues, opportunities, and challenges. 40 employees have attended the training as of FY2023.

- **5Rs of Zero Waste – Refuse, Reduce, Reuse, Recycle and Rot**

- HLA organised environmental talks for employees to create awareness and educate them on ways to practise zero-waste living in their daily lives.

## EMBRACING DIVERSITY, EQUITY, AND INCLUSION

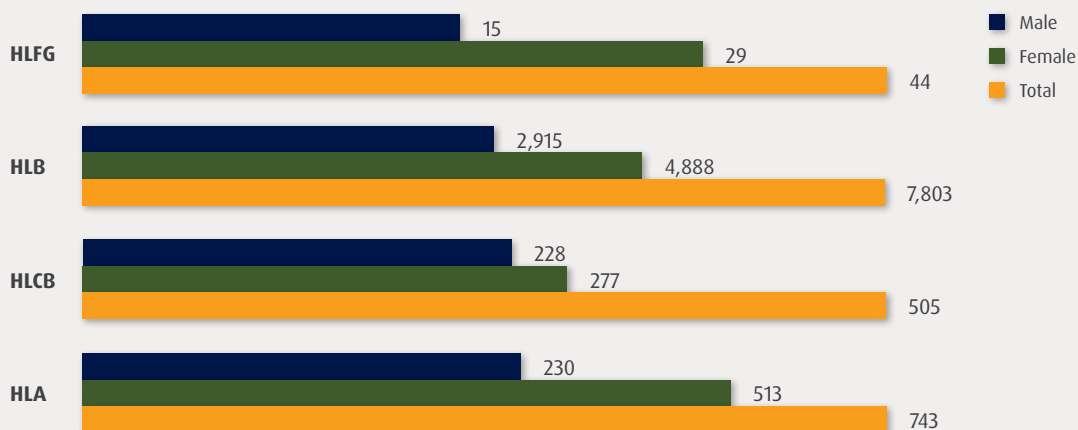
Diversity, equity, and inclusion are foundational to our culture and the growth of our business. Embracing diversity and inclusion is imperative as it enhances employee engagement, retention, and performance, leading to a more resilient and successful organisation. Recognising the power of diversity and inclusivity as drivers of productivity, creativity, and innovation, we actively seek to build a diverse workforce, engaging individuals from various backgrounds, origins, experiences, and cultures. As we strive to sustain our diverse workplace, we are proud to report that female employees now comprise 62.7% of our Group's workforce, showcasing our commitment to gender representation and equality.

**62.7% FEMALE EMPLOYEES**

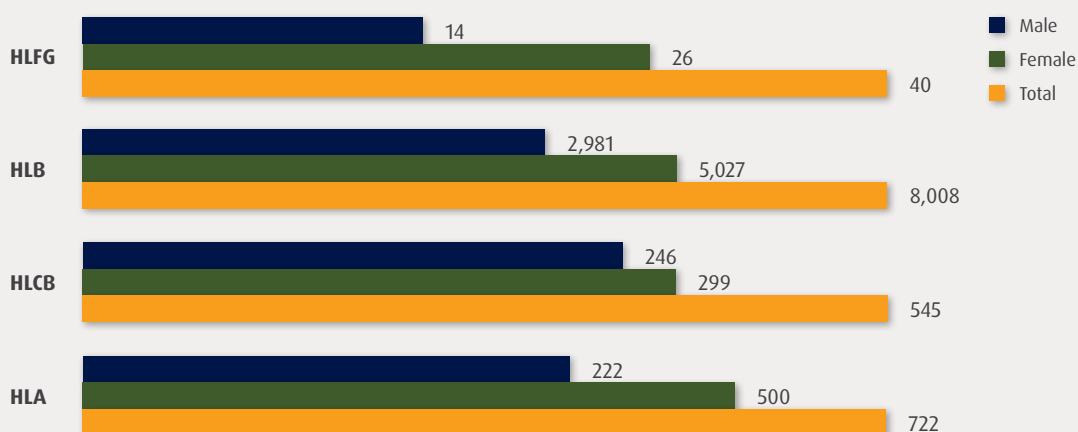
of our Group's workforce

## Sustainability Statement

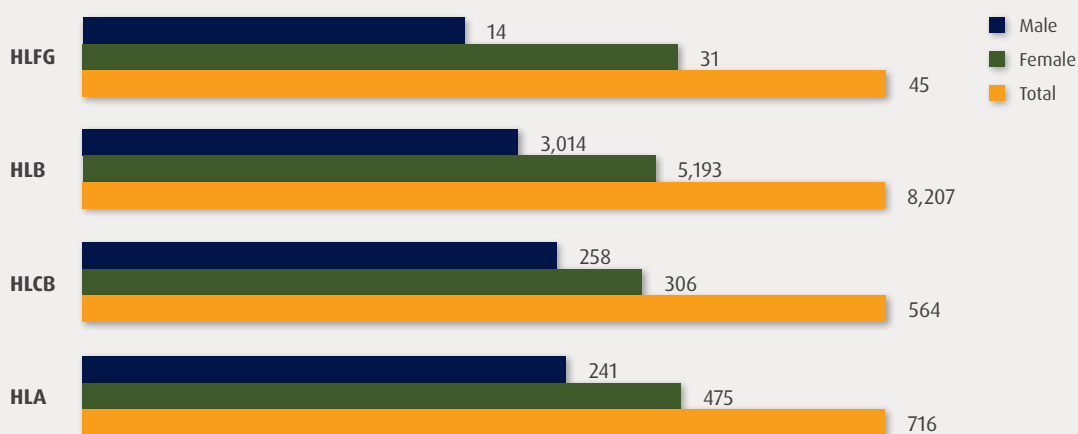
## Employees by Gender in FY2021



## Employees by Gender in FY2022

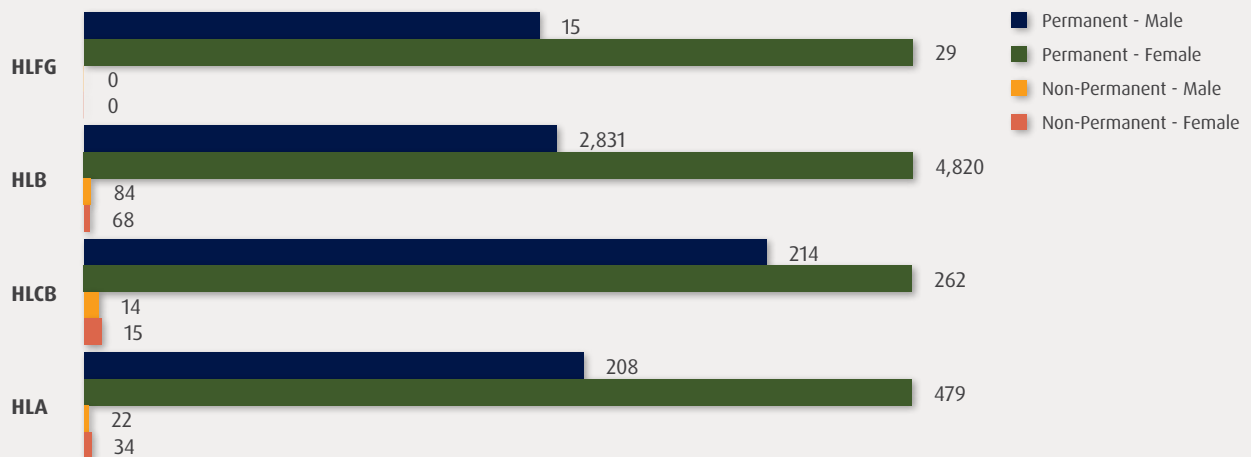


## Employees by Gender in FY2023

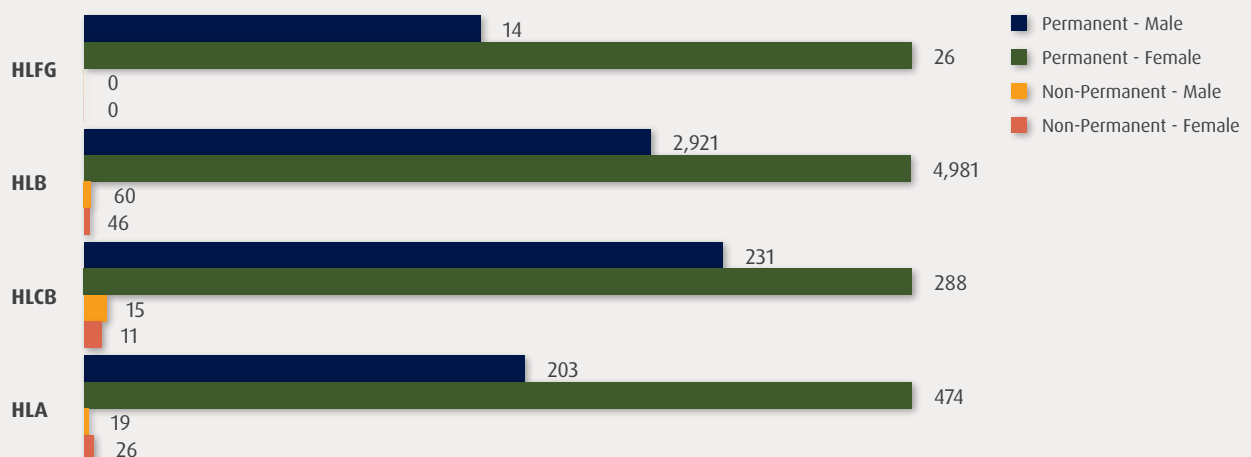


## Sustainability Statement

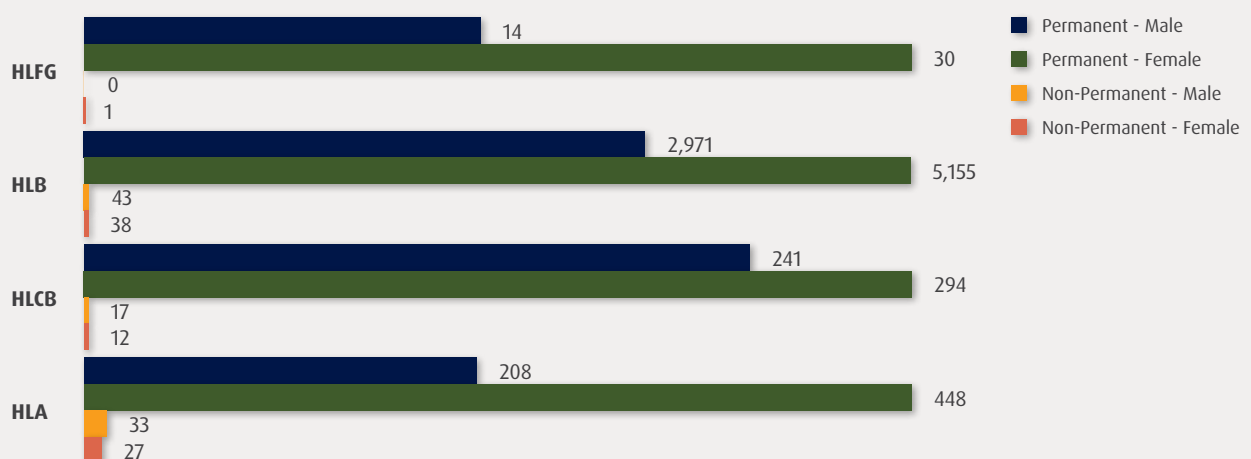
### Employees by contract type in FY2021



### Employees by contract type in FY2022

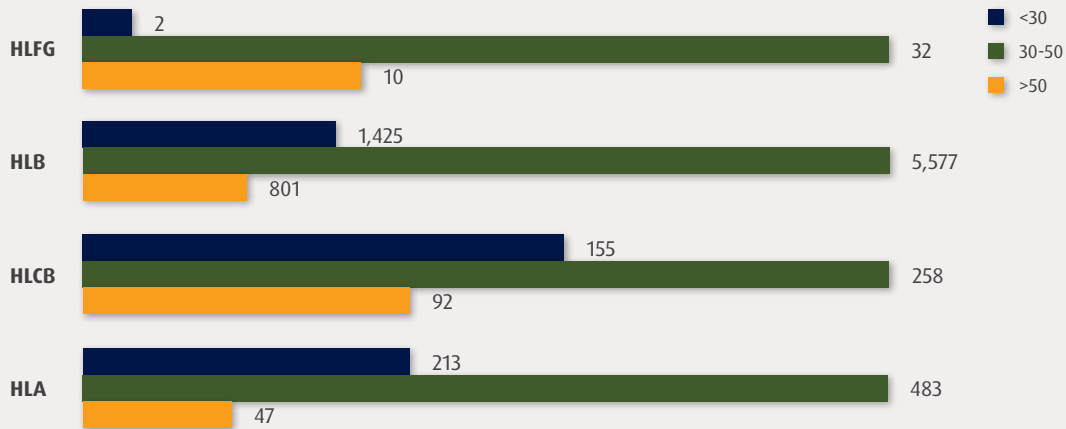


### Employees by contract type in FY2023

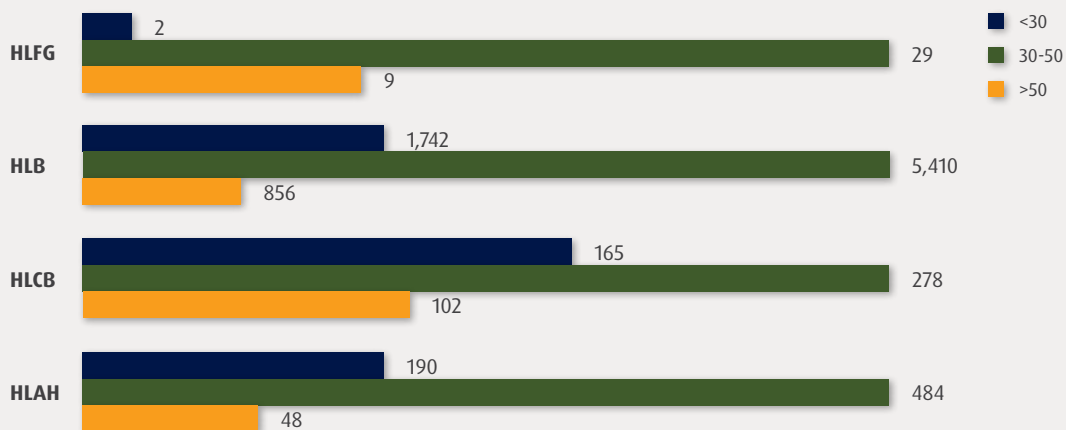


## Sustainability Statement

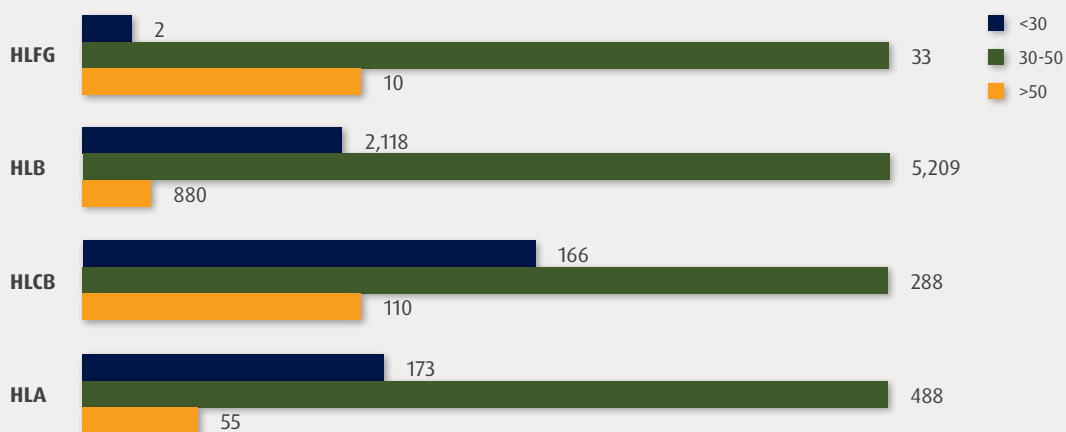
## Employees by age group in FY2021



## Employees by age group in FY2022

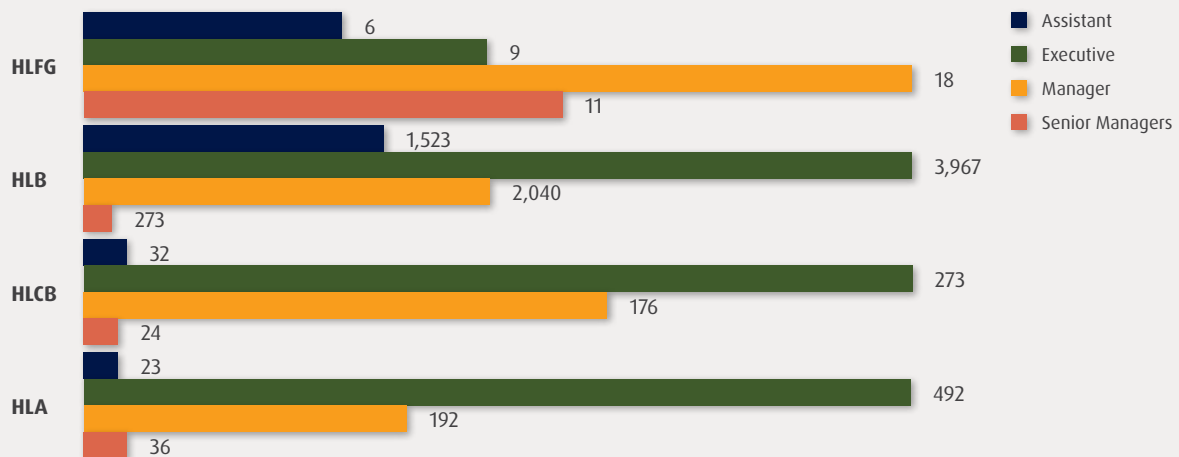


## Employees by age group in FY2023

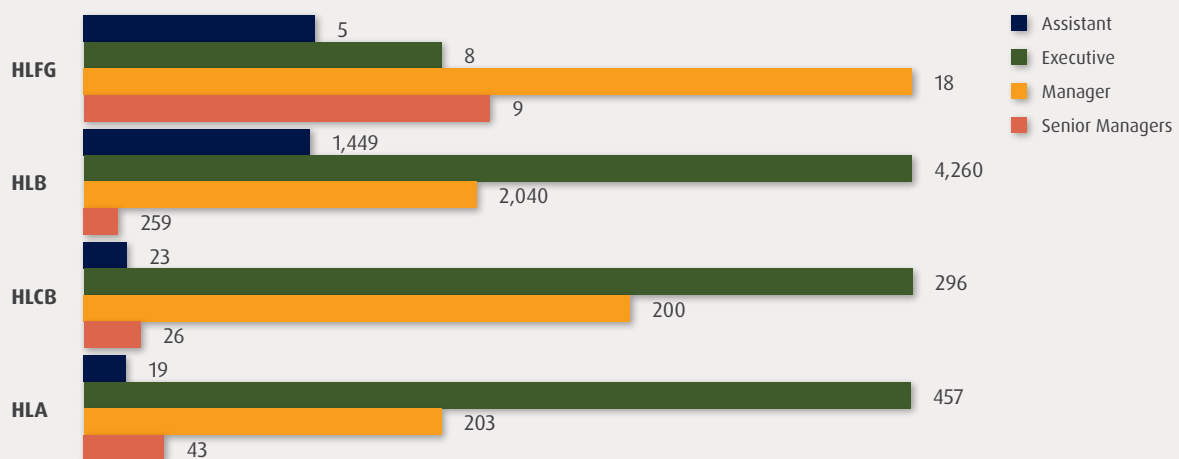


## Sustainability Statement

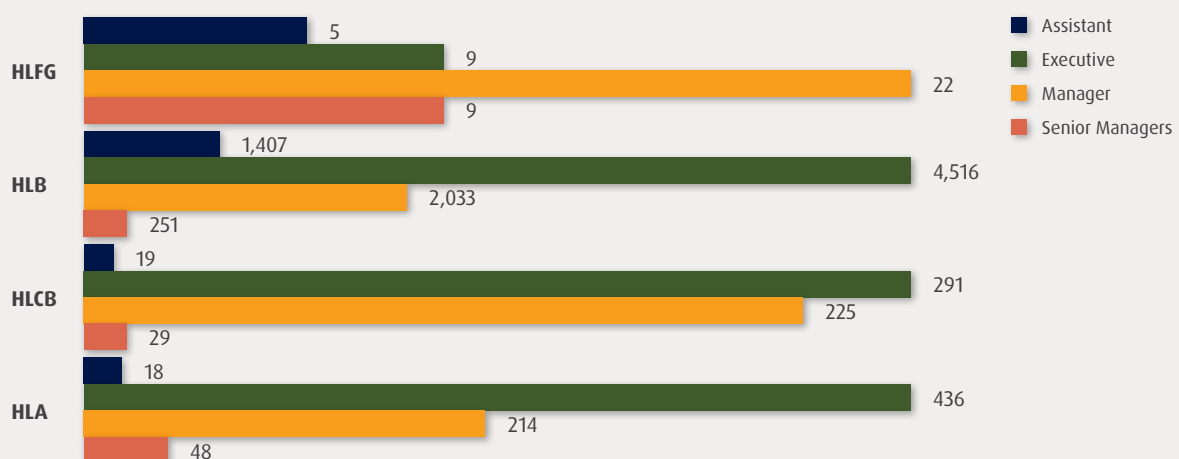
### Employees by category in FY2021



### Employees by category in FY2022



### Employees by category in FY2023





## Sustainability Statement

### PRIORITISING OUR EMPLOYEES' WELL-BEING

Employees form the bedrock of our success, and we remain committed to encouraging healthy development and growth of our human capital. Our approach to building a high-quality talent pool goes beyond providing promising career growth opportunities and relevant training. Within HLFGB, we promote active engagement among the operating companies and their workforce at all levels, prioritise employee health and safety, and respect human rights regardless of the employees' backgrounds. Providing a healthy and dedicated workforce paves the way for achieving our business objectives and positioning ourselves as an employer of choice.

#### Workplace Human Rights

Adhering to the principles set forth by the United Nations Global Compact, we acknowledge our responsibility to uphold human and labour rights. Across the Group, we are resolute in treating all employees with the utmost respect and ensuring equal opportunities for their professional advancement. Our unwavering commitment stands against any transgression of human rights, including forced and compulsory labour, child labour, and workplace discrimination.

Diversity, inclusion, and anti-harassment principles are integral to our operating companies' Code of Conduct and Ethics. Across the Group, we embrace individuals from diverse backgrounds and origins. Discrimination of any form, whether based on race, nationality, citizenship status, religion, age, gender, pregnancy, marital status, or physical disability, is strictly prohibited.

We are committed to fostering a respectful and safe environment, where all employees, customers, and business partners are treated with dignity and equality. Harassment or any form of inappropriate conduct, including unwelcome jokes, threats, physical contact, derogatory comments, teasing, bullying, intimidation, or any offensive or abusive language or actions, is not tolerated at all times.

**In FY2023, there were ZERO grievances or incidents reported related to harassment, bullying, or discrimination.**

#### Protecting Our People

It is our fundamental responsibility to provide a safe and healthy working environment for our employees. Developed in compliance with the Occupational Health and Safety Act ("OSH Act") 1994, our operating companies, HLB and HLCB's, Occupational Safety and Health Standard Operating Procedure ("OSHA SOP") guides them in managing their OSH risks.

The operating companies' OSH Committees, comprising the management and employee-representatives, oversee the implementation of OSH-related practices across our operations. In accordance with our OSHA SOP, our designated inspection team also conducts periodic risk assessments to identify, assess, and control safety risks and hazards at the workplace. In FY2023, there were zero incidents reported related to workplace environment.

### EMPLOYEE AS OUR DRIVE FOR POSITIVE SOCIAL IMPACT

HLFG remains committed to creating shared value for all stakeholders by promoting sustainability through engagement and advisory initiatives. We actively engage with the wider community, making impactful environmental and social contributions that also contribute to business growth. We are dedicated to expanding our community engagement efforts, and our employees play a significant role, actively participating in the Group's initiatives to support local communities throughout the year.

Our operating companies have carefully selected their strategic partners, ensuring that their activities are driven by clear social and environmental ambitions. This is imperative as it allows us to collaborate with organisations that share our values and goals, amplifying the positive social and environmental impact we can create together.

## Sustainability Statement

## HLFG's Community Engagement

**Providing a Brighter Future to "Orang Asli" (indigenous) Children**

In March 2023, HLFG, along with HLB Cameron Highlands branch, collaborated with Kechara Soup Kitchen's Society School Mission 2023, a volunteering programme aimed at supporting education in underprivileged communities, to distribute Back-to-School packs to children of the Semai Tribe, whose families face financial difficulties in supporting their children's education. Through our collective efforts, we were able to provide 1,100 children at Orang Asli settlements with essential school supplies.

**1,100 CHILDREN**

at Orang Asli settlements with essential school supplies.

**Waterfall Cleaning Initiative**

In collaboration with Persatuan Sahabat Alam Tampik Janda Baik, HLFG initiated a waterfall cleaning initiative, aiming to preserve our nature and engage our community simultaneously. 7 volunteers have participated in hiking the hill and cleaning the waterfall.

## HLB's Community Engagement

**HLB Jumpstart - Micro Business**

'HLB Jumpstart - Micro Business' provides funding to underserved micro-entrepreneurs, which some are dedicated to improving social and environmental well-being. Through these, HLB is able to support their cause:

- SURI - a denim upcycling social enterprise that provides financial opportunity and living skills for single and underprivileged mothers.
- Green Hero - dedicated to eradicating food waste across the nation, providing affordable and nutritious access to food for the budget-conscious community.
- The Asli Co - providing home-based sustainable income for Orang Asli mothers, with the long-term goal of uplifting them from poverty.

**Cashless Zakat**

HLB supports the momentum of customers' shift towards cashless Zakat predominantly via the HLB Connect platform. In FY2023, 1,178 Zakat transactions were enabled via this platform, amounting to more than RM190,000 and a 17% increase in total value compared to FY2022.

**1,178 ZAKAT TRANSACTIONS**

were enabled via this platform, amounting to more than RM190,000 and a 17% increase in total value compared to FY2022.

Several initiatives were launched in recent years to support HLB's customers' adoption of cashless Zakat payments, including:

- Zakat payment via HLB's Cashless ATM, which allows payments outside of the normal Zakat counter operating hours.
- Zakat Payment using JomPAY services, which allows Zakat payment via internet banking platforms.

## Sustainability Statement

## HLB's Community Engagement (continued)

**Flood Relief Assistance**

Determined to give back to the community, HLB initiated a 'Flood Relief Assistance' programme for customers affected by the floods, by offering payment deferments on loan and financing facilities, including credit cards, of up to six months. The Bank also offered free replacements for debit and credit cards, cheques, and bank statements that were damaged or lost in the floods. Additional financing was provided to existing SME and microenterprise customers that required working capital to facilitate their business recovery.

**Providing Access to the Visually-Impaired Community**

HLB commits to being an all-inclusive organisation by serving communities in need of access to financial services. To that extent, HLB is the first bank in Malaysia to establish speech equipped Self Service Terminals. The HLB Talking ATMs, complete with a braille keypad and headphone socket, are designed to assist visually-impaired banking customers. In FY2023, HLB introduced 12 new HLB Talking ATMs across the country, bringing the total number of HLB Talking ATMs to 17 to date.

In FY2023, HLB introduced

**12 NEW HLB  
TALKING ATMS**

across the country, bringing the total number of HLB Talking ATMs to 17 to date.

## HLCB's Community Engagement

**Celebrating Ramadan with Compassion**

To cherish and engage underprivileged communities in the spirit of Ramadan, HLCB organised a donation drive, distributing break-fasting meals in collaboration with Pertubuhan Tindakan Wanita Islam (PERTIWI) Soup Kitchen to the homeless during the Ramadan month in FY2023. They had also engaged mosques within the underprivileged community areas and an orphanage to distribute "Kurma" (dates).

**Raya Celebration with Rumah Titian Kaseh**

HLCB donated basic essential items and Raya cookies, purchased from Ibupreneur, a social enterprise that works to empower financially vulnerable mothers in the B40 group by equipping them with necessary skills and business opportunities, to Rumah Titian Kaseh. 70 orphans benefited through this initiative.

**Lighting up Lives for Deepavali**

In conjunction with the Deepavali celebration in October 2022, HLCB distributed 560 sets of cookies to our employees. The cookies, worth RM19,600, were purchased from Seven Tea One, a social enterprise that provides a safe, inclusive, and non-discriminatory platform for differently-abled and marginalised communities to learn employment skills and earn dignified income.

**"Back to School" Programme**

HLCB conducted our "Back to School" programme which managed to donate school supplies and necessities to 2 orphanages, with a total of 52 children benefiting from the effort. Some of the items donated were school bags, stationeries, school uniforms, and necessities such as cooking utensils, food, and electrical appliances.

## HLA's Community Engagement

**Saving Our Planet Saves Us Campaign**

HLA values collaborative efforts both within and beyond the organisation. In conjunction with World Environment Day, HLA organised their Saving Our Planet Saves Us campaign in partnership with PJ ECO Recycling Plaza, where plastic, metal, glass, and paper waste collected from employees were recycled.

**HLA e-Waste Collection Drive**

HLA's inaugural, year-long e-Waste Collection Drive, recorded 620kg of e-waste collected. In collaboration with EARTH, staff were encouraged to recycle desktops, printers, laptops, smartphones, and household electrical items in a safe and responsible manner. This has contributed to the diversion of 72kg of precious metals and 6kg of toxic metals from landfills.

**HLA Charity Food Drive**

When the seasonal floods hit various parts of the nation, HLA played their part by joining forces with the Food Aid Foundation to provide food items to flood victims, particularly in Johor which was severely affected. With staff's support, approximately 300kg of food items were donated to the flood victims.

**HLA Blood Donation Drive**

HLA continued their effort in organising a Blood Donation Drive in FY2023 in conjunction with Pusat Darah Negara (PDN) and the Life Insurance Association of Malaysia's (LIAM) Nationwide Blood Donation Campaign 2022. The drive had encouraged HLA staff, agency forces and the general public to donate blood, saving more than 170 lives.

GRI  
Content Index

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## Corporate Information

### DIRECTORS

**Tan Sri Quek Leng Chan** (Chairman)

**Tan Kong Khoon** (President & Chief Executive Officer)

**Leong Ket Ti**

**Raja Noorma binti Raja Othman**

**Chong Chye Neo**

**Ho Heng Chuan**

**Emily Kok**

### GROUP COMPANY SECRETARY

Jack Lee Tiong Jie  
MAICSA 7060133  
SSM PC No. 202008001704

### AUDITORS

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146)  
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Jalan Rakyat  
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Fax : 03-2173 1288

### REGISTRAR

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### REGISTERED OFFICE

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Fax : 03-2080 9801  
Email : cosec-hlfg@hongleong.com.my

### WEBSITE

[www.hlfg.com.my](http://www.hlfg.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 qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

YBhg Tan Sri Quek is the Chairman of Hong Leong Financial Group Berhad ("HLFG") and was appointed to the Board of Directors ("Board") of HLFG on 6 September 1968.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad, a public company; Chairman of Hong Leong Bank Berhad ("HLB"), 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

President &  
Chief Executive Officer/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 HLFG on 5 February 2016.

Mr Tan is the Chairman of Hong Leong Capital Berhad ("HLCB") and a Director of HLB, both companies listed on the Main Market of Bursa Securities; and a Director of HLA and Hong Leong Investment Bank Berhad ("HLIB"), 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

**LEONG KET TI****Non-Executive Director/  
Independent**

Malaysian | 60 | Female

Ms Leong Ket Ti graduated from University of Cambridge, England with a Bachelor of Arts (Hons) Cantab and holds a Degree in Economics.

Ms Leong has 28 years of experience in the banking industry, having been with JP Morgan Chase Bank Berhad ("JPMorgan") from February 1990 to January 2018 where she held various senior positions, the last being the Executive Director ("ED"), Malaysia Country Credit Officer from 2011 to 2018. As the ED, Malaysia Country Credit Officer of JPMorgan, she was responsible for a diverse portfolio of over 300 obligors across all businesses and industries. She also had a strong oversight role on regulatory issues and worked closely with the business/ product partners in developing solutions to meet clients' needs.

Prior to her position as ED, Malaysia Country Credit Office, Ms Leong was Vice President/ ED, Leveraged Finance, Regional Client Credit Management of JPMorgan from 2005 to 2010 where she worked with their Investment Bank and Debt Capital Markets teams to structure and underwrite financing transactions.

From 2002 to 2005, Ms Leong served as Vice President & General Manager of JPMorgan Chase at Labuan, and from 2001 to 2002, she was the Vice President of Corporate Banking of JPMorgan Malaysia.

Ms Leong was appointed to the Board of HLFGB on 8 March 2019 and is a member of the Board Audit and Risk Management Committee ("BARMC") of HLFGB.

Ms Leong is also a Director of HLCB, a company listed on the Main Market of Bursa Securities.

**RAJA NOORMA BINTI  
RAJA OTHMAN****Non-Executive Director/  
Independent**

Malaysian | 64 | Female

YM Raja Noorma binti Raja Othman holds a Bachelor of Business Administration degree from Ohio University, United States of America under a twinning programme with MARA Institute of Technology. She attended the Global Leadership Development Program at Harvard Business School in 2008 organised by International Centre for Leadership in Finance (ICLIF) Malaysia. She is a member of the Malaysian Institute of Accountants.

YM Raja Noorma has more than 30 years of experience in banking, asset management and the corporate sector. Prior to her retirement in December 2018, she was the Head of London Branch of CIMB Bank Berhad from 2015 to 2018. She was a Director of Group Asset Management ("GAM") in CIMB Investment Bank Berhad ("CIMB IB") from 2007 to 2015 overseeing the entire Asset Management businesses of CIMB Group. During her term as Director of GAM in CIMB IB, she was also the Chief Executive Officer of CIMB-Mapletree Management Sdn Bhd, an adviser to a privately held real estate fund.

Prior to joining CIMB Group, she was the Vice-President of Investment Banking at JP Morgan, a position she held for over 5 years. She was attached to JP Morgan's offices in Hong Kong, Singapore and Malaysia as industry and client coverage banker. She had served Telekom Malaysia Berhad, a public listed corporation for about 10 years where the last post held was as Head of Corporate Finance. While in Telekom Malaysia Berhad, she was a Board member of several of their overseas ventures.

YM Raja Noorma was appointed to the Board of HLFGB on 10 May 2019. She is the Chairman of the Nomination Committee ("NC") and a member of the Group Board Information and Technology Committee ("GBITC") of HLFGB.

YM Raja Noorma is a Director of YTL Corporation Berhad, a company listed on the Main Market of Bursa Securities. She also sits on the Board of other public corporations, namely HLIB, as-Salihin Trustee Berhad and Ncell Axiata Limited. She is an Independent Investment Committee Member of Mapletree Australia Commercial Private Trust (MASCOT), a Singapore based private equity real estate fund and a member of the Investment Panel of the Employees Provident Fund.

## Board of Directors' Profile

**CHONG CHYE NEO**

**Non-Executive Director/  
Independent**

Malaysian | 60 | Female

Ms Chong Chye Neo holds a Bachelor of Science (Hons) in Computer Science from Universiti Sains Malaysia. She had also completed several Executive Education programmes at Harvard Business School.

Ms Chong retired as Managing Director/Chief Executive Officer ("MD/CEO") of IBM Malaysia Sdn Bhd ("IBM Malaysia") in December 2018 after 30 years of service and holds the distinction of being the first woman to helm the company in its then 55-year history in Malaysia. As MD/CEO, she was responsible for the overall management of IBM Malaysia and Brunei, and was a Director of IBM Global Delivery Centre (M) Sdn Bhd and Kenexa Technologies Sdn Bhd. In IBM, she held senior leadership roles that spanned across multiple disciplines of technical, sales, intellectual property development, business and strategy development, and roles which gave her in-depth experience working in multiple countries across ASEAN and Asia Pacific.

In 2016, Ms Chong was recognised with the "CEO Champion Award" by Talentcorp. In November 2017, she was appointed to Talent Compact 4.0, a national advisory panel in response to the impact of Industry Revolution 4.0 and its implication to the future of work. In April 2018, she was recognised by the Malaysian Business publication as one of Malaysia's 25 Women of Influence. She channeled her passion for talent development by contributing as a mentor and as a speaker in multiple programs by ICDM, LeadWomen, 30% Club and LeanIN Malaysia. She was a judge for UN Women Empowerment Principles Award (Malaysia) in 2021 and 2022; and the much coveted Kincentric's Employer of the Year awards (Malaysia) in 2020, 2021 and 2022. She regularly spoke in forums on topics ranging from the latest in Digital Disruptions to Leadership in the Digital Era and Developing Women Leaders, and taught classes on Risk Management in Information Technology ("IT") for Directors under Asia School of Business.

Ms Chong was appointed to the Board of HLFG on 28 November 2019. She is the Chairman of the GBTC and a member of the BARMC and Remuneration Committee ("RC") of HLFG.

Ms Chong currently also serves as an Independent Non-Executive Director of Bursa Malaysia Berhad and KLCC Property Holdings Berhad, both companies listed on the Main Market of Bursa Securities; and as an Independent Non-Executive Director of QSR Brands (M) Holdings Bhd, a public company. She is also a Director of KLCC REIT Management Sdn Bhd, the Manager of KLCC Real Estate Investment Trust which is listed on the Main Market of Bursa Securities.

**HO HENG CHUAN**

**Non-Executive Director/  
Independent**

Malaysian | 66 | Male

Mr Ho Heng Chuan is a member of the Malaysian Institute of Certified Public Accountants (MICPA).

Mr Ho commenced his career with Messrs KPMG in 1976 as an auditor, before moving on to the banking industry where his career spanned over 39 years. He has held senior positions in AmMerchant Bank Berhad (now known as AmInvestment Bank Berhad) from 1980 to June 1998, Macquarie Bank Ltd from July 1998 to 2000 and Citi in Malaysia from 2000 to June 2020.

Mr Ho served in various capacities in Citi, initially as Executive Director, Head of Corporate Finance and later as Managing Director overseeing Banking for Malaysia where he was responsible for the global banking business covering multinational companies, financial institutions, top tier local corporations and government linked companies. His last position in Citi was as Vice Chairman, Banking.

Mr Ho was appointed to the Board of HLFG on 15 October 2020. He is the Chairman of the BARMC and RC and a member of the NC of HLFG.

Mr Ho is also an Independent Non-Executive Director of Genting Malaysia Berhad, a company listed on the Main Market of Bursa Securities and a Senior Advisor with the East Asia & Pacific practice at Albright Stonebridge Group.

## Board of Directors' Profile

## EMILY KOK

Non-Executive Director/  
Independent

Malaysian | 56 | Female

Ms Emily Kok holds a Master of Enterprise Innovation & Entrepreneurial Studies from Swinburne University of Technology, Australia and a Bachelor of Science (Hons) in Mathematical and Information Sciences from La Trobe University, Australia. She had also attended various C-suites executive programmes in INSEAD, IMD (Lausanne, Switzerland) and Harvard Business School. Ms Emily is a Fellow of the Institute of Corporate Directors Malaysia and a member of the Chartered Institute of Management Accountants and Institute of Certified Sustainability Practitioners. She is a Chartered Global Management Accountant and a sustainability reporting specialist.

Ms Emily comes from a diverse background of venture capital, private equity, management and entrepreneurship. A visionary entrepreneur, she has co-founded several businesses including Rentwise Sdn Bhd, Malaysia's only homegrown, privately held independent lessor specialising in operating leases of IT equipment to the corporate sector. She was the Chief Executive Officer and Chairman of Rentwise Sdn Bhd from 2004 to 2011. Other businesses Ms Emily has co-founded are in the IT, financial services and fast-moving consumer goods space.

Ms Emily has more than 20 years' experience in direct investment, a significant part of that with 3i Group plc as Vice President for the Asia Pacific region from 1998 to 2003, where she was part of the pioneering team in establishing 3i's investment presence in Asia. Her portfolio ranged from new technology to brick and mortar in both business-to-business and business-to-consumer verticals.

In 2012, Ms Emily took on the position of Executive Director at Prima Gading Sdn Bhd, the parent company of ICAN College, and was the Chief Executive Officer of ICAN College from 2017 to 2019. She is currently a member of the Board of Governors of ICAN College. She has also taken on several Board roles previously.

Ms Emily was appointed to the Board of HLFG on 26 April 2022. She is a member of the RC and NC of HLFG.

## Notes:

**1. Family Relationship with Director and/or Major Shareholder**

*None of the Directors has any family relationship with any other Director and/or major shareholder of HLFG.*

**2. Conflict of Interest**

*None of the Directors has any conflict of interest with HLFG.*

**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 Corporate Governance Overview, Risk Management & Internal Control Statement in the Annual Report.*

## Key Senior Management of the Group

### TEH TIONG KHIM

Group Chief Financial Officer of  
Hong Leong Financial Group Berhad ("HLFG")

Malaysian | 50 | Male

Mr Teh Tiong Khim is a Chartered Accountant, Fellow of CPA Australia and holds a Master of Business Administration from University of Strathclyde, Scotland.

Mr Teh joined HLFG on 1 December 2020 as the Group Chief Financial Officer.

Mr Teh has 28 years of diverse experience in senior finance roles across global business services, global IT services and a public listed company. His career trajectory has taken him through large multinational organisations with exposure to different industries including banking, fast-moving consumer goods and information technology.

Prior to joining HLFG, Mr Teh was the Chief Financial Officer of Standard Chartered Global Business Services ("SCGBS") Malaysia. In SCGBS, he was tasked to support Standard Chartered Global Head of SCGBS in executing financial strategy and he played a key role in developing various finance and commercial initiatives for the SCGBS network of organisations. From 2007 to 2016, Mr Teh had been with British American Tobacco Group where he held various senior finance positions in their global IT organisation and finance shared services, the last being the Regional Head of Record to Report for Asia Pacific.

### KEVIN LAM SAI YOKE

Group Managing Director/Chief Executive Officer of  
Hong Leong Bank Berhad ("HLB"),  
a subsidiary of HLFG

Singaporean | 54 | Male

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

Mr Kevin Lam was appointed as the Group Managing Director and Chief Executive Officer of 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 had 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.

## Key Senior Management of the Group

### LEE JIM LENG

Group Managing Director/Chief Executive Officer of  
Hong Leong Investment Bank Berhad ("HLIB"),  
a subsidiary of HLFGB

Malaysian | 60 | Female

Ms Lee Jim Leng obtained a Bachelor of Business Administration degree in 1984 from the Acadia University, Canada and a Master of Business Administration in 1987 from the Dalhousie University, Canada.

Ms Lee joined HLIB on 24 November 2009 and is presently the Group Managing Director/Chief Executive Officer of HLIB.

Ms Lee has more than 20 years of experience in the financial industry, specialising mainly in investment banking. Prior to joining HLIB, she was the Managing Director of a local investment bank where she was responsible for the overall development of the bank's investment business in Malaysia. From 1999 to 2007, she was attached to a Singapore based regional bank and was tasked to spearhead their investment banking division in Malaysia and the ASEAN region.

Ms Lee is a Director of Hong Leong Capital Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad and the Chairman of Hong Leong Asset Management Bhd, a public company. She is also the Council Chairman of the Malaysian Investment Banking Association (MIBA) and a Board Member of Asian Banking School Sdn Bhd.

### LOH GUAT LAN

Group Managing Director/Chief Executive Officer of  
Hong Leong Assurance Berhad ("HLA"),  
a subsidiary of HLFGB

Malaysian | 58 | Female

Ms Loh Guat Lan holds a Bachelor of Science in Human Development and is a Fellow Member of Life Management Institute (FLMI) and Life Office Management Association (LOMA) as well as Associate, Customer Service. She is also a Certified Financial Planner (CFP) and Registered Financial Planner (RFP).

Ms Loh has extensive experience in the insurance industry, including agency management, branch management, and agency development and training. She was previously the Chief Operating Officer (Life Division) of HLA and was subsequently appointed as the Group Managing Director/Chief Executive Officer of HLA on 1 September 2009. Prior to joining HLA, she was in the employment of American International Assurance Company Limited where her last position was Vice President & Senior Director of Agency (Malaysia).

Ms Loh is the Chairman of HL Assurance Pte Ltd and a Director of MSIG Insurance (Malaysia) Bhd, Hong Leong MSIG Takaful Berhad, HLA Holdings Sdn Bhd, Hong Leong Insurance (Asia) Limited, L.I.A.M. Holding Sdn Bhd and L.I.A.M. Property Sdn Bhd. She is also a Committee Member of the Life Insurance Association of Malaysia (LIAM) and a Director of The Malaysian Insurance Institute. She was a Board Member of Financial Industry Collective Outreach (FINCO).

#### Notes:

**1. Family Relationship with Director and/or Major Shareholder**

*None of the Key Senior Management has any family relationship with any Director and/or major shareholder of HLFGB.*

**2. Conflict of Interest**

*None of the Key Senior Management has any conflict of interest with HLFGB.*

**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 and Risk Management Committee Report

## CONSTITUTION

The Board Audit Committee of Hong Leong Financial Group Berhad (“HLFG” or the “Company”) had been established since 23 March 1994 and had been re-designated as the Board Audit and Risk Management Committee (“BARMC”) on 29 August 2001.

## COMPOSITION

**MR HO HENG CHUAN**

*(Chairman, Independent Non-Executive Director)*

**MS LEONG KET TI**

*(Independent Non-Executive Director)*

**MS CHONG CHYE NEO**

*(Independent Non-Executive Director)*

## SECRETARY

The Secretary(ies) to the BARMC are the Company Secretary(ies) of the Company.

## TERMS OF REFERENCE

The terms of reference of the BARMC are published on the Company’s website at [www.hlfg.com.my](http://www.hlfg.com.my).

## AUTHORITY

The BARMC 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 BARMC.

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

## MEETINGS

The BARMC meets at least four (4) 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 Chief Financial Officer, Group Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, relevant employees and external auditors are invited to attend the BARMC meetings, whenever required. At least twice a year, the BARMC will have separate sessions with the external auditors without the presence of the management.

The BARMC will also engage privately with the Chief Compliance Officer, Chief Internal Auditor and Group Chief Risk Officer at least once a year to provide the opportunity for the Chief Compliance Officer, Chief Internal Auditor and Group Chief Risk Officer to discuss issues faced by compliance, internal audit and risk management functions. The BARMC Chairman maintains regular engagements with the Chief Compliance Officer, Chief Internal Auditor and Group Chief Risk Officer.

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

Two (2) members of the BARMC, who shall be independent, shall constitute a quorum, and majority of the members present must be independent directors.

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

## ACTIVITIES

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

During the financial year ended 30 June 2023 (“FY2023”), nine (9) BARMC meetings were held and the attendance of the BARMC members were as follows:

| Member            | Attendance |
|-------------------|------------|
| Mr Ho Heng Chuan  | 9/9        |
| Ms Leong Ket Ti   | 9/9        |
| Ms Chong Chye Neo | 9/9        |

## Board Audit and Risk Management Committee Report

### HOW THE BARMC DISCHARGES ITS RESPONSIBILITIES

#### Financial Reporting

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

- (i) any significant 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.

The legal and regulatory environment was monitored and consideration given to changes in law, regulation, accounting policies and practices including the Auditor Reporting Standards – ISA 701 on key audit matters and the disclosure requirements under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

#### External Audit

The external auditors of the Group for the FY2023 is PricewaterhouseCoopers (“PwC”). The BARMC discussed and reviewed with the external auditors, before the audit commenced 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 Risk Management and Internal Control.

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

The BARMC reviewed the external audit fees and their scope of services. The fees payable to PwC for the FY2023 amounted to RM9,116,546, of which RM2,933,230 was payable in respect of non-audit services. Non-audit services accounted for 32% of the total fees payable. The BARMC assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

The BARMC also evaluated the performance of PwC in the following areas in relation to their re-appointment as auditors for the FY2023 and considered PwC to be independent:

- (a) level of knowledge, capabilities, experience and quality of previous work;
- (b) level of engagement with the BARMC;
- (c) ability to provide constructive observations, implications and recommendations in areas which require improvements;
- (d) adequacy in audit coverage, effectiveness in planning and conduct of audit;
- (e) ability to perform the audit work within the agreed time frame;
- (f) non-audit services rendered by PwC does not impede independence;
- (g) ability to demonstrate unbiased stance when interpreting the standards/policies adopted by HLFGB; and
- (h) risk of familiarity to ensure that the independence and objectivity of PwC was not compromised.

PwC, in accordance with professional ethical standards, have provided the BARMC with confirmation of their independence for the duration of the FY2023 and the measures used to control the quality of their work.

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

#### Related Party Transactions

The BARMC 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 monitor, track and identify the RRPT as well as to ensure that 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 BARMC 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.

## Board Audit and Risk Management Committee Report

### Internal Audit

The BARMC reviewed the adequacy of internal audit scope, internal audit plan and resources of the various internal audit functions within the respective business units under the Group.

During the financial year, BARMC noted that the various internal audit functions in the Group had effectively carried out internal audits to their respective business entities, and reviewed the updates on the audits performed on the financial holding company, banking business, investment banking/ stockbroking/ fund management/ unit trust businesses and insurance/ takaful business as set out in the Internal Audit Function section of this report.

The review of BARMC on the audit findings and recommendations had focused on the adequacy and integrity of internal control systems, business and compliance audits on the respective business units. The management's responses to internal audit's findings were also presented for the BARMC's consideration. The BARMC also reviewed at every BARMC meeting the status update of management's corrective action plans for the resolution of internal audit findings and recommendations. Recommendations were made by BARMC to ensure that the root causes raised by internal audit functions in their audit reports were effectively resolved and that any outstanding audit findings be tracked for timely resolution.

### Risk Management and Internal Control System

The BARMC has reviewed reports on risk management for the purpose of overseeing and reporting to the Board, on the proper functioning of Risk Management as part of its responsibilities to assess and manage risks and uncertainties that could inhibit the Group's ability to achieve its business objectives. These reports cover, among others, global and regional economic developments, risk headwinds, capital adequacy, credit risk, market risk, liquidity risk, operational risk, environment, social and governance (ESG) risk and technology risk.

The BARMC has also reviewed management's implementation of group-wide risk management initiatives, including the review of group-wide policies and risk appetite statements for Board's approval. In the FY2023, as part of the annual review process, the BARMC reviewed the key changes made to the Group policies on Risk Management, Credit Risk, Internal Capital Adequacy Assessment Process, Liquidity Management, Operational Risk Management, Cyber Resilience and Technology Risk Management. The changes to these policies were regulatory driven, administrative and/or editorial updates. In addition, the BARMC reviewed processes put in place to manage significant risks encountered by the Group as well as the adequacy and effectiveness of internal controls and risk management process. In addition to the above annual review process, the BARMC had also reviewed and endorsed the Recovery Plan which was developed

pursuant to the Bank Negara Malaysia ("BNM") Policy Document on Recovery Planning for the purpose of enhancing the Group and its significant entities preparedness in managing severe stress events that may threaten the Group's viability.

The BARMC also reviewed Group-wide risk resources and Business Continuity Management reports on staff deployment statistics across the Group.

The BARMC was also apprised on the Group's initiatives on integrating sustainability into its business and operations, and the Group's response to the BNM's Policy Document on Climate Risk Management and Scenario Analysis (CRMSA) and Climate Change Principle-based Taxonomy (CCPT). The BARMC has also reviewed the progress of managing and mitigating climate-related risks and ensure that the Group's best practices are aligned with the Task Force on Climate-Related Financial Disclosures (TCFD).

### Compliance

The BARMC reviewed and discussed reports on compliance for the purpose of reporting to the Board on its oversight of the management of compliance risks within the Group. These reports relate to matters concerning compliance with regulatory requirements, compliance risk management, compliance initiatives and Group compliance alignment activities, including:

- (i) new, revised or updated regulations affecting the Group;
- (ii) significant non-compliance incidences in the Group, including anti-bribery and corruption ("ABC") non-compliance incidences;
- (iii) development, review, alignment and implementation of Group-wide compliance policies;
- (iv) management of key compliance risks affecting the Group;
- (v) material compliance review findings in the Group;
- (vi) assessment of effectiveness of the overall management of Group compliance risks;
- (vii) implementation, alignment, monitoring and assessment on effectiveness of ABC programmes within the Group, which includes reinforcing Board and top management commitment against bribery and corruption, review and enhancement of ABC control measures, monitoring of ABC implementation activities, and implementation of ABC training and communication activities; and
- (viii) significant compliance issues which require deliberation by the BARMC and the Board.

## Board Audit and Risk Management Committee Report

The BARMC also reviewed and considered the proposed compliance objectives, strategies, plans, governance framework and policies for adoption and implementation within the Group, to ensure that Group affairs are carried out with effective compliance risk management and in full compliance with the relevant laws and regulations. In FY2023, as part of the annual review of policies, the BARMC also reviewed changes made to Group policies on compliance, governing documents, ABC, whistleblowing, personal data protection, and anti-money laundering and counter-financing of terrorism.

### Whistleblowing

The BARMC provided oversight on the implementation and effectiveness of the Company's Whistleblowing Policy and Standard Operating Procedures ("Whistleblowing Policy and Procedures"), which set out an avenue and the process for directors and employees of the Company and any (legal or natural) person, including those providing services to, or having a business relationship with the Company, to raise any concerns about any improper conduct, or wrongful act that involves the Company, confidentially through a dedicated whistleblowing channel to the BARMC Chairman. In FY2023, the BARMC had reviewed the Whistleblowing Policy and Procedures of the Company to ensure the whistleblowing procedures and communication plans in relation thereto remain effective. The BARMC also reviewed and deliberated the investigation reports submitted through the whistleblowing channel of the Company.

### INTERNAL AUDIT FUNCTION

The various internal audit functions within the Group entities ("internal audit functions") employ a risk-based assessment approach in auditing the 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 the potential risk exposure and impact. The internal audit functions are guided by their respective Internal Audit Charter ("Charter") and Internal Audit Standard Operating Procedures ("IA SOP") which are in line with BNM's Guidelines on Internal Audit Function of Licensed Institutions and the International Standards for the Professional Practice of Internal Auditing. In FY2023, as part of the annual review process, the internal audit functions had reviewed their respective Charters for changes and had tabled them to their respective board audit committees for endorsement; and subsequently to their respective Boards, for approval. The IA SOP was also reviewed for changes and tabled to the respective board audit committees for their approval.

During the FY2023, the following internal audits/ reviews were carried out:

- Banking: audits on information technology such as cybersecurity management, compliance and anti-money laundering, counter financing of terrorism and targeted financial sanctions ("AML/CFT and TFS"), personal financial services, business corporate banking, global markets, group operations and technology, group functions, branches including thematic audits on branch operations, credit transactions and exposures with connected parties, investigations and other assignments as required by regulatory bodies. Where applicable, all audits will include coverage on compliance with Shariah requirements on Islamic banking business.
  - Investment Banking/ Stockbroking/ Fund Management/ Unit Trust: audits on operations involving investment banking, treasury & markets, stockbroking, branches, fund management (both conventional and Islamic) and unit trust business activities; information technology, general controls and application systems; regulatory compliance such as AML/CFT and TFS, single counterparty exposure limit, credit transactions and exposures with connected parties, liquidity coverage ratio; business support functions such as risk management, compliance, finance, human resources, procurement and outsourcing arrangements; and other assignments as required by regulatory bodies.
  - Insurance: investment-linked transactions review, product set up review, business continuity management, replacement of policy, sustainability reporting, training for intermediaries, e-payment reporting, statistical reporting, outsourcing, personal data protection, information systems and cybersecurity management, branches and regulatory compliance audit such as AML/CFT and TFS.
  - Takaful: audits on business continuity management, actuarial valuation, family takaful surplus distribution, related party transactions, financial reporting (regulatory requirement), outsourcing & vendor management, control functions such as risk management, compliance, operations involving new business & underwriting, certificate admin & group processing, claims; regulatory compliance such as AML/CFT and TFS, replacement of takaful certificates; and electronic payment incentive framework.
- The cost incurred for the various internal audit functions within the Group for the FY2023 was RM19.52 million.
- This BARMC Report is made in accordance with the resolution of the Board.
- Financial Holding Company: audits on finance, company secretarial, legal, human resource, risk management and sustainability statement review.

## Corporate Governance Overview, Risk Management & Internal Control Statement

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

### *~ Finance Committee on Corporate Governance*

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

The CG Report 2023 of the Company in relation to this statement is published on the Company’s website, [www.hlfg.com.my](http://www.hlfg.com.my) (“the Company’s Website”).

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

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

The Board assumes responsibility for effective stewardship and control of the Company 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 Company’s Website. The Board Charter was last reviewed by the Board in April 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 Company is managed by the President & Chief Executive Officer (“CEO”) who is assisted by the management team. The CEO and his management team are accountable to the Board for the performance of the Company. 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, internal controls and risk management to the Board Audit and Risk Management Committee (“BARMC”). The Nomination Committee (“NC”) is delegated the authority to, inter alia, assess and review Board, Board Committees and 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 CEO. This division of responsibilities between the Chairman and the CEO ensures an appropriate balance of roles, responsibilities and accountability.

## Corporate Governance Overview, Risk Management & Internal Control Statement

### A. ROLES AND RESPONSIBILITIES OF THE BOARD (continued)

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

The CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Group as well as to monitor progress on implementation of Key Performance Areas (“KPA’s”) and strategic developments.

The CEO’s main responsibility is to work with the operating managers to develop strategic business plans and to set out the KPA’s for the operating managers as well as to focus on creating value through deployment of the assets in the Group and to seek optimal use of the capital resources available to him.

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 Company 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 in this Annual Report.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia (“CCM”), which has been adopted by the Board and published on the Company’s Website. In addition, the Company also has a Code of Conduct and Ethics for Employees that sets out sound principles and standards of good practice which are to be observed by the employees. A Whistleblowing Policy has also been established by the Company and the said policy is published on the Company’s Website. It provides a structured channel for all employees of the Company and any other persons providing services to, or having a business relationship with the Company, to raise genuine concerns about any improper conduct or wrongful acts involving the Company.

### B. BOARD COMPOSITION

The Board currently comprises seven (7) Directors. The seven (7) Directors are made up of one (1) Executive Director and six (6) 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 Company 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 Company. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Company 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 seven (7) Directors, of whom four (4) 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 Company.



## Corporate Governance Overview, Risk Management & Internal Control Statement

### C. BOARD COMMITTEES

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

#### (A) BARMC

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

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

#### (B) NC

The NC was established on 30 October 2008. The composition of the NC is as follows:

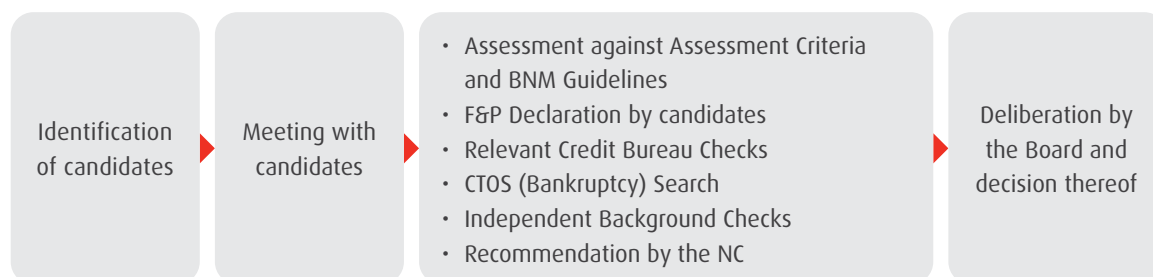
- YM Raja Noorma binti Raja Othman (Chairman)
- Mr Ho Heng Chuan
- Ms Emily Kok

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

The Company 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 CEO, (ii) appointment of Board Committee members, and (iii) annual F&P assessment of Chairman, Directors and 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:



## Corporate Governance Overview, Risk Management &amp; Internal Control Statement

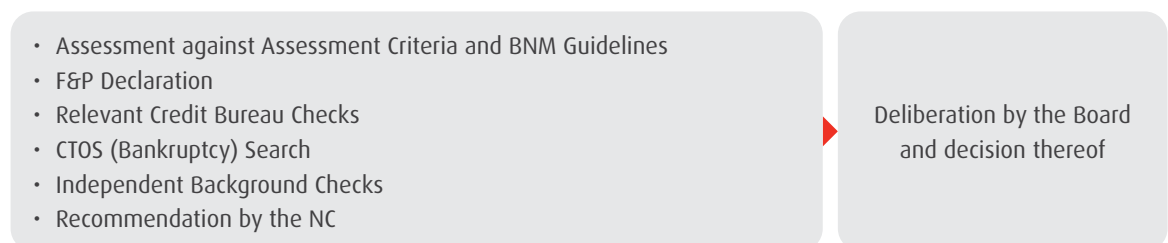
**C. BOARD COMMITTEES (continued)****(B) NC (continued)****(i) New Appointments (continued)**

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 Company will also conduct independent background checks to verify the information disclosed in the F&P Declarations. The Company 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 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**

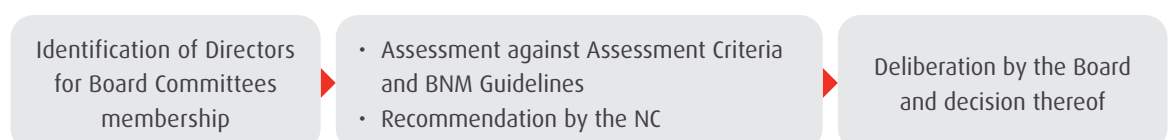
The assessment and approval process for re-appointments is as follows:



For re-appointments, the Chairman, Directors and 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 on the next page), 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.

**(iii) Board Committees Appointments**

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



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.

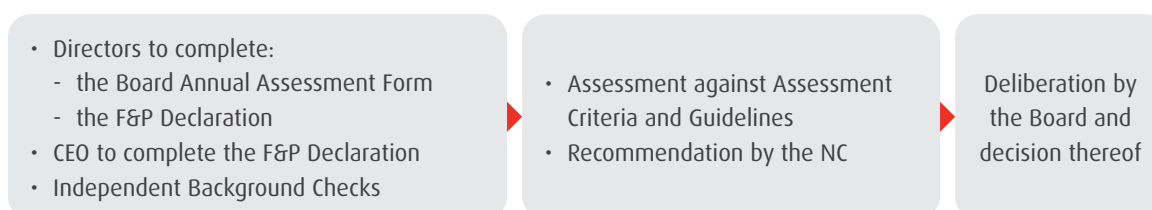
## Corporate Governance Overview, Risk Management & Internal Control Statement

### C. BOARD COMMITTEES (continued)

#### (B) NC (continued)

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

The annual F&P assessment process is as follows:



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 CEO pursuant to the BNM Guidelines. Directors 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 BNM 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 one 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-a-vis the complexity, size, scope and operations of the Company; 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 Company 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.

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

## Corporate Governance Overview, Risk Management &amp; Internal Control Statement

**C. BOARD COMMITTEES (continued)****(B) NC (continued)**

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 |
|----------------------------------|------------|
| YM Raja Noorma binti Raja Othman | 3/3        |
| Mr Ho Heng Chuan                 | 3/3        |
| Ms Emily Kok                     | 3/3        |

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 Company. 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 Company and was satisfied that the Independent Directors met the regulatory requirements for Independent Directors;
- Reviewed the F&P Declarations by Directors and Company Secretary in line with the BNM policy document on F&P Criteria and was satisfied that the Directors 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 BARMC and each of its members in accordance with the TOR of BARMC and was of the view that the BARMC and each of its members had carried out their duties in accordance with the BARMC TOR for the periods 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;
- Considered the re-election of Directors who are due for retirement at the Annual General Meeting ("AGM") pursuant to the Constitution of the Company;
- Considered the Board Policy on Succession Planning of the Board; and
- Reviewed the revisions to the F&P Policy.

## Corporate Governance Overview, Risk Management & Internal Control Statement

### C. BOARD COMMITTEES (continued)

#### (C) REMUNERATION COMMITTEE ("RC")

The RC was established on 30 October 2008. The composition of the RC is as follows:

- Mr Ho Heng Chuan (Chairman)
- Ms Chong Chye Neo
- Ms Emily Kok

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

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

| Member            | Attendance |
|-------------------|------------|
| Mr Ho Heng Chuan  | 2/2        |
| Ms Chong Chye Neo | 2/2        |
| Ms Emily Kok      | 2/2        |

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 Company 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 Company at its AGM, and payable in cash to INEDs upon approval of the shareholders of the Company.

The detailed remuneration of each Director during the FY2023 is as set out in Note 41 of the Audited Financial Statements in this Annual Report.

## Corporate Governance Overview, Risk Management & Internal Control Statement

### C. BOARD COMMITTEES (continued)

#### (C) REMUNERATION COMMITTEE ("RC") (continued)

##### Remuneration

The remuneration strategy of Hong Leong Financial Group ("HLFG") supports and promotes a high performance culture to deliver HLFG's Vision to be an integrated financial services group that consistently meets its customers' needs. It also forms a key part of our Employer Value Proposition with strong values, high integrity, clear sense of responsibility, high ethical standards and the right behaviour.

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

The remuneration framework also reinforces a strong internal governance on performance and remuneration of control functions, which are measured and assessed independently from business units/ functions they support to avoid any conflict of interests. The framework stipulates that for effective segregation, these staffs will be appraised principally based on achievement of their control objectives.

##### Remuneration Process

The remuneration process includes strict adherence to regulatory requirements and active oversight by the Board where the remuneration of the CEO, Senior Officers and other material risk takers are reviewed and approved by the RC and Board annually. "Senior Officers" in this context refers to management staff who have primary and significant responsibility for the management and performance of significant business activities of the Company and any person who assumes primary or significant responsibility for key control functions of the Company. "Other material risk taker" refers to an officer who is not a member of Senior Officers of the Company and who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on the Company's risk profile.

The Board maintains and regularly reviews a list of officers who fall within the definition of "Senior Officers" and "other material risk takers". For the FY2023, there were no "other material risk takers" identified for the Company.

##### Role of BARMC in remuneration matters

BARMC is tasked to review Management's implementation of the remuneration system on whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the RC.

##### Deferred Compensation and Clawbacks

Variable bonus awards for CEO, Senior Officers and other material risk takers in excess of a certain thresholds will be deferred over a period of time. The clawback mechanism is introduced to ensure excessive risk taking behaviour of staff is minimised and that the system does not induce excessive risk taking and sufficient control is in place to ensure sustainable business achievements in the long-term. Periodic reviews as well as post-implementation reporting to the BARMC are carried out to examine the effectiveness of the schemes in driving the right behaviours in achieving business goals and that there are no adverse risk elements in the approved schemes. The clawbacks mechanism is 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.



## Corporate Governance Overview, Risk Management &amp; Internal Control Statement

**C. BOARD COMMITTEES (continued)****(c) REMUNERATION COMMITTEE ("RC") (continued)**

The remuneration of the CEO and Senior Management Officers of the Company for FY2023 is shown in the tables below:

**i) CEO**

| NAME           | CATEGORY                     | CASH (RM) | SHARES (RM) | TOTAL (RM) |
|----------------|------------------------------|-----------|-------------|------------|
| Tan Kong Khoon | <b>Fixed remuneration</b>    | 3,420,000 | -           | 3,420,000  |
|                | <b>Variable remuneration</b> |           |             |            |
|                | 1) Non-deferred              | 5,445,850 | -           | 5,445,850  |
|                | 2) Deferred                  | 2,713,150 | 2,296,007*  | 5,009,157  |

**ii) Senior Management Officers (including CEO)**

| CEO and 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 (vested) in FY2023 (RM) |
|-------------------------------------|--------------------------|-------------------|---------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| <b>Fixed Remuneration</b>           |                          |                   |               |                                                                        |                                                                                    |
| Cash-based                          | 4                        | 5,527,200         | -             | -                                                                      | -                                                                                  |
| Shares and share-linked instruments | -                        | -                 | -             | -                                                                      | -                                                                                  |
| Other                               | -                        | -                 | -             | -                                                                      | -                                                                                  |
| <b>Variable Remuneration</b>        |                          |                   |               |                                                                        |                                                                                    |
| Cash-based                          | 4                        | 6,279,690         | 2,813,710     | 2,813,710                                                              | 2,554,960                                                                          |
| Shares and share-linked instruments | 2                        | -                 | 5,739,990*    | 2,870,013*                                                             | 2,869,977*                                                                         |
| Other                               | -                        | -                 | -             | -                                                                      | -                                                                                  |

Note:

\* The value of share is based on the valuation used for MFRS 2 Accounting.

## Corporate Governance Overview, Risk Management &amp; Internal Control Statement

**C. BOARD COMMITTEES (continued)****(D) GROUP BOARD INFORMATION AND TECHNOLOGY COMMITTEE ("GBITC")**

The GBITC was established on 29 July 2020 to jointly support the Boards of Hong Leong Financial Group Berhad, Hong Leong Investment Bank Berhad ("HLIB"), Hong Leong Assurance Berhad ("HLA") and Hong Leong MSIG Takaful Berhad ("HLMT") (collectively "HLFG Group of Companies") in discharging the following responsibilities:

1. Oversee technology and cyber security related matters.
2. Facilitate discussions amongst entities of the development in digital trends, to rationalise practices and policies and where possible, to seek consistent practices across entities.
3. Ensure that risks assessments undertaken in relation to material technology applications are robust and comprehensive.
4. 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 GBITC comprises representatives from HLFG Group of Companies as follows:

- Ms Chong Chye Neo (Chairman)
- YM Raja Noorma binti Raja Othman
- YBhg Dato' Ng Wan Peng
- YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah

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

During the FY2023, five (5) GBITC meetings were held and the attendance of the GBITC members were as follows:

| Member                                                     | Attendance |
|------------------------------------------------------------|------------|
| Ms Chong Chye Neo                                          | 5/5        |
| YM Raja Noorma binti Raja Othman                           | 5/5        |
| YBhg Dato' Ng Wan Peng                                     | 5/5        |
| YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah | 5/5        |

## Corporate Governance Overview, Risk Management & Internal Control Statement

### C. BOARD COMMITTEES (continued)

#### (D) GROUP BOARD INFORMATION AND TECHNOLOGY COMMITTEE ("GBITC") (continued)

The GBITC is a platform for the sharing of knowledge and experience on technology related matters with subject matter experts from the various group entities. In discharging its duties in accordance with its TOR, the GBITC carried out the following activities during the FY2023:

- Reviewed the IT strategy and monitored the progress against management plan;
- Reviewed the cyber security posture and key security initiatives;
- Reviewed the production incidents and trends;
- 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 encompassing technology risk management and cyber resilience;
- Reviewed the Business Continuity Management of the Group, including critical system downtime and disaster recovery plans;
- Reviewed the Group's adoption of emerging technologies, including the adoption status and corresponding capabilities;
- Deliberated on the on-going development in digital trends in the financial services industry, their potential application within the Group, and exchange of thoughts on the digital strategy of the Group;
- Reviewed the Group's new major applications, systems and projects;
- Reviewed the Group's risk appetite statement and results of compromise assessment on IT infrastructure;
- Reviewed the results of the BNM IT Audit for FY2023 of HLA/ HLMT;

- Reviewed the impact of Insurtech and HLA's/ HLMT's strategy in this space;
- Reviewed the impact of the digital investing trend and HLIB's strategy in this space; and
- Identified and recommended training programme(s) on topics relating to IT for learning and development of Directors, and shared the topics of interest gained from the external training programme(s) with the management for discussion on the implications thereof to digitalisation propositions of the Group.

### D. INDEPENDENCE

The Board takes cognisance of the provisions of the MCGG, 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 Company 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 Company has in place a policy in relation to the tenure for Independent Directors of the Company ("Tenure Policy") under the F&P Policy of the Company. 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 Company. 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.

### E. COMMITMENT

The 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.

## Corporate Governance Overview, Risk Management &amp; Internal Control Statement

**E. COMMITMENT (continued)**

This ensures that their commitment, resources and time are focused on the affairs of the Company 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 Company 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 Company 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 Company's expense, in consultation with the Chairman or the CEO of the Company.

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.

The Board met six (6) 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      | 6/6        |
| Mr Tan Kong Khoon                | 6/6        |
| Ms Leong Ket Ti                  | 6/6        |
| YM Raja Noorma binti Raja Othman | 6/6        |
| Ms Chong Chye Neo                | 6/6        |
| Mr Ho Heng Chuan                 | 6/6        |
| Ms Emily Kok                     | 6/6        |

The Company recognises the importance of continuous professional development and training for its directors.

The Company is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Company. The Induction Programme is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Company's business, governance process, roles and responsibilities as Director of the Company. The CPD encompasses areas related to the industry or business of the Company, 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 Company 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 Company will complete the MAP Part II within the prescribed timeframe.

## Corporate Governance Overview, Risk Management & Internal Control Statement

### E. COMMITMENT (continued)

The Company 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 Company has prepared for the use of its Directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a Director vis-à-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 Group'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 Company.

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

- 30% Club Malaysia Investability – Why great minds think alike does not work anymore
- Axiata – Anti-Bribery and Corruption Laws in Malaysia and Other Countries by Law Partnership and Amicus Legal Consultants
- Axiata – Board Awareness Session on Anti-Bribery and Anti-Corruption Laws and Corruption Risk Assessment
- Baker McKenzie – A Deep Dive into NFTs
- Baker McKenzie – Integrating crypto into established financial services - Funds and listings
- Baker McKenzie – The Crypto Ecosystem
- 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
- Bursa Malaysia – Anti-Bribery Management Systems – A tool for adequate procedures
- Bursa Malaysia – Climate Governance Initiative: A standing item on Board agendas
- Bursa Malaysia – EC-Council: The art of cyber defense
- Bursa Malaysia – Launch of the PLC Transformation Programme Guidebook 4 – Being Digitally Enabled and Guidebook 5: Contributing Towards Nation Building
- Bursa Malaysia – Presentation of PLC Transformation Guidebook 2 and sharing session by panellists covering their initiatives and viewpoints in embodying sustainability
- Deloitte – Economic Outlook
- Deloitte – Geopolitics: Implications for Boards of the Shifting Landscape
- Deloitte – Investor Roundtable
- Deloitte – Tech Trends for Boards
- Deloitte Tax Services – Budget Seminar
- Ernst & Young – Awareness Session Briefing on Introduction to Integrated Reporting
- FIDE Forum – Beyond Box Ticking: Essentials for Effective Remuneration Committees
- FIDE Forum – Can America Stop China's Rise? Will ASEAN Be Damaged?
- FIDE Forum – Leadership Perspectives Forum: Board effectiveness
- FIDE Forum – The Emerging Trends Threats and Risks to the Financial Services Industry: Managing Global Risk Investment and Payment System
- HLB – The Heightened Legal & Regulatory Expectations on Sanctions
- HLCB – Anti-Money Laundering/Counter Financing of Terrorism & Targeted Financial Sanctions: Prevention, Detection & Collaboration in Fronting Compliance
- HLFG – Anti-Bribery and Corruption Refresher Training: Revisiting Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009 on Corporate Liability Provision – Developing a Robust Anti-Bribery & Corruption Framework as Lines of Defence
- HLFG – Briefing on Environmental, Social and Governance by PricewaterhouseCoopers PLT

## Corporate Governance Overview, Risk Management &amp; Internal Control Statement

**E. COMMITMENT (continued)**

- HLFG – Presentation on Insurtech by JP Morgan Securities Asia Pte Ltd
- ICDM – Advancing Cyber Resilience : Board's Top 3 Must-Knows
- ICDM – Annual BAC Dialogue & Networking 2023
- ICDM – International Directors Summit 2022: The B Factor - [Bold + Brave] Boards
- ICLIF – Building the Islamic Finance Industry's Future: Creating Role Model Economies, Inclusive Institutions and Impact-Driven Investment
- ICLIF – Corporate Governance & Remuneration Practices For The ESG World
- ICLIF – Risk Management Committee – Banking Sector
- ICLIF – The FIDE Core Programme
- ICLIF – Understanding the Cyber Security Landscape
- IERP – Directors Guide to Machine Learning and Artificial Intelligence
- Institute of Certified Sustainability Practitioners (ICSP) – Environment Disclosure Based on ISSB, TCFD, and CDP
- Maybank Investment Bank Economic Outlook & Lookout – Withdrawal Syndrome after Sugar Rush?
- MICPA – 64<sup>th</sup> Anniversary Commemorative Lecture "Towards a Better Malaysian Political Economy"
- National Center for Corporate Reporting (NCCR) – GRI Standards Certified Training Course: Reporting with GRI Standards 2021 Update
- Nomura Securities Malaysia Sdn Bhd – Malaysia equity strategy: How will KLCI fare in the growth vs inflation tug-of-war
- Securities Commission – 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)
- South China Morning Post (SCMP) – Asia Sustainability Conference 2022
- SSM – Section 17A Malaysian Anti-Corruption Commission Act 2009 & Adequate Procedure
- Sunway Sustainable Business Research Cluster – MSME e-payment systems and fintech services
- SWIFT – Sibos 2022 Conference: Progressive Finance For A Changing World
- The American Institute of Certified Public Accountants ("AICPA") & Chartered Institute of Management Accountants ("CIMA") – ESG Workshop: Integrating ESG into Business
- AICPA & CIMA – Robotic Automation Process in Management Accounting

**F. ACCOUNTABILITY AND AUDIT**

The Company has put in place a framework of processes whereby Board committees provide oversight on critical processes of the Company'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 BARMC, 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.

The BARMC is delegated with the responsibility to provide oversight on the Company's management of critical risks that the Group faces, and to review the effectiveness of internal controls implemented in the Company.

The Statement on Risk Management and Internal Control as detailed under Section I 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 BARMC, which also reviews the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually. In this regard, an annual assessment is conducted by the BARMC to evaluate the performance, independence and objectivity of the external auditors prior to making any recommendation to the Board on the re-appointment of the external auditors.



## Corporate Governance Overview, Risk Management &amp; Internal Control Statement

**F. ACCOUNTABILITY AND AUDIT (continued)****III RELATIONSHIP WITH AUDITORS (continued)**

The Company 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 BARMC 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 BARMC 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 BARMC members at least twice a year without the presence of management.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Company'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 Company's Website for information such as the Board Charter, TORs of Board Committees, corporate information, announcements/press releases/ briefings, financial information and investor relations. The minutes of the AGM are published on the Company's Website.

The Board has identified Mr Ho Heng Chuan, the Chairman of the BARMC, 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 Group Chief Financial Officer to direct queries and provide feedback to the Group.

Queries may be conveyed to the Group Chief Financial Officer at:

Tel No : 03-2080 9888  
Fax No : 03-2080 9800  
E-mail address : cfo-hlfg@hongleong.com.my

**G. DISCLOSURE**

The Company 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 Company's Website after release to Bursa.

**H. 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.

**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.

## Corporate Governance Overview, Risk Management & Internal Control Statement

### H. SHAREHOLDERS (continued)

#### II AGM (continued)

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at the last AGM held on 31 October 2022 were put to a vote by way of a poll and the voting results were announced at the meeting and through Bursa. The Company 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 Company.

### I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

#### I THE RESPONSIBILITY OF THE BOARD

The Board recognises its responsibilities for the system of internal controls of the Group and for reviewing its adequacy and integrity. Accordingly, the Board has established and maintained a Risk Management Framework appropriate to the operations of the Group, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The controls built into the Risk Management Framework of the Group are designed to ensure that all relevant and significant risks are identified and managed as part of the risk management process and are not intended to eliminate all risks of failure to achieve business objectives. It only provides a reasonable and not absolute assurance against material misstatements, losses or frauds that may affect the Group's financial position or its operations.

The Board has received assurance from the President & CEO, Group Chief Financial Officer, and the Heads of Risk Management, Compliance and Internal Audit functions 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 Group.

Based on the outcome of these reviews as well as the assurance it has received from management, the Board is of the view that the Group'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.

#### II THE RISK MANAGEMENT FRAMEWORK

The Risk Management Framework established by the Board is to assist it in:

- identifying the significant risks faced by the Group in the operating environment, as well as evaluating the impact of such risks;
- developing and approving the necessary measures to manage these risks; and
- monitoring the effectiveness of such measures and to develop, approve and monitor any corrective actions as may be deemed necessary.

These processes have been in place throughout the FY2023 and have continued up to the date this statement was approved.

The Board has entrusted the BARMC with the responsibility to oversee the implementation of the Risk Management Framework of the Group.

The Risk Management function administers the Risk Management Framework by working with various risk management functions within the Group. These functions' primary responsibilities are:

- periodically evaluate all identified risks for their relevance in the operating environment and inclusion in the Risk Management Framework;
- oversee and monitor the implementation of appropriate systems and controls to manage these risks;
- assess the adequacy of existing action plans and control systems developed to manage these risks;
- monitor the performance of management in executing the action plans and operating the control systems; and
- regularly report to the BARMC on the state of internal controls and the efficacy of management of risks throughout the Group.

In discharging the above responsibilities, the Group's Risk Officers are guided by but are not limited to the Statement on Risk Management & Internal Control - Guidelines for Directors of Listed Issuers.

## Corporate Governance Overview, Risk Management & Internal Control Statement

### I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)

#### III INTERNAL CONTROL REVIEW AND REGULATORY COMPLIANCE PROCEDURES

The Internal Audit function provides assurance regarding the adequacy and integrity of the system of internal controls. This function works with various internal audit functions within the Group to undertake periodic and systematic reviews of internal control systems and the review of compliance with the regulations, policies, and control procedures of the Group. Internal audit findings, recommendations and management responses are brought to the attention of the respective board audit and/or risk committees within the Group and the status of corrective actions will be monitored for timely resolution.

The Compliance function works with various Compliance functions within the Group to assess, monitor and manage compliance risks in the Group and to facilitate compliance with regulatory requirements and internal policies. The compliance framework and fundamental compliance principles of the Group, including governance framework and reporting structure, are set out in the Group Compliance Policy. Regulatory updates and changes affecting the Group are communicated by the Compliance function to internal stakeholders for implementation and reported to the respective board audit and/or risk committees. All material compliance breaches and non-compliances are brought to the attention of the respective board audit and/or risk committees within the Group and they are kept informed of the causes and the remedial measures taken.

To support effective internal controls and in ensuring compliance with relevant laws and regulations, the Compliance function has also put in place key compliance policies such as the Group Compliance Policy, Group Anti-Bribery and Corruption Policy, Group Whistleblowing Policy, Group Anti-Money Laundering and Counter Financing of Terrorism Policy and Group Personal Data Protection Policy. All policies are reviewed on an annual basis or sooner as and when required to reflect current practices or changes to applicable legal or regulatory requirements.

#### IV MANAGEMENT AND DECISION-MAKING PROCESSES

The Board has incorporated the Risk Management Framework as an integral component in the management and decision-making process of the Group.

The vision and mission statements of the Group form the basis of business plans and budgets. The key strategies to achieve these business plans and budgets are approved by the Board. The management performs periodic review to monitor the performance of all operating units against the business plans and budgets. The budget is monitored and major variances are followed-up by the management. These are then reported to the Board on a quarterly basis.

The Company's financial system records business transactions to produce quarterly reports that allow management to focus on key areas of concern. The public release of quarterly financial reporting of the Group will only be made after being reviewed by the BARMC and approved by the Board.

The Group has a well-defined organisational structure with clearly defined authorities, accountability and segregation of duties. The respective heads of the operating subsidiaries of the Group operate their respective units within the policies, functional, financial and operating reporting standards and control procedures developed by the Group. Such reporting standards and control procedures are supplemented by operating procedures developed by the operating units to suit the regulatory and business environment, in which they operate.

The Group has identified the following principal risks on its operations, including but not limited to credit risk, market risk, liquidity risk, operational risk, compliance risk and environmental, social and governance risk. Risk management policies to guide operating subsidiaries of the Group have been established and these policies are reviewed annually to incorporate regulatory driven, administrative and/or editorial updates. Each operating unit has a number of functional departments and/or units that will be responsible for managing and monitoring risks through limits, procedures and oversight. Where feasible and necessary, relevant group resources are focused to manage and monitor common risks on an integrated and Group-wide basis, using common tools, procedures and control systems as appropriate.

## Corporate Governance Overview, Risk Management & Internal Control Statement

### I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)

#### IV MANAGEMENT AND DECISION-MAKING PROCESSES (continued)

As required by Paragraph 15.23 of the MMLR, 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 Group.

### J. 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 Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and of the Company for the FY2023, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that 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 are pleased to present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2023.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of services to its subsidiaries to enhance group value.

The Hong Leong Financial Group (the Company and its subsidiaries) is a diversified financial group whose businesses provide a broad range of financial products and services to consumer, corporate and institutional customers.

The principal activities of the significant subsidiaries consist of commercial banking business, Islamic banking services, insurance and family takaful business, investment banking, futures and stock broking and asset management business as disclosed in Note 11 to the financial statements.

There have been no significant changes in the principal activities of the Group and the Company during the financial year.

## FINANCIAL RESULTS

|                             | The Group<br>RM'000 | The Company<br>RM'000 |
|-----------------------------|---------------------|-----------------------|
| Net profit after taxation:  |                     |                       |
| - Owners of the parent      | 2,791,303           | 857,882               |
| - Non-controlling interests | 1,416,316           | -                     |
|                             | 4,207,619           | 857,882               |

## DIVIDENDS

The dividends on ordinary shares paid by the Company since the previous financial year ended 30 June 2022 were as follows:

- A final single-tier dividend of 31.0 sen per share, amounting to RM352,791,561, in respect of the financial year ended 30 June 2022, was paid on 23 November 2022.
- An interim single-tier dividend of 17.0 sen per share, amounting to RM193,492,929 in respect of the financial year ended 30 June 2023, was paid on 30 March 2023.

The Directors have declared a final single-tier dividend of 32.0 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 55 to the financial statements.

## SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Significant events subsequent to the financial year are disclosed in Note 56 to the financial statements.

## Directors' Report

for the financial year ended 30 June 2023

**CREDIT RATING**

On 30 August 2023, RAM Rating Services Berhad has reaffirmed AA<sub>1</sub>/Stable/P1 corporate credit ratings (CCRs) to Hong Leong Financial Group Berhad (the Company or the Group). All the long-term ratings have a stable outlook.

Details of the ratings are as follows:

|                                                                                                                                    | Rating Classification      |
|------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Corporate Credit Ratings                                                                                                           | AA <sub>1</sub> /Stable/P1 |
| Multi-Currency Senior Notes, Tier-2 Subordinated Notes and Additional Tier-1 Capital Securities Programme of up to RM25.0 billion* |                            |
| i. Senior Notes                                                                                                                    | AA <sub>1</sub> /Stable    |
| ii. Tier-2 Subordinated Notes                                                                                                      | AA <sub>2</sub> /Stable    |
| iii. Additional Tier-1 Capital Securities                                                                                          | A <sub>1</sub> /Stable     |
| Commercial Papers Programme of up to RM3.0 billion*                                                                                | P1                         |
| * combined limit of RM25.0 billion                                                                                                 |                            |

**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.

**CORPORATE GOVERNANCE**

The corporate governance disclosures are set out in the Corporate Governance Overview, Risk Management and Internal Control Statement.

**DIRECTORS**

The Directors of the Company 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:

|                               |                                                        |
|-------------------------------|--------------------------------------------------------|
| Tan Sri Quek Leng Chan        | (Chairman, Non-Executive Non-Independent)              |
| Tan Kong Khoon                | (President & Chief Executive Officer, Non-Independent) |
| Leong Ket Ti                  | (Independent Non-Executive Director)                   |
| Raja Noorma binti Raja Othman | (Independent Non-Executive Director)                   |
| Chong Chye Neo                | (Independent Non-Executive Director)                   |
| Ho Heng Chuan                 | (Independent Non-Executive Director)                   |
| Emily Kok                     | (Independent Non-Executive Director)                   |



## Directors' Report

for the financial year ended 30 June 2023

### DIRECTORS (continued)

The Directors of the Company'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:

|                                                                            |                                                                      |
|----------------------------------------------------------------------------|----------------------------------------------------------------------|
| Alan Hamzah Sendut                                                         | Liew Chin Chong                                                      |
| Ang Beng Kuan                                                              | Lim Tau Kien                                                         |
| Au Chee Ming                                                               | Loh Guat Lan                                                         |
| Chan Lap Yuen                                                              | Malkiat Singh @ Malkit Singh Maan a/l Delbara Singh                  |
| Chee Fei Meng<br>(Appointed with effect from 6 March 2023)                 | Mark Nelligan                                                        |
| Cheong Soo Ching                                                           | Martin Giles Manen                                                   |
| Chew Seong Aun                                                             | Masayuki Takahashi<br>(Resigned with effect from 17 July 2023)       |
| Chok Kwee Bee<br>(Resigned with effect from 1 December 2022)               | Matthew Nicholas Rendall                                             |
| Dato' Abdul Majit bin Ahmad Khan                                           | Mitsuru Yasuda<br>(Appointed with effect from 17 July 2023)          |
| Dato' Bakarudin bin Ishak                                                  | Mohd Faizal bin Ali<br>(Ceased with effect from 3 August 2023)       |
| Dato' Ng Wan Peng                                                          | Muhammad Awi Goo @ Goo Kim Hooi                                      |
| Dato' Nicholas John Lough @ Sharif Lough bin Abdullah                      | Musa bin Mahmood                                                     |
| Dato' Siow Kim Lun @ Siow Kim Lin                                          | Noor Aini binte Shaik Awab                                           |
| Datuk Dr Md Hamzah bin Md Kassim                                           | Norhayati binti Abu Bakar<br>(Ceased with effect from 3 August 2023) |
| Datuk Manharlal a/l Ratilal                                                | Peter Ho Kok Wai                                                     |
| Domenico Fuda<br>(Resigned with effect from 30 June 2023)                  | Quek Kon Sean                                                        |
| Duong Duc Hung                                                             | Rowina Ghazali Seth                                                  |
| Fa'izah binti Mohamed Amin                                                 | Shalet Marian                                                        |
| Gan Siok Loon                                                              | Sharan Kaur a/p Jaswant Singh                                        |
| Han Chin May                                                               | Sim Hong Kee                                                         |
| Harjit Kaur a/p Inder Singh<br>(Resigned with effect from 10 January 2023) | Stella Lo Sze Man                                                    |
| Hoo See Kheng                                                              | Tai Siew Moi                                                         |
| Jacelyn Khoo June Lee                                                      | Tan Chan Yien<br>(Appointed with effect from 10 January 2023)        |
| John Hing Vong                                                             | Tan Khee Meng                                                        |
| Khoo Teng Kar                                                              | Tang Hong Cheong                                                     |
| Koid Swee Lian                                                             | Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin                       |
| Kwek Leng Hai                                                              | Wong Kwok Tim                                                        |
| Lau Souk Huan                                                              | Wong Mun Heng                                                        |
| Lau Yew Sun                                                                | Yong Yoong Fa                                                        |
| Lawrence Peh Yeow Beng                                                     | Zulkiflee bin Hashim                                                 |
| Lee Jim Leng                                                               |                                                                      |

Details of subsidiaries are set out in Note 11 to the financial statements.

## Directors' Report

for the financial year ended 30 June 2023

## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company 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 Company 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<br>01.07.2022                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Acquired               | Sold                           | As at<br>30.06.2023 |
| <b>Interests of Tan Sri Quek Leng Chan in :</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                        |                                |                     |
| Hong Leong Company (Malaysia) Berhad            | 390,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | -                      | -                              | 390,000             |
| Hong Leong Financial Group Berhad               | 5,438,664                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | -                      | -                              | 5,438,664           |
| <b>Interests of Tan Kong Khoon in:</b>          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                        |                                |                     |
| Hong Leong Financial Group Berhad               | 250,245*****                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | -                      | (125,123) ***** <sup>(5)</sup> | 125,122*****        |
|                                                 | 125,123                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 125,123 <sup>(5)</sup> | -                              | 250,246             |

## 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<br>01.07.2022                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Acquired                    | Sold                           | As at<br>30.06.2023           |
| <b>Interests of Tan Sri Quek Leng Chan in :</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                             |                                |                               |
| 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 <sup>***</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | -                           | (400,000,000) <sup>***</sup>   | 400,000,000 <sup>***</sup>    |
|                                                 | 1,500,000,000 <sup>****</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 100,000,000 <sup>****</sup> | (500,000,000) <sup>****</sup>  | 1,100,000,000 <sup>****</sup> |
| 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 <sup>***</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 400,000,000 <sup>***</sup>  | (400,000,000) <sup>***</sup>   | 400,000,000 <sup>***</sup>    |
|                                                 | 400,000,000 <sup>****</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | -                           | -                              | 400,000,000 <sup>****</sup>   |
| Hong Leong Industries Berhad                    | 242,700,470 <sup>(1)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 21,000                      | -                              | 242,721,470 <sup>(1)</sup>    |
| 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 <sup>(3)</sup>    | (9,965,000)                    | 352,701,658 <sup>(1)</sup>    |
|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 1,140,000 <sup>(1)(4)</sup> |                                |                               |
|                                                 | 197,043,175 <sup>***(1)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | -                           | (4,020,000) <sup>**</sup>      | 193,023,175 <sup>***(1)</sup> |
|                                                 | 1,140,000 <sup>*(1)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | -                           | (1,140,000) <sup>*(1)(4)</sup> | -                             |
| Southern Steel Berhad                           | 417,246,046                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | -                           | -                              | 417,246,046                   |
| Southern Pipe Industry (Malaysia) Sdn Bhd       | 124,964,153                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 560,320                     | -                              | 125,524,473                   |

## Notes:

- (1) Inclusive of interest pursuant to Section 59(11)(c) of the Companies Act 2016 in shares held by family member
- (2) Redeemable Preference Shares/ Cumulative Redeemable Preference Shares
- (3) Inclusive of new ordinary shares acquired arising from the conversion of redeemable convertible unsecured loan stocks
- (4) Exercise of share options
- (5) Vesting of grant shares

## Directors' Report

for the financial year ended 30 June 2023

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the Directors of the Company received or became entitled to receive any benefit (other than the benefits shown under Directors' Remuneration in Note 41 to the financial statements, included in the aggregate amount of remuneration 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 Company or of related corporations) by reason of a contract made by the Company 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 acquisition 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 Company or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than the share options granted pursuant to the Executive Share Scheme.

**EXECUTIVE SHARE SCHEME**

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

**(i) Executive Share Scheme ("ESS 2013")**

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

**(a) ESOS 2013**

The ESOS 2013 which was approved by the shareholders of the Company on 30 October 2012, was established on 12 March 2013 and had expired on 11 March 2023.

**(b) ESGS 2013**

The ESGS 2013 which was approved by the shareholders of the Company on 29 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 any other executive share schemes established by the Company which are still subsisting shall not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company at any one time ("Aggregate Maximum Allocation").

## Directors' Report

for the financial year ended 30 June 2023

### EXECUTIVE SHARE SCHEME (continued)

#### STATUS ON ESOS 2013

There were no options granted under the ESS 2013 of the Company during the financial year ended 30 June 2023.

As at the expiry date of 11 March 2023, a total of 32,839,819 options had been granted under the ESS 2013, out of which 2,882,000 options had been exercised, with no options remain outstanding. The aggregate options granted to Directors and chief executives of the Group under the ESS 2013 amounted to 18,081,823, out of which 1,600,000 options had been exercised, with no options remain outstanding.

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

As at the expiry date of 11 March 2023, the actual percentage of total options granted to Directors and senior management of the Group under the ESS 2013 was 2.54% of the total number of issued shares (excluding treasury shares) of the Company.

#### STATUS ON ESGS 2013

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

As at the expiry date of 11 March 2023, a total of 469,210 grants had been granted under the ESS 2013, out of which 312,808 grants had been vested, with 156,402 grants remain outstanding. The aggregate grants granted to Directors and chief executives of the Group under the ESS 2013 amounted to 375,368, out of which 250,246 grants had been vested, with 125,122 grants remain outstanding.

The remaining 156,402 grants granted under the ESS 2013, including the 125,122 grants granted to Directors and chief executives of the Group, were transferred to the Executive Share Scheme 2022 of the Company ("ESS 2022") upon the expiry of the ESS 2013 on 11 March 2023 and would be administered and vested to the eligible executives under the ESS 2022.

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

As at the expiry date of 11 March 2023, the actual percentage of total grants granted to Directors and senior management of the Group under the ESS 2013 was 0.03% of the total number of issued shares (excluding treasury shares) of the Company.

#### (ii) **ESS 2022**

The Company had on 28 April 2022 established the ESS 2022, which comprise 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 the Company and its subsidiaries ("Group") (such executives and Directors, "Eligible Executives"). The ESS 2022 shall be in force until terminated by the Board of Directors of the Company.

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

## Directors' Report

for the financial year ended 30 June 2023

**EXECUTIVE SHARE SCHEME (continued)****STATUS ON ESOS 2022 AND ESGS 2022**

There were no options or grants granted under the ESS 2022 of the Company during the financial year ended 30 June 2023 and since the commencement of the ESS 2022. However, a total of 156,402 grants granted under the ESS 2013, including 125,122 grants granted to Directors and chief executives of the Group, were transferred to the ESS 2022 upon expiry of the ESS 2013 on 11 March 2023 and would be administered and vested to the Eligible Executives under the ESS 2022.

A trust has been set up for the ESS 2013 and ESS 2022 and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company'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' equity on the statements of financial position. The cost of operating the ESS is charged to the statements of income.

For further details on the ESS 2013 and ESS 2022, refer to Note 54 on equity compensation benefits.

**SHARE CAPITAL**

During the financial year, there was no issuance of new ordinary shares.

**STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY****(a) As at the end of the financial year**

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

**(b) From the end of the financial year to the date of this report**

- (i) The Directors are not aware of any circumstances:
  - which would render the amount written off for bad debts and financing or the amount of the provision for doubtful debts and financing in the financial statements of the Group and the Company, inadequate to any substantial extent;
  - which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.



## Directors' Report

for the financial year ended 30 June 2023

### STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

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

(ii) In the opinion of the Directors:

- the results of the operations of the Group and of the Company for the financial year ended 30 June 2023 are unlikely 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
- no contingent or other liability of any company in the Group 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 Company to meet their obligations as and when they fall due.

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

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

### DISCLOSURE OF SHARIAH ADVISORY COMMITTEE

The Group's Islamic banking and takaful business activities are 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 Hong Leong MSIG Takaful Berhad, and approved by Bank Negara Malaysia.

The primary role of the Shariah Advisory 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.

### ULTIMATE HOLDING COMPANY

The ultimate holding company is Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia.

### SUBSIDIARIES

Details of subsidiary companies are set out in Note 11 to the financial statements.

## Directors' Report

for the financial year ended 30 June 2023

**DIRECTORS' REMUNERATION**

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

|                                                | The Group<br>RM'000 | The Company<br>RM'000 |
|------------------------------------------------|---------------------|-----------------------|
| <u>Directors of the Company</u>                |                     |                       |
| Director fees                                  | 1,105               | 815                   |
| Directors' other emoluments                    | 11,642              | 11,566                |
| <u>Directors of the Company's Subsidiaries</u> |                     |                       |
| Director fees                                  | 5,181               | -                     |
| Directors' other emoluments                    | 12,718              | -                     |

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

Directors and Officers of the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the Group was RM10 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group was RM71,250 and the apportioned amount of the said premium paid by the Company was RM3,563.

Details of Directors' remuneration are set out in Note 41 to the financial statements.

**AUDITORS' REMUNERATION**

Auditors' remuneration of the Group and the Company are RM9,116,546 and RM587,830 respectively.

Details of auditors' remuneration are set out in Note 38 to the financial statements.

**AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of Directors in accordance with their resolution dated 20 September 2023.

**TAN KONG KHOON**

Director

Kuala Lumpur  
20 September 2023**HO HENG CHUAN**

Director

# Statements of Financial Position

as at 30 June 2023

|                                                                        | Note | The Group          |                | The Company       |                |
|------------------------------------------------------------------------|------|--------------------|----------------|-------------------|----------------|
|                                                                        |      | 2023<br>RM'000     | 2022<br>RM'000 | 2023<br>RM'000    | 2022<br>RM'000 |
| <b>Assets</b>                                                          |      |                    |                |                   |                |
| Cash and short-term funds                                              | 2    | <b>9,848,432</b>   | 9,605,894      | <b>65,246</b>     | 26,609         |
| Deposits and placements with banks and other financial institutions    | 3    | <b>1,079,574</b>   | 1,300,746      | <b>67,860</b>     | 3,360          |
| Financial assets at fair value through profit or loss                  | 4    | <b>31,893,892</b>  | 29,470,629     | -                 | -              |
| Financial investments at fair value through other comprehensive income | 5    | <b>35,724,785</b>  | 27,452,943     | -                 | -              |
| Financial investments at amortised cost                                | 6    | <b>32,332,303</b>  | 33,608,857     | -                 | -              |
| Derivative financial instruments                                       | 21   | <b>2,235,614</b>   | 1,902,169      | -                 | -              |
| Loans, advances and financing                                          | 7    | <b>180,567,415</b> | 167,177,303    | -                 | -              |
| Clients' and brokers' balances                                         | 8    | <b>618,824</b>     | 722,181        | -                 | -              |
| Other assets                                                           | 9    | <b>2,677,749</b>   | 2,431,500      | <b>2,250</b>      | 2,635          |
| Statutory deposits with Central Banks                                  | 10   | <b>3,449,270</b>   | 520,650        | -                 | -              |
| Tax recoverable                                                        |      | <b>4,907</b>       | 6,262          | <b>464</b>        | 492            |
| Investment in subsidiary companies                                     | 11   | -                  | -              | <b>18,558,876</b> | 19,459,428     |
| Investment in associated companies                                     | 12   | <b>10,050,740</b>  | 7,660,825      | -                 | -              |
| Deferred tax assets                                                    | 24   | <b>107,874</b>     | 364,931        | <b>203</b>        | 229            |
| Property and equipment                                                 | 13   | <b>1,214,879</b>   | 1,274,380      | <b>5,341</b>      | 4,803          |
| Right-of-use assets                                                    | 14   | <b>189,340</b>     | 214,355        | <b>3,135</b>      | 4,075          |
| Investment properties                                                  | 15   | <b>471,630</b>     | 471,610        | -                 | -              |
| Goodwill arising on consolidation                                      | 16   | <b>2,410,644</b>   | 2,410,644      | -                 | -              |
| Intangible assets                                                      | 17   | <b>387,918</b>     | 324,938        | <b>137</b>        | 76             |
| <b>Total assets</b>                                                    |      | <b>315,265,790</b> | 286,920,817    | <b>18,703,512</b> | 19,501,707     |

The accompanying accounting policies and notes form an integral part of these financial statements

## Statements of Financial Position

as at 30 June 2023

|                                                                   | Note | The Group          |                    | The Company       |                   |
|-------------------------------------------------------------------|------|--------------------|--------------------|-------------------|-------------------|
|                                                                   |      | 2023<br>RM'000     | 2022<br>RM'000     | 2023<br>RM'000    | 2022<br>RM'000    |
| <b>Liabilities</b>                                                |      |                    |                    |                   |                   |
| Deposits from customers                                           | 18   | 211,467,443        | 197,382,921        | -                 | -                 |
| Investment accounts of customers                                  | 19   | 2,250,513          | 2,668,408          | -                 | -                 |
| Deposits and placements of banks and other financial institutions | 20   | 12,452,060         | 8,229,485          | -                 | -                 |
| Obligations on securities sold under repurchase agreements        |      | 7,399,583          | 3,971,304          | -                 | -                 |
| Bills and acceptances payable                                     |      | 211,431            | 241,361            | -                 | -                 |
| Derivative financial instruments                                  | 21   | 2,447,431          | 1,765,006          | -                 | -                 |
| Clients' and brokers' balances                                    |      | 145,393            | 306,901            | -                 | -                 |
| Other liabilities                                                 | 22   | 12,054,456         | 12,001,014         | 14,775            | 14,868            |
| Lease liabilities                                                 | 23   | 192,011            | 212,599            | 3,353             | 4,249             |
| Recourse obligations on loans/financing sold to Cagamas Berhad    |      | 2,972,220          | 1,623,936          | -                 | -                 |
| Provision for claims                                              |      | 414,347            | 338,005            | -                 | -                 |
| Provision for taxation                                            |      | 58,141             | 331,101            | -                 | -                 |
| Borrowings                                                        | 25   | 201,936            | 411,931            | 201,919           | 411,858           |
| Subordinated obligations                                          | 26   | 2,206,650          | 2,207,083          | 1,101,859         | 1,601,624         |
| Multi-currency Additional Tier 1 capital securities               | 27   | 1,719,630          | 1,715,849          | 404,851           | 806,431           |
| Insurance funds                                                   | 28   | 19,442,911         | 17,524,189         | -                 | -                 |
| <b>Total liabilities</b>                                          |      | <b>275,636,156</b> | <b>250,931,093</b> | <b>1,726,757</b>  | <b>2,839,030</b>  |
| <b>Equity attributable to owners of the parent</b>                |      |                    |                    |                   |                   |
| Share capital                                                     | 29   | 2,267,008          | 2,267,008          | 2,267,008         | 2,267,008         |
| Reserves                                                          | 30   | 24,757,812         | 22,244,622         | 14,884,472        | 14,573,325        |
| Treasury shares for ESS                                           | 31   | (233,108)          | (236,039)          | (174,725)         | (177,656)         |
|                                                                   |      | <b>26,791,712</b>  | <b>24,275,591</b>  | <b>16,976,755</b> | <b>16,662,677</b> |
| Non-controlling interests                                         |      | 12,837,922         | 11,714,133         | -                 | -                 |
| <b>Total equity</b>                                               |      | <b>39,629,634</b>  | <b>35,989,724</b>  | <b>16,976,755</b> | <b>16,662,677</b> |
| <b>Total equity and liabilities</b>                               |      | <b>315,265,790</b> | <b>286,920,817</b> | <b>18,703,512</b> | <b>19,501,707</b> |
| <b>Commitments and contingencies</b>                              | 45   | <b>269,008,810</b> | <b>214,693,156</b> | <b>-</b>          | <b>-</b>          |

The accompanying accounting policies and notes form an integral part of these financial statements

# Statements of Income

for the financial year ended 30 June 2023

|                                                                                   | Note | The Group        |                  | The Company    |                |
|-----------------------------------------------------------------------------------|------|------------------|------------------|----------------|----------------|
|                                                                                   |      | 2023<br>RM'000   | 2022<br>RM'000   | 2023<br>RM'000 | 2022<br>RM'000 |
| Interest income                                                                   | 32   | 7,549,032        | 5,672,747        | 100,780        | 110,792        |
| Interest income for financial assets at fair value through profit or loss         | 33   | 214,224          | 270,941          | -              | -              |
| Interest expense                                                                  | 34   | (3,977,251)      | (2,087,184)      | (108,870)      | (127,679)      |
| Net interest income/(expense)                                                     |      | 3,786,005        | 3,856,504        | (8,090)        | (16,887)       |
| Income from Islamic banking business                                              | 35   | 963,368          | 904,785          | -              | -              |
|                                                                                   |      | 4,749,373        | 4,761,289        | (8,090)        | (16,887)       |
| Non-interest income                                                               | 37   | 1,679,797        | 1,490,227        | 896,975        | 830,274        |
|                                                                                   |      | 6,429,170        | 6,251,516        | 888,885        | 813,387        |
| Overhead expenses                                                                 | 38   | (2,569,627)      | (2,358,210)      | (32,309)       | (6,717)        |
| Operating profit before allowances                                                |      | 3,859,543        | 3,893,306        | 856,576        | 806,670        |
| Allowance for impairment losses on loans, advances and financing and other losses | 39   | (115,208)        | (163,117)        | -              | -              |
| Writeback of impairment losses on other assets                                    | 40   | 304              | 1,031            | 1,514          | 1,253          |
|                                                                                   |      | 3,744,639        | 3,731,220        | 858,090        | 807,923        |
| Share of results of associated companies                                          | 12   | 1,357,741        | 1,108,759        | -              | -              |
| <b>Profit before taxation</b>                                                     |      | <b>5,102,380</b> | <b>4,839,979</b> | <b>858,090</b> | <b>807,923</b> |
| Taxation                                                                          | 42   | (894,761)        | (1,157,118)      | (208)          | (251)          |
| <b>Net profit for the financial year</b>                                          |      | <b>4,207,619</b> | <b>3,682,861</b> | <b>857,882</b> | <b>807,672</b> |
| <b>Attributable to:</b>                                                           |      |                  |                  |                |                |
| Owners of the parent                                                              |      | 2,791,303        | 2,452,209        | 857,882        | 807,672        |
| Non-controlling interests                                                         |      | 1,416,316        | 1,230,652        | -              | -              |
|                                                                                   |      | 4,207,619        | 3,682,861        | 857,882        | 807,672        |
| <b>Earnings per share attributable to equity holders of the Company (sen)</b>     |      |                  |                  |                |                |
| - Basic/diluted                                                                   | 43   | 246.1            | 216.3            | 75.4           | 71.0           |

The accompanying accounting policies and notes form an integral part of these financial statements

## Statements of Comprehensive Income

for the financial year ended 30 June 2023

|                                                                        | Note | The Group        |                | The Company    |                |
|------------------------------------------------------------------------|------|------------------|----------------|----------------|----------------|
|                                                                        |      | 2023<br>RM'000   | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Net profit for the financial year</b>                               |      | <b>4,207,619</b> | 3,682,861      | <b>857,882</b> | 807,672        |
| <b>Other comprehensive income/(loss):</b>                              |      |                  |                |                |                |
| Items that will not be reclassified to profit or loss:                 |      |                  |                |                |                |
| Equity instruments at fair value through other comprehensive income    |      |                  |                |                |                |
| - Net fair value changes                                               |      | <b>14,264</b>    | 14,286         | -              | -              |
| Items that may be reclassified subsequently to profit or loss:         |      |                  |                |                |                |
| Currency translation differences                                       |      | <b>81,305</b>    | 236,815        | -              | -              |
| Share of other comprehensive loss of associated companies              |      | <b>(11,133)</b>  | (29,506)       | -              | -              |
| Net fair value changes in cash flow hedge                              |      | <b>362</b>       | 7,574          | -              | -              |
| Debt instruments at fair value through other comprehensive income      |      |                  |                |                |                |
| - Net fair value changes                                               |      | <b>426,539</b>   | (1,191,736)    | -              | -              |
| - Changes in expected credit losses                                    |      | <b>294</b>       | (751)          | -              | -              |
| Income tax relating to components of other comprehensive (loss)/income | 57   | <b>(93,151)</b>  | 259,268        | -              | -              |
| Other comprehensive income/(loss) for the financial year, net of tax   |      | <b>418,480</b>   | (704,050)      | -              | -              |
| <b>Total comprehensive income for the financial year, net of tax</b>   |      | <b>4,626,099</b> | 2,978,811      | <b>857,882</b> | 807,672        |
| <b>Attributable to:</b>                                                |      |                  |                |                |                |
| Owners of the parent                                                   |      | <b>3,074,512</b> | 1,987,685      | <b>857,882</b> | 807,672        |
| Non-controlling interests                                              |      | <b>1,551,587</b> | 991,126        | -              | -              |
|                                                                        |      | <b>4,626,099</b> | 2,978,811      | <b>857,882</b> | 807,672        |

The accompanying accounting policies and notes form an integral part of these financial statements

# Statements of Changes in Equity

for the financial year ended 30 June 2023

| The Group                                                                       | Note | Attributable to owners of the parent |                     |                    |                         |                |                       |                              |                   |                         |                   | Non-controlling interests | Total equity      |
|---------------------------------------------------------------------------------|------|--------------------------------------|---------------------|--------------------|-------------------------|----------------|-----------------------|------------------------------|-------------------|-------------------------|-------------------|---------------------------|-------------------|
|                                                                                 |      | Share capital                        | Regulatory reserve* | Fair value reserve | Cash flow hedge reserve | Other reserves | Share options reserve | Exchange fluctuation reserve | Retained profits  | Treasury shares for ESS | Total             |                           |                   |
|                                                                                 |      | RM'000                               | RM'000              | RM'000             | RM'000                  | RM'000         | RM'000                | RM'000                       | RM'000            | RM'000                  | RM'000            | RM'000                    | RM'000            |
| <b>As at 1 July 2022</b>                                                        |      | <b>2,267,008</b>                     | <b>666,534</b>      | <b>(541,311)</b>   | <b>(185)</b>            | <b>213,314</b> | <b>60,866</b>         | <b>907,614</b>               | <b>20,937,790</b> | <b>(236,039)</b>        | <b>24,275,591</b> | <b>11,714,133</b>         | <b>35,989,724</b> |
| <b>Comprehensive income</b>                                                     |      |                                      |                     |                    |                         |                |                       |                              |                   |                         |                   |                           |                   |
| Net profit for the financial year                                               |      | -                                    | -                   | -                  | -                       | -              | -                     | -                            | 2,791,303         | -                       | 2,791,303         | 1,416,316                 | 4,207,619         |
| Currency translation differences                                                |      | -                                    | -                   | -                  | -                       | -              | -                     | 59,718                       | -                 | -                       | 59,718            | 21,587                    | 81,305            |
| Share of other comprehensive income of associated companies                     |      | -                                    | -                   | (5,944)            | -                       | -              | -                     | -                            | -                 | -                       | (5,944)           | (5,189)                   | (11,133)          |
| Financial investments measured at fair value through other comprehensive income |      |                                      |                     |                    |                         |                |                       |                              |                   |                         |                   |                           |                   |
| - Equity instruments                                                            |      |                                      |                     |                    |                         |                |                       |                              |                   |                         |                   |                           |                   |
| - Net fair value changes                                                        |      | -                                    | -                   | 9,344              | -                       | -              | -                     | -                            | -                 | -                       | 9,344             | 4,920                     | 14,264            |
| - Debt instruments                                                              |      |                                      |                     |                    |                         |                |                       |                              |                   |                         |                   |                           |                   |
| - Net fair value changes                                                        |      | -                                    | -                   | 219,713            | -                       | -              | -                     | -                            | -                 | -                       | 219,713           | 113,758                   | 333,471           |
| - Changes in expected credit losses                                             |      | -                                    | -                   | 193                | -                       | -              | -                     | -                            | -                 | -                       | 193               | 101                       | 294               |
| Net fair value changes in cash flow hedge                                       |      | -                                    | -                   | -                  | 185                     | -              | -                     | -                            | -                 | -                       | 185               | 94                        | 279               |
| <b>Total comprehensive income</b>                                               |      | <b>-</b>                             | <b>-</b>            | <b>223,306</b>     | <b>185</b>              | <b>-</b>       | <b>-</b>              | <b>59,718</b>                | <b>2,791,303</b>  | <b>-</b>                | <b>3,074,512</b>  | <b>1,551,587</b>          | <b>4,626,099</b>  |

The accompanying accounting policies and notes form an integral part of these financial statements



## Statements of Changes in Equity

for the financial year ended 30 June 2023

| The Group                                                       | Note | Attributable to owners of the parent |                     |                    |                         |                |                       |                              |                   |                         |                   | Non-controlling interests | Total equity      |
|-----------------------------------------------------------------|------|--------------------------------------|---------------------|--------------------|-------------------------|----------------|-----------------------|------------------------------|-------------------|-------------------------|-------------------|---------------------------|-------------------|
|                                                                 |      | Share capital                        | Regulatory reserve* | Fair value reserve | Cash flow hedge reserve | Other reserves | Share options reserve | Exchange fluctuation reserve | Retained profits  | Treasury shares for ESS | Total             |                           |                   |
|                                                                 |      | RM'000                               | RM'000              | RM'000             | RM'000                  | RM'000         | RM'000                | RM'000                       | RM'000            | RM'000                  | RM'000            | RM'000                    | RM'000            |
| <b>Transaction with owners</b>                                  |      |                                      |                     |                    |                         |                |                       |                              |                   |                         |                   |                           |                   |
| Transfer to regulatory reserve                                  |      | -                                    | 349,956             | -                  | -                       | -              | -                     | -                            | (349,956)         | -                       | -                 | -                         | -                 |
| Allocation of other reserves to non-controlling interests       |      | -                                    | -                   | -                  | -                       | -              | -                     | -                            | 999               | -                       | 999               | (999)                     | -                 |
| Dividends paid:                                                 |      |                                      |                     |                    |                         |                |                       |                              |                   |                         |                   |                           |                   |
| - final dividend for the financial year ended 30 June 2022      | 44   | -                                    | -                   | -                  | -                       | -              | -                     | -                            | (352,792)         | -                       | (352,792)         | -                         | (352,792)         |
| - interim dividend for the financial year ended 30 June 2023    | 44   | -                                    | -                   | -                  | -                       | -              | -                     | -                            | (193,493)         | -                       | (193,493)         | -                         | (193,493)         |
| Non-controlling interests share of dividend                     |      | -                                    | -                   | -                  | -                       | -              | -                     | -                            | -                 | -                       | -                 | (431,723)                 | (431,723)         |
| Non-controlling interests share of subsidiary's treasury shares |      | -                                    | -                   | -                  | -                       | -              | -                     | -                            | -                 | -                       | -                 | 4,924                     | 4,924             |
| Options charge arising from executive share scheme              |      | -                                    | -                   | -                  | -                       | -              | (10,144)              | -                            | -                 | -                       | (10,144)          | -                         | (10,144)          |
| Exercise of executive share scheme                              |      | -                                    | -                   | -                  | -                       | -              | (15,220)              | -                            | 9,328             | 2,931                   | (2,961)           | -                         | (2,961)           |
| <b>Total transaction with owners</b>                            |      | -                                    | 349,956             | -                  | -                       | -              | (25,364)              | -                            | (885,914)         | 2,931                   | (558,391)         | (427,798)                 | (986,189)         |
| <b>As at 30 June 2023</b>                                       |      | <b>2,267,008</b>                     | <b>1,016,490</b>    | <b>(318,005)</b>   | <b>-</b>                | <b>213,314</b> | <b>35,502</b>         | <b>967,332</b>               | <b>22,843,179</b> | <b>(233,108)</b>        | <b>26,791,712</b> | <b>12,837,922</b>         | <b>39,629,634</b> |

The accompanying accounting policies and notes form an integral part of these financial statements

## Statements of Changes in Equity

for the financial year ended 30 June 2023

| The Group                                                                       | Note | Attributable to owners of the parent |                     |                    |                         |                |                       |                              |                  |                         |            | Non-controlling interests | Total equity |
|---------------------------------------------------------------------------------|------|--------------------------------------|---------------------|--------------------|-------------------------|----------------|-----------------------|------------------------------|------------------|-------------------------|------------|---------------------------|--------------|
|                                                                                 |      | Share capital                        | Regulatory reserve* | Fair value reserve | Cash flow hedge reserve | Other reserves | Share options reserve | Exchange fluctuation reserve | Retained profits | Treasury shares for ESS | Total      |                           |              |
|                                                                                 |      | RM'000                               | RM'000              | RM'000             | RM'000                  | RM'000         | RM'000                | RM'000                       | RM'000           | RM'000                  | RM'000     | RM'000                    | RM'000       |
| <b>As at 1 July 2021</b>                                                        |      | 2,267,008                            | 437,103             | 85,375             | (3,959)                 | 213,314        | 96,305                | 749,226                      | 19,213,037       | (238,970)               | 22,818,439 | 11,114,999                | 33,933,438   |
| <b>Comprehensive income</b>                                                     |      |                                      |                     |                    |                         |                |                       |                              |                  |                         |            |                           |              |
| Net profit for the financial year                                               |      | -                                    | -                   | -                  | -                       | -              | -                     | -                            | 2,452,209        | -                       | 2,452,209  | 1,230,652                 | 3,682,861    |
| Currency translation differences                                                |      | -                                    | -                   | -                  | -                       | -              | -                     | 158,388                      | -                | -                       | 158,388    | 78,427                    | 236,815      |
| Share of other comprehensive income of associated companies                     |      | -                                    | -                   | (23,735)           | -                       | -              | -                     | -                            | -                | -                       | (23,735)   | (5,771)                   | (29,506)     |
| Financial investments measured at fair value through other comprehensive income |      |                                      |                     |                    |                         |                |                       |                              |                  |                         |            |                           |              |
| - Equity instruments                                                            |      |                                      |                     |                    |                         |                |                       |                              |                  |                         |            |                           |              |
| - Net fair value changes                                                        |      | -                                    | -                   | 9,362              | -                       | -              | -                     | -                            | -                | -                       | 9,362      | 4,924                     | 14,286       |
| - Debt instruments                                                              |      |                                      |                     |                    |                         |                |                       |                              |                  |                         |            |                           |              |
| - Net fair value changes                                                        |      | -                                    | -                   | (611,803)          | -                       | -              | -                     | -                            | -                | -                       | (611,803)  | (318,849)                 | (930,652)    |
| - Changes in expected credit losses                                             |      | -                                    | -                   | (510)              | -                       | -              | -                     | -                            | -                | -                       | (510)      | (241)                     | (751)        |
| Net fair value changes in cash flow hedge                                       |      | -                                    | -                   | -                  | 3,774                   | -              | -                     | -                            | -                | -                       | 3,774      | 1,984                     | 5,758        |
| <b>Total comprehensive (loss)/income</b>                                        |      | -                                    | -                   | (626,686)          | 3,774                   | -              | -                     | 158,388                      | 2,452,209        | -                       | 1,987,685  | 991,126                   | 2,978,811    |

The accompanying accounting policies and notes form an integral part of these financial statements

## Statements of Changes in Equity

for the financial year ended 30 June 2023

| The Group                                                       | Note | Attributable to owners of the parent |                     |                    |                         |                |                       |                              |                  |                         |            | Non-controlling interests | Total equity |
|-----------------------------------------------------------------|------|--------------------------------------|---------------------|--------------------|-------------------------|----------------|-----------------------|------------------------------|------------------|-------------------------|------------|---------------------------|--------------|
|                                                                 |      | Share capital                        | Regulatory reserve* | Fair value reserve | Cash flow hedge reserve | Other reserves | Share options reserve | Exchange fluctuation reserve | Retained profits | Treasury shares for ESS | Total      |                           |              |
|                                                                 |      | RM'000                               | RM'000              | RM'000             | RM'000                  | RM'000         | RM'000                | RM'000                       | RM'000           | RM'000                  | RM'000     | RM'000                    | RM'000       |
| <b>Transaction with owners</b>                                  |      |                                      |                     |                    |                         |                |                       |                              |                  |                         |            |                           |              |
| Transfer to regulatory reserve                                  |      | -                                    | 229,431             | -                  | -                       | -              | -                     | -                            | (229,431)        | -                       | -          | -                         | -            |
| Allocation of other reserves to non-controlling interests       |      | -                                    | -                   | -                  | -                       | -              | -                     | -                            | (4,503)          | -                       | (4,503)    | 4,503                     | -            |
| Dividends paid:                                                 |      |                                      |                     |                    |                         |                |                       |                              |                  |                         |            |                           |              |
| - final dividend for the financial year ended 30 June 2021      | 44   | -                                    | -                   | -                  | -                       | -              | -                     | -                            | (332,261)        | -                       | (332,261)  | -                         | (332,261)    |
| - interim dividend for the financial year ended 30 June 2022    | 44   | -                                    | -                   | -                  | -                       | -              | -                     | -                            | (170,706)        | -                       | (170,706)  | -                         | (170,706)    |
| Non-controlling interests share of dividend                     |      | -                                    | -                   | -                  | -                       | -              | -                     | -                            | -                | -                       | -          | (401,835)                 | (401,835)    |
| Non-controlling interests share of subsidiary's treasury shares |      | -                                    | -                   | -                  | -                       | -              | -                     | -                            | -                | -                       | -          | 5,340                     | 5,340        |
| Options charge arising from executive share scheme              |      | -                                    | -                   | -                  | -                       | -              | (20,447)              | -                            | -                | -                       | (20,447)   | -                         | (20,447)     |
| Exercise of executive share scheme                              |      | -                                    | -                   | -                  | -                       | -              | (14,992)              | -                            | 9,445            | 2,931                   | (2,616)    | -                         | (2,616)      |
| <b>Total transaction with owners</b>                            |      | -                                    | 229,431             | -                  | -                       | -              | (35,439)              | -                            | (727,456)        | 2,931                   | (530,533)  | (391,992)                 | (922,525)    |
| <b>As at 30 June 2022</b>                                       |      | 2,267,008                            | 666,534             | (541,311)          | (185)                   | 213,314        | 60,866                | 907,614                      | 20,937,790       | (236,039)               | 24,275,591 | 11,714,133                | 35,989,724   |

\* Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM1,005,245,000 (2022: RM655,289,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (2022: RM11,245,000).

The accompanying accounting policies and notes form an integral part of these financial statements

## Statements of Changes in Equity

for the financial year ended 30 June 2023

| The Company                                                  | Note | Non-distributable       |                                 |                                 | Distributable                     |                            | Total equity<br>RM'000 |
|--------------------------------------------------------------|------|-------------------------|---------------------------------|---------------------------------|-----------------------------------|----------------------------|------------------------|
|                                                              |      | Share capital<br>RM'000 | Other capital reserve<br>RM'000 | Share options reserve<br>RM'000 | Treasury shares for ESS<br>RM'000 | Retained profits<br>RM'000 |                        |
| <b>As at 1 July 2022</b>                                     |      | <b>2,267,008</b>        | <b>254,991</b>                  | <b>2,685</b>                    | <b>(177,656)</b>                  | <b>14,315,649</b>          | <b>16,662,677</b>      |
| Net profit for the financial year                            |      | -                       | -                               | -                               | -                                 | 857,882                    | 857,882                |
| Dividends paid                                               |      |                         |                                 |                                 |                                   |                            |                        |
| - final dividend for the financial year ended 30 June 2022   | 44   | -                       | -                               | -                               | -                                 | (352,792)                  | (352,792)              |
| - interim dividend for the financial year ended 30 June 2023 | 44   | -                       | -                               | -                               | -                                 | (193,493)                  | (193,493)              |
| Options charge arising from executive share scheme           |      | -                       | -                               | 2,481                           | -                                 | -                          | 2,481                  |
| Exercise of executive share scheme                           |      | -                       | -                               | (2,870)                         | 2,931                             | (61)                       | -                      |
| <b>As at 30 June 2023</b>                                    |      | <b>2,267,008</b>        | <b>254,991</b>                  | <b>2,296</b>                    | <b>(174,725)</b>                  | <b>14,627,185</b>          | <b>16,976,755</b>      |
| <b>As at 1 July 2021</b>                                     |      | <b>2,267,008</b>        | <b>254,991</b>                  | <b>24,215</b>                   | <b>(180,587)</b>                  | <b>14,011,005</b>          | <b>16,376,632</b>      |
| Net profit for the financial year                            |      | -                       | -                               | -                               | -                                 | 807,672                    | 807,672                |
| Dividends paid                                               |      |                         |                                 |                                 |                                   |                            |                        |
| - final dividend for the financial year ended 30 June 2021   | 44   | -                       | -                               | -                               | -                                 | (332,261)                  | (332,261)              |
| - interim dividend for the financial year ended 30 June 2022 | 44   | -                       | -                               | -                               | -                                 | (170,706)                  | (170,706)              |
| Options charge arising from executive share scheme           |      | -                       | -                               | (18,660)                        | -                                 | -                          | (18,660)               |
| Exercise of executive share scheme                           |      | -                       | -                               | (2,870)                         | 2,931                             | (61)                       | -                      |
| <b>As at 30 June 2022</b>                                    |      | <b>2,267,008</b>        | <b>254,991</b>                  | <b>2,685</b>                    | <b>(177,656)</b>                  | <b>14,315,649</b>          | <b>16,662,677</b>      |

The accompanying accounting policies and notes form an integral part of these financial statements

## Statements of Cash Flows

for the financial year ended 30 June 2023

|                                                                                                                                                       | The Group        |                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                                                                       | 2023<br>RM'000   | 2022<br>RM'000   |
| <b>Cash flows from operating activities</b>                                                                                                           |                  |                  |
| Profit before taxation                                                                                                                                | 5,102,380        | 4,839,979        |
| Adjustments for:                                                                                                                                      |                  |                  |
| Unearned premium reserves and underwriting surplus                                                                                                    | -                | 181,192          |
| Depreciation of property and equipment                                                                                                                | 120,327          | 130,105          |
| Depreciation of right-of-use assets                                                                                                                   | 49,862           | 50,518           |
| Amortisation of intangible assets                                                                                                                     | 64,223           | 59,027           |
| Intangible assets written off                                                                                                                         | 2,607            | 738              |
| Property and equipment written off                                                                                                                    | 1,182            | 729              |
| Net gain on disposal of property and equipment                                                                                                        | (387)            | (1,745)          |
| Net realised (gain)/loss from disposal of financial assets at fair value through profit or loss                                                       | (94,925)         | 61,771           |
| Net realised gain from disposal of financial investments at fair value through other comprehensive income                                             | (38,769)         | (81,523)         |
| Net realised loss/(gain) arising from derivative financial instruments                                                                                | 21,619           | (56,192)         |
| Net unrealised gain on revaluation of financial assets at fair value through profit or loss and derivative financial instruments                      | (137,528)        | (232,674)        |
| Net realised (gain)/loss on fair value changes arising from fair value hedges                                                                         | (7,371)          | 8,454            |
| Net (gain)/loss arising from fair value hedges                                                                                                        | (1,169)          | 3,202            |
| Writeback of impairment losses on financial investments                                                                                               | (304)            | (1,031)          |
| Allowances for impairment losses on loans, advances and financing and other losses                                                                    | 342,954          | 393,124          |
| Impaired loans, advances and financing written off                                                                                                    | 29,519           | 20,054           |
| Interest expense on borrowings                                                                                                                        | 8,221            | 14,269           |
| Interest expense on subordinated obligations                                                                                                          | 94,788           | 94,439           |
| Interest expense on Multi-currency Additional Tier 1 capital securities                                                                               | 81,755           | 47,102           |
| Interest expense on recourse obligations on loans/financing sold to Cagamas Berhad                                                                    | 77,410           | 44,702           |
| Interest expense on lease liabilities                                                                                                                 | 8,708            | 8,750            |
| Interest income from financial assets at fair value through profit or loss                                                                            | (214,224)        | (270,941)        |
| Interest income from financial investments at fair value through other comprehensive income                                                           | (919,899)        | (709,819)        |
| Interest income from financial investments at amortised cost                                                                                          | (702,552)        | (653,131)        |
| Dividend income from financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income | (92,390)         | (73,602)         |
| Share option expenses                                                                                                                                 | (10,144)         | (20,447)         |
| Surplus transferred from life insurance business                                                                                                      | (313,298)        | (382,152)        |
| Share of results of associated companies                                                                                                              | (1,357,741)      | (1,108,759)      |
|                                                                                                                                                       | (2,987,526)      | (2,473,840)      |
| <b>Operating profit before working capital changes</b>                                                                                                | <b>2,114,854</b> | <b>2,366,139</b> |

The accompanying accounting policies and notes form an integral part of these financial statements

## Statements of Cash Flows

for the financial year ended 30 June 2023

|                                                                                                                                                        | The Group      |                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                                                                        | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Decrease/(increase) in operating assets</b>                                                                                                         |                |                |
| Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months     | 250,411        | 3,866,226      |
| Financial assets at fair value through profit or loss                                                                                                  | (2,088,178)    | (876,872)      |
| Loans, advances and financing                                                                                                                          | (13,768,628)   | (12,842,098)   |
| Derivative financial instruments                                                                                                                       | (544,012)      | (1,126,725)    |
| Clients' and brokers' balances                                                                                                                         | 103,357        | (195,400)      |
| Other assets                                                                                                                                           | (1,101,896)    | (321,616)      |
| Statutory deposits with Central Banks                                                                                                                  | (2,928,620)    | (27,045)       |
| <b>Increase/(decrease) in operating liabilities</b>                                                                                                    |                |                |
| Deposits from customers                                                                                                                                | 14,397,573     | 15,974,407     |
| Investment accounts of customers                                                                                                                       | (417,895)      | 1,523,254      |
| Deposits and placements of banks and other financial institutions                                                                                      | 4,222,575      | (5,949,976)    |
| Obligations on securities sold under repurchase agreements                                                                                             | 3,428,279      | 3,228,554      |
| Derivative financial instruments                                                                                                                       | 682,731        | 794,055        |
| Bills and acceptances payable                                                                                                                          | (29,929)       | 51,719         |
| Other liabilities                                                                                                                                      | 35,718         | (5,167,635)    |
| Provision for claims                                                                                                                                   | 76,342         | 90,639         |
| Clients' and brokers' balances                                                                                                                         | (161,508)      | 99,718         |
| Insurance funds                                                                                                                                        | 2,240,857      | -              |
|                                                                                                                                                        | 4,396,637      | (878,795)      |
| <b>Cash generated from operating activities</b>                                                                                                        | 6,511,491      | 1,487,344      |
| Income tax paid                                                                                                                                        | (1,113,205)    | (1,148,369)    |
| Interest received                                                                                                                                      | 2,858          | 562            |
|                                                                                                                                                        | (1,110,347)    | (1,147,807)    |
| <b>Net cash generated from operating activities</b>                                                                                                    | 5,401,144      | 339,537        |
| <b>Cash flows from investing activities</b>                                                                                                            |                |                |
| Net (purchases)/disposal of financial investments at fair value through other comprehensive income                                                     | (7,885,535)    | 7,507,960      |
| Net disposal/(purchases) of financial investments at amortised cost                                                                                    | 1,276,607      | (8,914,664)    |
| Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost                | 1,622,450      | 1,362,950      |
| Dividends received on financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income | 92,391         | 73,602         |
| Dividends received from associated companies                                                                                                           | 39,977         | 79,954         |
| Net proceeds from disposal of property and equipment                                                                                                   | 545            | 2,088          |
| Purchase of property and equipment                                                                                                                     | (147,577)      | (136,582)      |
| Purchase of intangible assets                                                                                                                          | (41,863)       | (41,382)       |
| <b>Net cash used in investing activities</b>                                                                                                           | (5,043,005)    | (66,074)       |

The accompanying accounting policies and notes form an integral part of these financial statements

## Statements of Cash Flows

for the financial year ended 30 June 2023

|                                                                                                                            | Note | The Group         |                  |
|----------------------------------------------------------------------------------------------------------------------------|------|-------------------|------------------|
|                                                                                                                            |      | 2023<br>RM'000    | 2022<br>RM'000   |
| <b>Cash flows from financing activities</b>                                                                                |      |                   |                  |
| Interest paid on subordinated obligations                                                                                  |      | (95,221)          | (94,535)         |
| Interest paid on borrowings                                                                                                |      | (8,216)           | (17,364)         |
| Interest paid on Multi-currency Additional Tier 1 capital securities                                                       |      | (81,755)          | (40,142)         |
| Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad                                            |      | (66,196)          | (40,431)         |
| Interest paid on lease liabilities                                                                                         |      | (8,708)           | (8,750)          |
| Repayment of revolving credit                                                                                              |      | (100,000)         | (25,000)         |
| Repayment of commercial papers                                                                                             |      | (110,000)         | (46,000)         |
| Repayment of term loans                                                                                                    |      | -                 | (1,000)          |
| Repayment of lease liabilities                                                                                             |      | (47,392)          | (46,659)         |
| Repayment of Multi-currency Additional Tier 1 capital securities                                                           |      | (400,000)         | -                |
| Repayment of subordinated obligations                                                                                      |      | (500,000)         | -                |
| Repayment of senior notes                                                                                                  |      | -                 | (175,000)        |
| Repayment of recourse obligations on loans/financing sold to Cagamas Berhad                                                |      | (962,930)         | (64,174)         |
| Proceeds from subordinated obligations                                                                                     |      | 500,000           | -                |
| Proceeds from Multi-currency Additional Tier 1 capital securities                                                          |      | 400,000           | 900,000          |
| Proceeds from recourse obligations on loans/financing sold to Cagamas Berhad                                               |      | 2,300,000         | 650,000          |
| Cash received from ESS exercised                                                                                           |      | -                 | 916              |
| Dividends paid to                                                                                                          |      |                   |                  |
| - owners of the parent                                                                                                     |      | (546,285)         | (502,967)        |
| - non-controlling interest                                                                                                 |      | (431,723)         | (401,835)        |
| <b>Net cash (used in)/generated from financing activities</b>                                                              |      | <b>(158,426)</b>  | <b>87,059</b>    |
| <b>Net increase in cash and cash equivalents</b>                                                                           |      | <b>199,713</b>    | <b>360,522</b>   |
| <b>Effects of exchange rate changes</b>                                                                                    |      | <b>72,064</b>     | <b>291,160</b>   |
| <b>Cash and cash equivalents at beginning of financial year</b>                                                            |      | <b>9,844,724</b>  | <b>9,193,042</b> |
| <b>Cash and cash equivalents at end of financial year</b>                                                                  |      | <b>10,116,501</b> | <b>9,844,724</b> |
| <b>Analysis of cash and cash equivalents</b>                                                                               |      |                   |                  |
| Cash and short-term funds                                                                                                  | 2    | 9,848,432         | 9,605,894        |
| Deposits and placements with banks and other financial institutions                                                        | 3    | 1,079,574         | 1,300,746        |
|                                                                                                                            |      | 10,928,006        | 10,906,640       |
| Less: deposits and placements with banks and other financial institutions with original maturity of more than three months |      | (811,505)         | (1,061,916)      |
|                                                                                                                            |      | 10,116,501        | 9,844,724        |

The accompanying accounting policies and notes form an integral part of these financial statements



## Statements of Cash Flows

for the financial year ended 30 June 2023

|                                                                                               | The Company     |                 |
|-----------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                               | 2023<br>RM'000  | 2022<br>RM'000  |
| <b>Cash flows from operating activities</b>                                                   |                 |                 |
| Profit before taxation                                                                        | 858,090         | 807,923         |
| Adjustments for:                                                                              |                 |                 |
| Depreciation of property and equipment                                                        | 1,201           | 760             |
| Depreciation of right-of-use assets                                                           | 940             | 940             |
| Amortisation of intangible assets                                                             | 75              | 39              |
| Gain on disposal of property and equipment                                                    | (113)           | (160)           |
| Loss on disposal of financial assets at fair value through profit or loss                     | -               | 38              |
| Finance costs on lease liabilities                                                            | 213             | 258             |
| Writeback of impairment loss on investment in debt instruments issued by subsidiary companies | (1,514)         | (1,253)         |
| Interest expense                                                                              | 108,657         | 127,421         |
| Interest income                                                                               | (100,780)       | (110,792)       |
| Dividend income from financial assets at fair value through profit or loss                    | -               | (193)           |
| Dividend income from subsidiary companies                                                     | (885,303)       | (820,911)       |
| Share option expenses                                                                         | 2,481           | (18,660)        |
|                                                                                               | (874,143)       | (822,513)       |
| <b>Operating loss before working capital changes</b>                                          | <b>(16,053)</b> | <b>(14,590)</b> |
| <b>Decrease/(increase) in operating assets</b>                                                |                 |                 |
| Other assets                                                                                  | 386             | (664)           |
| Financial assets at fair value through profit or loss                                         | -               | (38)            |
| <b>Decrease in operating liabilities</b>                                                      |                 |                 |
| Other liabilities                                                                             | (124)           | (2,189)         |
|                                                                                               | 262             | (2,891)         |
| <b>Cash used in operating activities</b>                                                      | <b>(15,791)</b> | <b>(17,481)</b> |
| Income tax (paid)/refund                                                                      | (154)           | 9,847           |
| Interest received                                                                             | 2,858           | 562             |
|                                                                                               | 2,704           | 10,409          |
| <b>Net cash used in operating activities</b>                                                  | <b>(13,087)</b> | <b>(7,072)</b>  |

The accompanying accounting policies and notes form an integral part of these financial statements

## Statements of Cash Flows

for the financial year ended 30 June 2023

|                                                                                                                            | Note | The Company        |                  |
|----------------------------------------------------------------------------------------------------------------------------|------|--------------------|------------------|
|                                                                                                                            |      | 2023<br>RM'000     | 2022<br>RM'000   |
| <b>Cash flows from investing activities</b>                                                                                |      |                    |                  |
| Dividends received from other investments                                                                                  |      | -                  | 193              |
| Dividends received from subsidiary companies                                                                               |      | 885,303            | 820,911          |
| Net proceeds from disposal of property and equipment                                                                       |      | 113                | 160              |
| Purchase of property and equipment                                                                                         |      | (1,739)            | (2,374)          |
| Purchase of intangible assets                                                                                              |      | (136)              | (8)              |
| Proceeds from Multi-currency Additional Tier 1 capital securities                                                          |      | 400,000            | -                |
| Proceeds from subordinated obligations                                                                                     |      | 500,000            | -                |
| Interest received from investment in debt instruments issued by subsidiary companies                                       |      |                    |                  |
| - Multi-currency Additional Tier 1 capital securities                                                                      |      | 29,224             | 39,344           |
| - Subordinated obligations                                                                                                 |      | 70,763             | 70,963           |
| <b>Net cash generated from investing activities</b>                                                                        |      | <b>1,883,528</b>   | <b>929,189</b>   |
| <b>Cash flows from financing activities</b>                                                                                |      |                    |                  |
| Interest paid on borrowings                                                                                                |      | (8,216)            | (17,833)         |
| Interest paid on Multi-currency Additional Tier 1 capital securities                                                       |      | (29,826)           | (40,142)         |
| Interest paid on subordinated obligations                                                                                  |      | (71,882)           | (72,086)         |
| Interest paid on lease liabilities                                                                                         |      | (199)              | (244)            |
| Repayment of Multi-currency Additional Tier 1 capital securities                                                           |      | (400,000)          | -                |
| Repayment of subordinated obligations                                                                                      |      | (500,000)          | -                |
| Repayment of revolving credit                                                                                              |      | (100,000)          | (25,000)         |
| Repayment of commercial papers                                                                                             |      | (110,000)          | (46,000)         |
| Repayment of senior notes                                                                                                  |      | -                  | (200,000)        |
| Repayment of term loans                                                                                                    |      | -                  | (1,000)          |
| Repayment of lease liabilities                                                                                             |      | (896)              | (850)            |
| Dividends paid to shareholders                                                                                             |      | (546,285)          | (502,967)        |
| <b>Net cash used in financing activities</b>                                                                               |      | <b>(1,767,304)</b> | <b>(906,122)</b> |
| <b>Net increase in cash and cash equivalents</b>                                                                           |      | <b>103,137</b>     | <b>15,995</b>    |
| <b>Cash and cash equivalents at beginning of financial year</b>                                                            |      | <b>26,669</b>      | <b>10,674</b>    |
| <b>Cash and cash equivalents at end of financial year</b>                                                                  |      | <b>129,806</b>     | <b>26,669</b>    |
| <b>Analysis of cash and cash equivalents</b>                                                                               |      |                    |                  |
| Cash and short-term funds                                                                                                  | 2    | 65,246             | 26,609           |
| Deposits and placements with banks and other financial institutions                                                        | 3    | 67,860             | 3,360            |
|                                                                                                                            |      | <b>133,106</b>     | <b>29,969</b>    |
| Less: deposits and placements with banks and other financial institutions with original maturity of more than three months |      | (3,300)            | (3,300)          |
|                                                                                                                            |      | <b>129,806</b>     | <b>26,669</b>    |

The accompanying accounting policies and notes form an integral part of these financial statements

## Statements of Cash Flows

for the financial year ended 30 June 2023

Analysis of changes in liabilities arising from financing activities as follows:

| The Group        | Recourse obligations on loans/ financing sold to Cagamas Berhad RM'000 | Borrowings RM'000 | Subordinated obligations RM'000 | Multi-currency Additional Tier 1 capital securities RM'000 | Lease liabilities RM'000 |
|------------------|------------------------------------------------------------------------|-------------------|---------------------------------|------------------------------------------------------------|--------------------------|
| <b>2023</b>      |                                                                        |                   |                                 |                                                            |                          |
| As at 1 July     | 1,623,936                                                              | 411,931           | 2,207,083                       | 1,715,849                                                  | 212,599                  |
| Proceeds         | 2,300,000                                                              | -                 | 500,000                         | 400,000                                                    | -                        |
| Repayments       | (962,930)                                                              | (210,000)         | (500,000)                       | (400,000)                                                  | (47,392)                 |
| Interest paid    | (66,196)                                                               | (8,216)           | (95,221)                        | (81,755)                                                   | (8,708)                  |
| Accrued interest | 77,410                                                                 | 8,205             | 93,961                          | 83,358                                                     | 8,708                    |
| Amortisation     | -                                                                      | 16                | 827                             | 345                                                        | -                        |
| Other non-cash   | -                                                                      | -                 | -                               | 1,833                                                      | 26,804                   |
| As at 30 June    | 2,972,220                                                              | 201,936           | 2,206,650                       | 1,719,630                                                  | 192,011                  |
| <b>2022</b>      |                                                                        |                   |                                 |                                                            |                          |
| As at 1 July     | 1,033,839                                                              | 662,026           | 2,207,179                       | 806,555                                                    | 204,872                  |
| Proceeds         | 650,000                                                                | -                 | -                               | 900,000                                                    | -                        |
| Repayments       | (64,174)                                                               | (247,000)         | -                               | -                                                          | (46,659)                 |
| Interest paid    | (40,431)                                                               | (17,364)          | (94,535)                        | (40,142)                                                   | (8,750)                  |
| Accrued interest | 44,702                                                                 | 14,244            | 94,400                          | 47,112                                                     | 8,750                    |
| Amortisation     | -                                                                      | 25                | 39                              | (958)                                                      | -                        |
| Other non-cash   | -                                                                      | -                 | -                               | 3,282                                                      | 54,386                   |
| As at 30 June    | 1,623,936                                                              | 411,931           | 2,207,083                       | 1,715,849                                                  | 212,599                  |

The accompanying accounting policies and notes form an integral part of these financial statements

## Statements of Cash Flows

for the financial year ended 30 June 2023

Analysis of changes in liabilities arising from financing activities as follows: (continued)

| The Company      | Borrowings<br>RM'000 | Subordinated<br>obligations<br>RM'000 | Multi-currency<br>Additional<br>Tier 1<br>capital<br>securities<br>RM'000 | Lease<br>liabilities<br>RM'000 |
|------------------|----------------------|---------------------------------------|---------------------------------------------------------------------------|--------------------------------|
| <b>2023</b>      |                      |                                       |                                                                           |                                |
| As at 1 July     | 411,859              | 1,601,624                             | 806,431                                                                   | 4,249                          |
| Repayments       | (210,000)            | (500,000)                             | (400,000)                                                                 | (896)                          |
| Interest paid    | (8,216)              | (71,882)                              | (29,826)                                                                  | (199)                          |
| Accrued interest | 8,220                | 71,612                                | 27,992                                                                    | 199                            |
| Amortisation     | 56                   | 505                                   | 254                                                                       | -                              |
| As at 30 June    | 201,919              | 1,101,859                             | 404,851                                                                   | 3,353                          |
| <b>2022</b>      |                      |                                       |                                                                           |                                |
| As at 1 July     | 687,361              | 1,601,242                             | 805,975                                                                   | 5,099                          |
| Repayments       | (272,000)            | -                                     | -                                                                         | (850)                          |
| Interest paid    | (17,833)             | (72,086)                              | (40,142)                                                                  | (244)                          |
| Accrued interest | 14,269               | 71,950                                | 40,200                                                                    | 244                            |
| Amortisation     | 62                   | 518                                   | 398                                                                       | -                              |
| As at 30 June    | 411,859              | 1,601,624                             | 806,431                                                                   | 4,249                          |

The accompanying accounting policies and notes form an integral part of these financial statements

# Summary of Significant Accounting Policies

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.

## A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company 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 incorporate the activities relating to the Islamic banking and takaful businesses which have been undertaken by its subsidiaries, Hong Leong Islamic Bank Berhad ("HLISB") and Hong Leong MSIG Takaful Berhad ("HLMT") in compliance with Shariah principles. Islamic banking business refers generally to the acceptance of deposits and granting of financing under Shariah principles while takaful business refers generally to underwriting of Islamic insurance under the Shariah principles.

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

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 income and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the management and Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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 59.

### (a) Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Company

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

- Amendments to MFRS 116 "Proceeds before Intended Use"
- Amendments to MFRS 137 "Onerous Contracts - Cost of Fulfilling a Contract"
- 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

#### (i) 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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### A 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 Company (continued)

##### (ii) 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.

##### (iii) 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.

##### (iv) 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 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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### A 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 Company but not yet effective

##### Financial year beginning on/after 1 July 2023

- (i) 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

##### 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 realizable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty.

- (ii) 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 recognized at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognize both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

- (iii) MFRS 17 “Insurance Contracts” and its amendments – effective 1 January 2023

##### Expected recovery of insurance acquisition cash flows

An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.



## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### A 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 Company but not yet effective (continued)

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

##### (iii) MFRS 17 “Insurance Contracts” and its amendments – effective 1 January 2023 (continued)

###### Reinsurance contracts held - recovery of losses

When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, it should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on the underlying insurance contracts and the % of claims on the underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

###### Contractual service margin attributable to investment services

The amendment requires an entity that issues insurance contracts without direct participation features to recognise profit when it provides insurance coverage or any service relating to investment activities. Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an “investment-return service” under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholders.

###### Other amendments include the following:

- (i) Scope exclusions for some credit card (or similar) contracts, and some loan contracts.
  - (ii) Presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups (sub-portfolio) level.
  - (iii) Entities are also allowed to apply the risk migration option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss.
  - (iv) An accounting policy choice to change the estimate made in previous interim financial statements when applying MFRS 17.
  - (v) Other minor amendments.
- (iv) Amendment to MFRS 17 “Initial Application of MFRS 17 and MFRS 9 - Comparative Information” – effective 1 January 2023

This amendment relates to the classification of comparative information of financial assets on initial application of MFRS 17 (known as “classification overlay”). The objective of the amendment is to provide an optional transition provision to reduce the one-time accounting mismatch on comparative information between insurance contract liabilities and related financial assets.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### A 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 Company but not yet effective (continued)

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

- (iv) Amendment to MFRS 17 “Initial Application of MFRS 17 and MFRS 9 - Comparative Information” – effective 1 January 2023 (continued)

The amendment would be available for:

- (i) any financial assets, including those held in respect of an activity that is unconnected to contracts within the scope of MFRS 17;
- (ii) entities that initially apply MFRS 9 at the same time as they apply MFRS 17; and
- (iii) entities that had already applied MFRS 9 before the initial application of MFRS 17 where those entities redesignate financial assets applying paragraph C29 of MFRS 17.

The transition option would:

- (i) be available, on an instrument-by-instrument basis;
- (ii) allow an entity to present comparative information as if the classification and measurement requirements of MFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of MFRS 9.

Any difference in the carrying amount of the financial asset at the transition date resulting from applying the classification overlay would be recognised in opening retained earnings (or other component of equity, as appropriate) at that date.

- (iii) require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying MFRS 9.

The adoption of the accounting standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective above are not expected to give rise to any material financial impact to the Group. For the adoption of MFRS 17, the Group will apply the transitional provision and restate comparative information for 2023. The Group has yet to finalise the financial impact of the adoption of MFRS 17 and are now progressing with the implementation of the identified changes.

##### Financial year beginning on/after 1 July 2024

- (i) 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 lease back 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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### A 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 Company but not yet effective (continued)

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

##### (i) Amendments to MFRS 16 "Lease Liability in a Sale and Leaseback" – effective 1 January 2024 (continued)

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 accounting standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective above are not expected to give rise to any material financial impact to the Group.

### B 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 Company and all its subsidiaries made up to the end of the financial year.

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

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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### **B CONSOLIDATION (continued)**

#### **(i) Subsidiaries (continued)**

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.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of financial position respectively.

The Group has consolidated the investment funds that it controls in accordance with MFRS 10 "Consolidated Financial Statements". The third party interest of the funds is recorded as a financial liability in accordance with accounting policy Note F.

#### **(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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### **B CONSOLIDATION (continued)**

#### **(iii) Disposal of subsidiaries**

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

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

#### **(iv) Joint arrangements**

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

The Group's interests in joint venture is accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, 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 venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### **B CONSOLIDATION (continued)**

#### **(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.

#### **(vii) Investments in subsidiaries, joint venture and associated companies**

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

If assets, including a subsidiary, joint venture or associate, are transferred by means of a dividend between entities under common control, the transferee recognises the dividend at the fair value of the investments or assets received. Dividends are to be recognised in statements of income.

Investment in debt instrument issued by subsidiary companies at amortised cost are measured in accordance with Note E.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### C 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 Company 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).

### D RECOGNITION OF FEES AND OTHER INCOME

(i) The Group 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 has 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 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.

The Group 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.

(ii) 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.



## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### D RECOGNITION OF FEES AND OTHER INCOME (continued)

- (iii) 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.
- (iv) Brokerage income is recognised when contracts are executed. Fees that constitute single performance obligation is recognised upon completion of transactions such as rollover fees, nominees services and handling charges.
- (v) Corporate advisory fees are recognised as income after fulfilling each of the performance obligation.
- (vi) Rental income is recognised on an overtime basis.
- (vii) Management expenses, commission expenses and wakalah fees.

Acquisition costs, commissions and management fees are borne by the family takaful fund in the revenue accounts of Hong Leong MSIG Takaful Berhad ("HLMT") at an agreed percentage of the gross contribution, in accordance with the principles of wakalah as approved by HLMT's Shariah Advisory Committee and agreed between the participants and HLMT.

These are transferred to the shareholders' fund via upfront wakalah fee and deferred wakalah fee.

Management fees charged for management of clients' and unit trust funds is recognised over the period of time in accordance with the rates provided for in the prospectuses of unit trust funds and investment mandate with private customers. Other management fees charged for underwriting, placement and advisory fees are recognised over the period during which the related service is provided or credit risk is undertaken.

- (viii) Premium/contribution - life insurance and family takaful fund

Premiums/contributions are recognised as soon as the amount of premiums/contributions can be reliably measured. First premium/contribution is recognised from inception date and subsequent premiums/contributions are recognised on due dates.

Inward treaty reinsurance premiums/retakaful contributions are recognised on the basis of periodic advices received from ceding companies.

Outward reinsurance premiums/retakaful contributions are recognised in the same accounting period as the original policies certificates to which the reinsurance/retakaful relates.

### E FINANCIAL ASSETS

#### (i) Classification

The Group and the Company 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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### **E FINANCIAL ASSETS (continued)**

#### **(i) Classification (continued)**

The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes. The Group and the Company 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 Company 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.

##### 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 Company assess whether the financial assets' contractual cash flows represent solely payment of principal and interest. In applying the SPPI test, the Group and the Company 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 Company 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 Company have transferred substantially all the risks and rewards of ownership.

#### **(iii) Measurement**

At initial recognition, the Group and the Company 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 Company'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 Company classify its debt instruments:

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### E FINANCIAL ASSETS (continued)

#### (iii) Measurement (continued)

##### (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 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 39 and Note 40) in the statements of income.

##### (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 rate method. Foreign exchange gains and losses are presented in other income (as per Note 37) and impairment losses are presented as separate line item 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 Company 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 bases. Fair value changes is 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 Company 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 Company'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 Company'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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### **E FINANCIAL ASSETS (continued)**

#### **(iv) Reclassification policy**

Reclassification of financial assets is required when, and only when, the Group and the Company change their business model for managing the assets. In such cases, the Group and the Company are required to reclassify all affected financial assets.

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.

### **F FINANCIAL LIABILITIES**

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statements of income. Financial liabilities are de-recognised when extinguished.

#### **(i) Financial liabilities at fair value through profit or loss**

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

The Group has 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 of 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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### G 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 Company 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 method to allocate the cost or the revalued amounts, 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 leasehold land                                                  | Over the remaining period of the lease or 50 years (2%) whichever is shorter  |           |
| Buildings on freehold land                                                   |                                                                               | 2%        |
| Office furniture, fittings, equipment and renovations and computer equipment |                                                                               | 10% - 33% |
| Motor vehicles                                                               |                                                                               | 20% - 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 an indication of impairment exists, the carrying amount of the asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in non-interest income.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of such a property at the date of transfer is treated in the same way as a revaluation under MFRS 116 "Property, plant and equipment". Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase credited directly to other comprehensive income in revaluation surplus reserve. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus reserve, with any remaining decrease charged to statements of 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 I for the accounting policies on right-of-use assets.

### H 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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### H INTANGIBLE ASSETS (continued)

#### (ii) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of fair value consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. 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.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the CGU level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### I 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 Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Company 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 Company 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 Company 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 Company, and affects whether the Group and the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

#### ROU assets

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- decommissioning or restoration costs.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### I LEASES (continued)

#### ROU assets (continued)

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 Company 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.

#### 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 Company under residual value guarantees;
- the exercise price of a purchase and extension options if the Group and the Company are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group and the Company 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 Company, an incremental borrowing rate is used in determining the discount rate which assumes the interest/profit rate that the Group and the Company 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 Company 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 Company 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.

### J 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.



## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### **J IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)**

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.

### **K 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 statements of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, respectively. 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 statement of financial position and any associated change within the tax expense in the statements of income as under accrual 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 provided 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 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 venture 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 venture. 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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### K CURRENT AND DEFERRED INCOME TAXES (continued)

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.

### L DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group has elected an accounting policy choice under MFRS 9 to continue to apply the hedge accounting requirements under MFRS 139 on the adoption of MFRS 9 on 1 July 2018.

The Group and the Company 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 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 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 has 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 has assumed that the IBOR interest rate on which the Group’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 has 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 has not recycled the cash flow hedge reserve for designated hedges that are subject to the IBOR reform.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### **I DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)**

The Group has 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 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:
  - (i) designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
  - (ii) amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
  - (iii) amending the description of the hedging instrument.

The Group 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 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 30.

#### **(i) Fair value hedges**

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 Company 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 income statements within other operating income. The gain or loss relating to the ineffective portion is recognised in income statements 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 income statements, while the changes in fair value of the derivatives that is related to the effective portion of the hedge is recognised in income statements within other operating income. The ineffective portion of the aforesaid hedging derivatives is recognised in income statements 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.

#### **(ii) Cash flow hedges**

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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### **L DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)**

#### **(ii) Cash flow hedges (continued)**

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.

### **M 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 Company'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 investments at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the statements of income, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Translation differences such as equity held at fair value through profit or loss and assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognised in income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial investments at fair value through other comprehensive income are included in the fair value reserve in other comprehensive income.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### **M 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 statements of 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 statements of 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 statements of income. 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.

### **N 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 Company recognise a liability and an expense for bonuses. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created constructive obligation.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### **N EMPLOYEE BENEFITS (continued)**

#### **(ii) Defined contribution plans**

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (fund) on a mandatory, contractual or voluntary basis and the Group and the Company have 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 Company 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 period to which they relate. Once the contributions have been paid, the Group and the Company has 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 Company and certain of its subsidiaries operate equity-settled, share-based compensation plans for their employees. 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 Company revises its estimates of the number of share options that are expected to vest. 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 Scheme ("ESS") and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's stocks 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 ESS holders are recorded as "Treasury Shares for ESS" in equity on the statements of financial position. The cost of operating the ESS would be charged to the statements of income when incurred in accordance with accounting standards.

When the options are exercised, the Group transfers the Treasury Shares for ESS to the ESS holder. The treasury shares and share options reserve would be adjusted against the retained profits.

When the options are exercised, the Company and certain of its subsidiaries 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 profits.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### 0 IMPAIRMENT OF FINANCIAL ASSETS

The Group and the Company assess on a forward looking basis the expected credit loss ("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 Company assess whether the credit risk on an exposure has increased significantly on an individual or collective basis. The Group and the Company first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Company 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.

#### Definition of default and credit-impaired financial assets

The definition of credit-impaired of the Group and the Company remained the same under MFRS 139 and MFRS 9. At each reporting period, the Group and the Company 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 Company 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.

There are two approaches of ECL adopted by the Group and the Company, which are general approach and simplified approach.

#### **(i) 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.



## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### 0 IMPAIRMENT OF FINANCIAL ASSETS (continued)

#### (i) 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)

##### Significant increase in credit risk

At each reporting date, the Group and the Company 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 Company consider both quantitative and qualitative information and assessments based on the Group's and the Company'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.

##### 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 Company have internally developed methodologies for the application of forward looking macroeconomic ("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.

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

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### 0 IMPAIRMENT OF FINANCIAL ASSETS (continued)

#### (i) 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 Group and the Company apply three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

- (a) Base case: This represents “most likely outcome” of future economic conditions which are backed by consensus forecast from various sources.
- (b) Best and Worst case: This 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 may renegotiate or otherwise modify the contractual cash flows of loans/financing to customers. When this happens, the Group assess whether or not the new terms are substantially different to the original terms.

The Group 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.

If the terms are substantially different, the Group 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 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 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 disclosed in Note 36.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### **O IMPAIRMENT OF FINANCIAL ASSETS (continued)**

#### **(ii) Clients' and brokers' balances and other assets - Simplified Approach**

The Group and the Company apply simplified approach as permitted by MFRS 9, which requires an entity to recognise a loss allowance based on lifetime ECL at each reporting date. MFRS 9 allows the use of practical expedients when measuring ECL and states that a provision matrix is an example of such expedient for other receivables. An entity that applies a provision matrix may use historical loss experience on its other receivables, and adjust historical loss rates to reflect information about current conditions and reasonable and supportable forecasts of future economic conditions.

### **P 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 Group under standard repurchase agreements transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

### **Q 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 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.

### **R FINANCIAL GUARANTEE CONTRACTS**

Financial guarantee contracts are contracts that require the Group or the Company 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.

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.

### **S FORECLOSED PROPERTIES**

Foreclosed properties are stated at the lower of carrying amount and fair value less cost to sell.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### **T   BILLS AND ACCEPTANCES PAYABLE**

Bills and acceptances payable represent the banking subsidiaries' own bills and acceptances rediscounted and outstanding in the market.

### **U   PROVISIONS**

Provisions are recognised by the Group and the Company when all of the following conditions have been met:

- (i) the Group and the Company 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 Company 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.

### **V   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.

### **W   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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### X 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

Where the Company purchases the Company'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 Company's equity holders as treasury shares until they are cancelled, reissued or disposed of. 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.

### Y CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### Z SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements ("reverse repurchase agreements") are securities which the Group 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 ("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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### **Z SALE AND REPURCHASE AGREEMENTS (continued)**

The difference between 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.

### **AA EARNINGS PER SHARE**

#### **Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, 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.

#### **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.

### **AB INVESTMENT PROPERTIES**

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions that market participants would make when pricing the property under current market conditions.

Subsequent expenditure is recognised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss as a net gain/loss from fair value adjustment on investment property.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### AC BENEFITS, CLAIMS AND EXPENSES

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer/takaful operator is notified.

Recoveries on reinsurance/retakaful claims are accounted for in the same financial year as the original claims are recognised.

Benefits and claims for claims arising on life insurance policies/family takaful certificates including settlement costs, less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy/family takaful certificate are recognised as follows:

- (a) maturity or other policy/certificate benefit payments due on specified dates are treated as claims payable on the due dates; and
- (b) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured/participant or occurrence of contingency covered.

### AD INSURANCE CONTRACT LIABILITIES

These liabilities comprise of claims liabilities, actuarial liabilities, unallocated surpluses and net asset value attributable to unitholders.

#### (i) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, non-participating annuity policies, the guaranteed benefits liabilities of participating life policies and participating annuity policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the fund level.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

The liability is derecognised when the contract expires, is discharged or is cancelled.



## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### AD INSURANCE CONTRACT LIABILITIES (continued)

#### (ii) Unallocated surplus

Surplus of contracts with discretionary participation features ("DPF") is distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The insurance subsidiary, however, has discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders. Surplus of contracts without DPF is attributable wholly to the shareholders and is classified as equity of the Group and the insurance subsidiary. However, the amount and timing of the distribution of surplus of contracts without DPF to the shareholders is subject to the recommendation of the insurance subsidiary's appointed actuary. Unallocated surpluses of DPF, where the amounts of surplus are yet to be allocated or distributed to either policyholders or shareholders by the end of the financial year, are held within the insurance contract liabilities.

### AE INSURANCE PRODUCT CLASSIFICATION

An insurance contract is a contract under which the insurance subsidiary (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. The insurance subsidiary defines insurance risk to be significant when the benefits payable on the occurrence of the insured event are 5% or more than the benefits payable if the insured event did not occur at any one point of the insurance contract. Based on this definition, all policy contracts issued by the insurance subsidiary are considered insurance contracts as at the date of this statement of financial position.

Investment contracts are those contracts that do not transfer significant insurance risk, but significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - profit or loss of the company, fund or other entity that issues the contract.

Contracts in the participating fund are classified as insurance contracts with DPF and contracts in the non-participating fund are classified as insurance contracts without DPF.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

### AF VALUATION OF INSURANCE CONTRACT LIABILITIES

The valuation of the insurance liability arising from policy benefits made under life insurance contracts is the insurance subsidiary's most critical accounting estimate. The assumptions in relation to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates are used for calculating the liabilities during the life of the contract. Such assumptions require a significant amount of professional judgement and therefore, actual experience may be materially different than the assumptions made by the insurance subsidiary. Actual experience is monitored to assess whether the assumptions remain appropriate and assumptions are changed as warranted. Any movement in the key assumptions will have an effect in determining the insurance contract liabilities.

### AG FAMILY TAKAFUL FUND

The family takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surplus attributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of Hong Leong MSIG Takaful Berhad ("HLMT").

The family takaful fund surplus/deficit is determined by an annual actuarial valuation of the family takaful fund. Any actuarial deficit in the family takaful fund will be made good by the shareholders' fund via a benevolent loan or Qardhul Hassan.

### AH INSURANCE COMMISSION AND AGENCY EXPENSES

Commission and agency expenses, which costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the revenue account in the financial year in which they are incurred.

### AI TRUST ACTIVITIES

The Group acts as trustees in other fiduciary capabilities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are excluded from the financial statements, as they are not assets of the Group.

### AJ 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 Group'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 MFRS9. 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 Group 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 Group'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.

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2023

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### **AK 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 government schemes that addresses identified costs or expenses incurred by the Group 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”.

# Notes to the Financial Statements

for the financial year ended 30 June 2023

## 1 GENERAL INFORMATION

The principal activities of the Company are those of investment holding and provision of services to its subsidiaries to enhance group value.

The Hong Leong Financial Group (the Company and its subsidiaries) is a diversified financial group whose businesses provide a broad range of financial products and services to consumer, corporate and institutional customers.

The principal activities of the subsidiary companies are disclosed in Note 11 to the financial statements. There were no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

## 2 CASH AND SHORT-TERM FUNDS

|                                                                | The Group      |                | The Company    |                |
|----------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Cash and balances with banks and other financial institutions  | 2,641,170      | 2,026,642      | 15             | 14             |
| Money at call and deposit placements maturing within one month | 7,207,465      | 7,579,592      | 65,231         | 26,595         |
|                                                                | 9,848,635      | 9,606,234      | 65,246         | 26,609         |
| Less: Expected credit losses                                   | (203)          | (340)          | -              | -              |
|                                                                | 9,848,432      | 9,605,894      | 65,246         | 26,609         |

Inclusive in cash and short-term funds of the Group are accounts held in trust for dealer's representative amounting to RM13,893,000 (2022: RM14,605,000).

## 3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

|                              | The Group      |                | The Company    |                |
|------------------------------|----------------|----------------|----------------|----------------|
|                              | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Bank Negara Malaysia ("BNM") | 14,565         | 256,420        | -              | -              |
| Licensed banks               | 1,065,029      | 1,044,335      | 67,860         | 3,360          |
|                              | 1,079,594      | 1,300,755      | 67,860         | 3,360          |
| Less: Expected credit losses | (20)           | (9)            | -              | -              |
|                              | 1,079,574      | 1,300,746      | 67,860         | 3,360          |

The Company has placed a fixed deposit of RM3,300,000 (2022: RM3,300,000) with a bank for the RM100 million revolving credit facility. The Company has agreed not to withdraw the fixed deposits during the tenure of the facility. The bank has a right to set-off any sums placed by the Company in the fixed deposit account.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

|                                              | The Group         |                |
|----------------------------------------------|-------------------|----------------|
|                                              | 2023<br>RM'000    | 2022<br>RM'000 |
| <b>Money market instruments</b>              |                   |                |
| Bank Negara Malaysia bills                   | 1,197,414         | 49,806         |
| Government treasury bills                    | 620,126           | 2,083,409      |
| Malaysian Government securities              | 4,310,150         | 4,323,656      |
| Malaysian Government investment certificates | 2,471,760         | 741,032        |
| Negotiable instruments of deposit            | 1,856,476         | 1,473,440      |
| Cagamas bonds                                | 15,078            | 65,587         |
| Other Government securities                  | 6,466,091         | 5,761,134      |
|                                              | <b>16,937,095</b> | 14,498,064     |
| <b>Quoted securities</b>                     |                   |                |
| Shares in Malaysia                           | 5,143,592         | 4,758,170      |
| Shares outside Malaysia                      | 590,260           | 553,017        |
| Wholesale fund/unit trust investments        | 724,832           | 749,777        |
| Portfolio Investment Accounts (Note)         | 1,282             | 9,097          |
| Foreign currency bonds in Malaysia           | -                 | 11,938         |
| Foreign currency bonds outside Malaysia      | -                 | 31,120         |
| Convertible bonds outside Malaysia           | -                 | 1,108,752      |
| Investment-linked funds                      | 456               | 305            |
| Loan stocks                                  | 1,773             | 1,073          |
| Warrants in Malaysia                         | 1,894             | 3,545          |
|                                              | <b>6,464,089</b>  | 7,226,794      |
| <b>Unquoted securities</b>                   |                   |                |
| Shares in Malaysia                           | 393,371           | 382,664        |
| Foreign currency bonds in Malaysia           | 37,281            | -              |
| Foreign currency bonds outside Malaysia      | 9,279             | 9,047          |
| Government sukuk                             | -                 | 101,766        |
| Corporate bonds and sukuk                    | 7,941,807         | 7,141,464      |
| Perpetual bonds                              | 85,970            | 85,830         |
| Redeemable preference shares                 | 25,000            | 25,000         |
|                                              | <b>8,492,708</b>  | 7,745,771      |
|                                              | <b>31,893,892</b> | 29,470,629     |

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.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 5 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

|                                             | The Group         |                |
|---------------------------------------------|-------------------|----------------|
|                                             | 2023<br>RM'000    | 2022<br>RM'000 |
| <b>At fair value</b>                        |                   |                |
| (a) Debt instruments                        | <b>35,627,135</b> | 27,369,557     |
| (b) Equity instruments                      | <b>97,650</b>     | 83,386         |
|                                             | <b>35,724,785</b> | 27,452,943     |
| (a) Debt instruments                        |                   |                |
| <b>Money market instruments</b>             |                   |                |
| Government treasury bills                   | <b>1,820,701</b>  | -              |
| Malaysia Government securities              | <b>4,707,923</b>  | 3,791,081      |
| Malaysia Government investment certificates | <b>10,175,143</b> | 9,197,348      |
| Negotiable instruments of deposit           | <b>1,306,322</b>  | 1,796,800      |
| Khazanah bonds                              | <b>363,416</b>    | 348,079        |
| Cagamas bonds                               | <b>2,620,153</b>  | 890,863        |
|                                             | <b>20,993,658</b> | 16,024,171     |
| <b>Quoted securities</b>                    |                   |                |
| Government sukuk                            | <b>860,644</b>    | 831,321        |
| Foreign currency bonds in Malaysia          | <b>1,873,035</b>  | 1,216,476      |
| Foreign currency bonds outside Malaysia     | <b>1,703,172</b>  | 842,415        |
|                                             | <b>4,436,851</b>  | 2,890,212      |
| <b>Unquoted securities</b>                  |                   |                |
| Government sukuk                            | <b>30,768</b>     | 417,257        |
| Corporate bonds and sukuk                   | <b>8,913,211</b>  | 7,537,091      |
| Foreign currency bonds in Malaysia          | <b>847,674</b>    | 175,112        |
| Foreign currency bonds outside Malaysia     | <b>404,973</b>    | 325,714        |
|                                             | <b>10,196,626</b> | 8,455,174      |
|                                             | <b>35,627,135</b> | 27,369,557     |

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 of 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.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 5 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (continued)

#### (a) Debt instruments (continued)

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

| The Group                                    | Stage 1                    | Stage 2                                          | Stage 3                                      | Total ECL<br>RM'000 |
|----------------------------------------------|----------------------------|--------------------------------------------------|----------------------------------------------|---------------------|
|                                              | 12 months<br>ECL<br>RM'000 | Lifetime ECL<br>not credit<br>impaired<br>RM'000 | Lifetime ECL<br>credit<br>impaired<br>RM'000 |                     |
| <b>2023</b>                                  |                            |                                                  |                                              |                     |
| As at 1 July                                 | 1,981                      | -                                                | 17,407                                       | 19,388              |
| New financial assets originated or purchased | 999                        | -                                                | -                                            | 999                 |
| Financial assets derecognised                | (223)                      | -                                                | -                                            | (223)               |
| Changes due to change in credit risk         | (582)                      | -                                                | -                                            | (582)               |
| Exchange differences                         | 100                        | -                                                | 820                                          | 920                 |
| As at 30 June                                | 2,275                      | -                                                | 18,227                                       | 20,502              |
| <b>2022</b>                                  |                            |                                                  |                                              |                     |
| As at 1 July                                 | 2,741                      | -                                                | 16,647                                       | 19,388              |
| New financial assets originated or purchased | 300                        | -                                                | -                                            | 300                 |
| Financial assets derecognised                | (1,058)                    | -                                                | -                                            | (1,058)             |
| Changes due to change in credit risk         | (69)                       | -                                                | -                                            | (69)                |
| Exchange differences                         | 67                         | -                                                | 760                                          | 827                 |
| As at 30 June                                | 1,981                      | -                                                | 17,407                                       | 19,388              |

#### (b) Equity instruments

|                            | The Group      |                |
|----------------------------|----------------|----------------|
|                            | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Unquoted securities</b> |                |                |
| Shares in Malaysia         | 97,650         | 83,386         |



# Notes to the Financial Statements

for the financial year ended 30 June 2023

## 5 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (continued)

### (b) Equity instruments (continued)

The Group designated certain investments shown in the following table as equity instruments under FVOCI, which is held for socio-economic purposes or not for trading purposes.

| The Group                         | Fair value<br>RM'000 | Dividend income<br>recognised during the<br>financial year<br>RM'000 |
|-----------------------------------|----------------------|----------------------------------------------------------------------|
| <b>2023</b>                       |                      |                                                                      |
| Securities:                       |                      |                                                                      |
| RAM Holdings Berhad               | 6,432                | 2,175                                                                |
| Payments Network Malaysia Sdn Bhd | 89,975               | -                                                                    |
| Others                            | 1,243                | -                                                                    |
|                                   | <b>97,650</b>        | <b>2,175</b>                                                         |
| <b>2022</b>                       |                      |                                                                      |
| Securities:                       |                      |                                                                      |
| RAM Holdings Berhad               | 7,764                | 406                                                                  |
| Payments Network Malaysia Sdn Bhd | 74,544               | -                                                                    |
| Others                            | 1,078                | -                                                                    |
|                                   | <b>83,386</b>        | <b>406</b>                                                           |

# Notes to the Financial Statements

for the financial year ended 30 June 2023

## 6 FINANCIAL INVESTMENTS AT AMORTISED COST

|                                              | The Group         |                |
|----------------------------------------------|-------------------|----------------|
|                                              | 2023<br>RM'000    | 2022<br>RM'000 |
| <b>Money market instruments</b>              |                   |                |
| Government treasury bills                    | 60,676            | 57,612         |
| Malaysian Government securities              | 6,024,655         | 5,413,511      |
| Malaysian Government investment certificates | 23,487,152        | 23,305,894     |
| Cagamas bonds                                | 1,658,260         | 416,700        |
| Khazanah bonds                               | 14,393            | 13,889         |
| Other Government securities                  | 421,343           | 419,246        |
|                                              | <b>31,666,479</b> | 29,626,852     |
| <b>Quoted securities</b>                     |                   |                |
| Foreign currency bonds outside Malaysia      | 19,117            | 62,174         |
|                                              | <b>19,117</b>     | 62,174         |
| <b>Unquoted securities</b>                   |                   |                |
| Government sukuk                             | 30,611            | 2,583,133      |
| Corporate bonds and sukuk                    | 616,114           | 1,336,766      |
|                                              | <b>646,725</b>    | 3,919,899      |
| Less: Expected credit losses                 | (18)              | (68)           |
|                                              | <b>32,332,303</b> | 33,608,857     |

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 amounting to RM4,478,710,000 (2022: RM2,692,688,000).

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**6 FINANCIAL INVESTMENTS AT AMORTISED COST (continued)**

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

| The Group                                    | Stage 1                    | Stage 2                                          | Stage 3                                      | Total ECL<br>RM'000 |
|----------------------------------------------|----------------------------|--------------------------------------------------|----------------------------------------------|---------------------|
|                                              | 12 months<br>ECL<br>RM'000 | Lifetime ECL<br>not credit<br>impaired<br>RM'000 | Lifetime ECL<br>credit<br>impaired<br>RM'000 |                     |
| <b>2023</b>                                  |                            |                                                  |                                              |                     |
| As 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                   |
| As at 30 June                                | 18                         | -                                                | -                                            | 18                  |
| <b>2022</b>                                  |                            |                                                  |                                              |                     |
| As at 1 July                                 | 80                         | -                                                | -                                            | 80                  |
| New financial assets originated or purchased | 67                         | -                                                | -                                            | 67                  |
| Financial assets derecognised                | (81)                       | -                                                | -                                            | (81)                |
| Exchange differences                         | 2                          | -                                                | -                                            | 2                   |
| As at 30 June                                | 68                         | -                                                | -                                            | 68                  |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 7 LOANS, ADVANCES AND FINANCING

|                                                                                                                                | The Group      |                |
|--------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                                                | 2023<br>RM'000 | 2022<br>RM'000 |
| Overdrafts                                                                                                                     | 4,077,891      | 3,546,936      |
| Term loans/financing                                                                                                           |                |                |
| - Housing and shop loans/financing                                                                                             | 97,387,797     | 91,169,501     |
| - Hire purchase receivables                                                                                                    | 19,914,072     | 18,035,880     |
| - Ijarah receivables                                                                                                           | 249,054        | 247,445        |
| - Other term loans/financing and syndicated term loans                                                                         | 35,475,855     | 32,347,688     |
| Credit/charge card receivables                                                                                                 | 3,202,663      | 2,923,883      |
| Bills receivable                                                                                                               | 1,936,868      | 1,539,682      |
| Trust receipts                                                                                                                 | 441,074        | 417,252        |
| Policy and premium loans                                                                                                       | 254,751        | 295,962        |
| Claims on customers under acceptance credits                                                                                   | 8,936,884      | 8,817,344      |
| Revolving credits                                                                                                              | 10,339,502     | 9,455,248      |
| Staff loans/financing                                                                                                          | 125,080        | 127,105        |
| Other loans/financing                                                                                                          | 126            | 128            |
| Gross loans, advances and financing                                                                                            | 182,341,617    | 168,924,054    |
| Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges | (14,700)       | (9,962)        |
| Allowance for impairment losses:                                                                                               |                |                |
| - Expected credit losses                                                                                                       | (1,759,502)    | (1,736,789)    |
| Total net loans, advances and financing                                                                                        | 180,567,415    | 167,177,303    |

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM2,917,197,000 (2022: RM1,572,077,000).

(a) The maturity structure of loans, advances and financing is as follows:

|                                     | The Group      |                |
|-------------------------------------|----------------|----------------|
|                                     | 2023<br>RM'000 | 2022<br>RM'000 |
| Maturing within:                    |                |                |
| - one year                          | 33,575,374     | 31,300,399     |
| - over one year to three years      | 7,261,457      | 6,836,044      |
| - over three years to five years    | 10,659,367     | 11,278,670     |
| - over five years                   | 130,845,419    | 119,508,941    |
| Gross loans, advances and financing | 182,341,617    | 168,924,054    |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**7 LOANS, ADVANCES AND FINANCING (continued)**

(b) The loans, advances and financing are disbursed to the following types of customers:

|                                          | The Group      |                |
|------------------------------------------|----------------|----------------|
|                                          | 2023<br>RM'000 | 2022<br>RM'000 |
| Domestic non-bank financial institutions | 2,258,897      | 1,946,823      |
| Domestic business enterprises:           |                |                |
| - Small and medium enterprises           | 33,083,633     | 30,175,416     |
| - Others                                 | 27,940,458     | 25,204,745     |
| Government and statutory bodies          | 1,108          | 1,387          |
| Individuals                              | 115,827,432    | 108,121,079    |
| Other domestic entities                  | 100,246        | 103,122        |
| Foreign entities                         | 3,129,843      | 3,371,482      |
| Gross loans, advances and financing      | 182,341,617    | 168,924,054    |

(c) Loans, advances and financing analysed by their interest rate/profit rate sensitivity are as follows:

|                                     | The Group      |                |
|-------------------------------------|----------------|----------------|
|                                     | 2023<br>RM'000 | 2022<br>RM'000 |
| Fixed rate:                         |                |                |
| - Housing and shop loans/financing  | 4,875,632      | 1,387,967      |
| - Hire purchase receivables         | 19,856,028     | 17,965,989     |
| - Credit card                       | 3,202,663      | 2,923,883      |
| - Other fixed rate loans/financing  | 5,693,140      | 6,885,306      |
| Variable rate:                      |                |                |
| - Base rate/base lending rate plus  | 123,357,618    | 116,345,805    |
| - Cost plus                         | 25,256,906     | 23,275,400     |
| - Other variable rates              | 99,630         | 139,704        |
| Gross loans, advances and financing | 182,341,617    | 168,924,054    |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 7 LOANS, ADVANCES AND FINANCING (continued)

(d) Loans, advances and financing analysed by their economic purposes are as follows:

|                                                        | The Group      |                |
|--------------------------------------------------------|----------------|----------------|
|                                                        | 2023<br>RM'000 | 2022<br>RM'000 |
| Purchase of securities                                 | 1,320,663      | 1,311,692      |
| Purchase of transport vehicles                         | 19,574,851     | 17,653,587     |
| Residential property (housing)                         | 89,114,612     | 82,434,291     |
| Non-residential property                               | 21,976,096     | 20,519,124     |
| Purchase of fixed assets (excluding landed properties) | 1,672,034      | 1,613,109      |
| Personal use                                           | 3,885,235      | 3,706,863      |
| Credit card                                            | 3,202,663      | 2,923,883      |
| Construction                                           | 4,197,939      | 3,531,187      |
| Working capital                                        | 35,954,488     | 33,798,279     |
| Other purposes                                         | 1,443,036      | 1,432,039      |
| Gross loans, advances and financing                    | 182,341,617    | 168,924,054    |

(e) Loans, advances and financing analysed by their geographical distribution are as follows:

|                                     | The Group      |                |
|-------------------------------------|----------------|----------------|
|                                     | 2023<br>RM'000 | 2022<br>RM'000 |
| In Malaysia                         | 168,376,448    | 157,168,978    |
| Outside Malaysia                    |                |                |
| - Singapore                         | 9,367,686      | 7,624,640      |
| - Hong Kong                         | 46,789         | 21,090         |
| - Vietnam                           | 1,956,082      | 1,652,819      |
| - Cambodia                          | 2,594,612      | 2,456,527      |
| Gross loans, advances and financing | 182,341,617    | 168,924,054    |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 7 LOANS, ADVANCES AND FINANCING (continued)

(f) Impaired loans, advances and financing analysed by their economic purposes are as follows:

|                                                        | The Group      |                |
|--------------------------------------------------------|----------------|----------------|
|                                                        | 2023<br>RM'000 | 2022<br>RM'000 |
| Purchase of securities                                 | 125            | 232            |
| Purchase of transport vehicles                         | 42,881         | 35,282         |
| Residential property (housing)                         | 404,463        | 315,073        |
| Non-residential property                               | 119,107        | 151,278        |
| Purchase of fixed assets (excluding landed properties) | 4,627          | 485            |
| Personal use                                           | 47,205         | 44,522         |
| Credit card                                            | 30,445         | 21,419         |
| Construction                                           | 24,851         | 9,271          |
| Working capital                                        | 274,325        | 207,698        |
| Other purposes                                         | 93,981         | 34,618         |
| Gross impaired loans, advances and financing           | 1,042,010      | 819,878        |

(g) Impaired loans, advances and financing analysed by their geographical distribution are as follows:

|                                              | The Group      |                |
|----------------------------------------------|----------------|----------------|
|                                              | 2023<br>RM'000 | 2022<br>RM'000 |
| In Malaysia                                  | 982,393        | 805,766        |
| Outside Malaysia                             |                |                |
| - Singapore                                  | 1,481          | 841            |
| - Vietnam                                    | 928            | 1,585          |
| - Cambodia                                   | 57,208         | 11,686         |
| Gross impaired loans, advances and financing | 1,042,010      | 819,878        |



## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 7 LOANS, ADVANCES AND FINANCING (continued)

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

| The Group                                                   | Stage 1                    | Stage 2                                          | Stage 3                                      | Total ECL<br>RM'000 |
|-------------------------------------------------------------|----------------------------|--------------------------------------------------|----------------------------------------------|---------------------|
|                                                             | 12 months<br>ECL<br>RM'000 | Lifetime ECL<br>not credit<br>impaired<br>RM'000 | Lifetime ECL<br>credit<br>impaired<br>RM'000 |                     |
| <b>2023</b>                                                 |                            |                                                  |                                              |                     |
| As at 1 July                                                | 977,229                    | 423,913                                          | 335,647                                      | 1,736,789           |
| Changes in ECL due to transfer within stages                | (44,038)                   | (203,154)                                        | 247,192                                      | -                   |
| - Transfer to Stage 1                                       | 35,350                     | (35,254)                                         | (96)                                         | -                   |
| - Transfer to Stage 2                                       | (76,367)                   | 145,894                                          | (69,527)                                     | -                   |
| - Transfer to Stage 3                                       | (3,021)                    | (313,794)                                        | 316,815                                      | -                   |
| New financial assets originated                             | 46,539                     | 855                                              | 54                                           | 47,448              |
| Financial assets derecognised                               | (15,727)                   | (30,658)                                         | (25,835)                                     | (72,220)            |
| Changes due to change in credit risk                        | (5,293)                    | 186,466                                          | 172,701                                      | 353,874             |
| Changes in models/risk parameters                           | 5,747                      | 2,706                                            | -                                            | 8,453               |
| Modifications to contractual cash flows of financial assets | 366                        | 1,078                                            | 203                                          | 1,647               |
| Amount written off                                          | -                          | -                                                | (306,145)                                    | (306,145)           |
| Exchange differences                                        | 1,757                      | 571                                              | (615)                                        | 1,713               |
| Other movements                                             | -                          | -                                                | (12,057)                                     | (12,057)            |
| As at 30 June                                               | 966,580                    | 381,777                                          | 411,145                                      | 1,759,502           |
| <b>2022</b>                                                 |                            |                                                  |                                              |                     |
| As at 1 July                                                | 1,075,247                  | 459,868                                          | 234,635                                      | 1,769,750           |
| Changes in ECL due to transfer within stages                | (56,893)                   | (237,992)                                        | 294,885                                      | -                   |
| - Transfer to Stage 1                                       | 33,363                     | (33,201)                                         | (162)                                        | -                   |
| - Transfer to Stage 2                                       | (87,725)                   | 148,017                                          | (60,292)                                     | -                   |
| - Transfer to Stage 3                                       | (2,531)                    | (352,808)                                        | 355,339                                      | -                   |
| New financial assets originated                             | 39,280                     | 240                                              | 299                                          | 39,819              |
| Financial assets derecognised                               | (16,030)                   | (26,665)                                         | (15,840)                                     | (58,535)            |
| Changes due to change in credit risk                        | (60,385)                   | 235,423                                          | 250,768                                      | 425,806             |
| Changes in models/risk parameters                           | (4,986)                    | (7,335)                                          | (384)                                        | (12,705)            |
| Amount written off                                          | -                          | -                                                | (425,884)                                    | (425,884)           |
| Exchange differences                                        | 996                        | 374                                              | 903                                          | 2,273               |
| Other movements                                             | -                          | -                                                | (3,735)                                      | (3,735)             |
| As at 30 June                                               | 977,229                    | 423,913                                          | 335,647                                      | 1,736,789           |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**7 LOANS, ADVANCES AND FINANCING (continued)**

- (i) 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                    | Stage 2                                          | Stage 3                                      | Total ECL<br>RM'000 |
|---------------------------------------------------------------------------------|----------------------------|--------------------------------------------------|----------------------------------------------|---------------------|
|                                                                                 | 12 months<br>ECL<br>RM'000 | Lifetime ECL<br>not credit<br>impaired<br>RM'000 | Lifetime ECL<br>credit<br>impaired<br>RM'000 |                     |
| <b>2023</b>                                                                     |                            |                                                  |                                              |                     |
| As at 1 July                                                                    | 151,608,434                | 16,495,742                                       | 819,878                                      | 168,924,054         |
| Total transfer within stages                                                    | 8,013,127                  | (8,720,026)                                      | 706,899                                      | -                   |
| - Transfer to Stage 1                                                           | 12,005,919                 | (12,003,075)                                     | (2,844)                                      | -                   |
| - Transfer to Stage 2                                                           | (3,928,002)                | 4,825,923                                        | (897,921)                                    | -                   |
| - Transfer to Stage 3                                                           | (64,790)                   | (1,542,874)                                      | 1,607,664                                    | -                   |
| New financial assets originated                                                 | 21,187,049                 | 804,365                                          | 1,017                                        | 21,992,431          |
| Financial assets derecognised                                                   | (7,476,512)                | (328,706)                                        | (63,207)                                     | (7,868,425)         |
| Changes due to change in credit risk                                            | 4,374                      | (1,568,124)                                      | (116,749)                                    | (1,680,499)         |
| Modifications to contractual cash flows and<br>unwinding of modification impact | 63,763                     | 29,870                                           | -                                            | 93,633              |
| Changes in models/risk parameters                                               | -                          | -                                                | -                                            | -                   |
| Amount written off                                                              | -                          | -                                                | (306,460)                                    | (306,460)           |
| Exchange differences                                                            | 1,181,668                  | 4,583                                            | 632                                          | 1,186,883           |
| Other movements                                                                 | -                          | -                                                | -                                            | -                   |
| As at 30 June                                                                   | 174,581,903                | 6,717,704                                        | 1,042,010                                    | 182,341,617         |
| <b>2022</b>                                                                     |                            |                                                  |                                              |                     |
| As at 1 July                                                                    | 146,077,778                | 9,735,392                                        | 717,672                                      | 156,530,842         |
| Total transfer within stages                                                    | (8,056,720)                | 7,386,816                                        | 669,904                                      | -                   |
| - Transfer to Stage 1                                                           | 10,407,775                 | (10,405,873)                                     | (1,902)                                      | -                   |
| - Transfer to Stage 2                                                           | (18,431,414)               | 19,057,743                                       | (626,329)                                    | -                   |
| - Transfer to Stage 3                                                           | (33,081)                   | (1,265,054)                                      | 1,298,135                                    | -                   |
| New financial assets originated                                                 | 17,621,893                 | 2,653,997                                        | 332                                          | 20,276,222          |
| Financial assets derecognised                                                   | (4,978,800)                | (343,178)                                        | (55,346)                                     | (5,377,324)         |
| Changes due to change in credit risk                                            | 352,394                    | (2,942,768)                                      | (88,136)                                     | (2,678,510)         |
| Modifications to contractual cash flows and<br>unwinding of modification impact | 56,999                     | (132)                                            | -                                            | 56,867              |
| Amount written off                                                              | -                          | -                                                | (426,109)                                    | (426,109)           |
| Exchange differences                                                            | 534,890                    | 5,615                                            | 1,561                                        | 542,066             |
| As at 30 June                                                                   | 151,608,434                | 16,495,742                                       | 819,878                                      | 168,924,054         |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 8 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances represent amount receivable from outstanding purchase contracts in respect of the Group's stockbroking and futures clients, amount due from brokers and contra losses and trade receivables from insurance clients.

|                                             | The Group      |                |
|---------------------------------------------|----------------|----------------|
|                                             | 2023<br>RM'000 | 2022<br>RM'000 |
| Performing accounts                         | 618,267        | 720,318        |
| Impaired accounts                           | 1,423          | 2,861          |
|                                             | 619,690        | 723,179        |
| Less: Allowances for bad and doubtful debts |                |                |
| - Expected credit losses                    | (866)          | (998)          |
|                                             | 618,824        | 722,181        |

Movements of impaired accounts are as follows:

|                                    | The Group      |                |
|------------------------------------|----------------|----------------|
|                                    | 2023<br>RM'000 | 2022<br>RM'000 |
| As at 1 July                       | 2,861          | 5,247          |
| New financial assets originated    | 54             | 2,035          |
| Financial assets derecognised      | (779)          | (2,448)        |
| Impaired during the financial year | 15,948         | 33,768         |
| Allowance written back             | (16,661)       | (35,741)       |
| As at 30 June                      | 1,423          | 2,861          |

Movements in expected credit losses on clients' and brokers' balances are as follows:

| The Group                          | Lifetime ECL<br>not credit<br>impaired<br>RM'000 | Lifetime ECL<br>credit<br>impaired<br>RM'000 | Total ECL<br>RM'000 |
|------------------------------------|--------------------------------------------------|----------------------------------------------|---------------------|
| <b>2023</b>                        |                                                  |                                              |                     |
| As at 1 July                       | 49                                               | 949                                          | 998                 |
| New financial assets originated    | 38                                               | 12                                           | 50                  |
| Financial assets derecognised      | (49)                                             | (11)                                         | (60)                |
| Impaired during the financial year | 27                                               | 240                                          | 267                 |
| Allowance written back             | (56)                                             | (333)                                        | (389)               |
| As at 30 June                      | 9                                                | 857                                          | 866                 |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**8 CLIENTS' AND BROKERS' BALANCES (continued)**

Movements in expected credit losses on clients' and brokers' balances are as follows: (continued)

| <b>The Group</b>                   | <b>Lifetime ECL<br/>not credit<br/>impaired<br/>RM'000</b> | <b>Lifetime ECL<br/>credit<br/>impaired<br/>RM'000</b> | <b>Total ECL<br/>RM'000</b> |
|------------------------------------|------------------------------------------------------------|--------------------------------------------------------|-----------------------------|
| <b>2022</b>                        |                                                            |                                                        |                             |
| As at 1 July                       | 85                                                         | 1,103                                                  | 1,188                       |
| New financial assets originated    | 80                                                         | 571                                                    | 651                         |
| Financial assets derecognised      | (100)                                                      | (578)                                                  | (678)                       |
| Impaired during the financial year | 51                                                         | 190                                                    | 241                         |
| Allowance written back             | (67)                                                       | (337)                                                  | (404)                       |
| As at 30 June                      | 49                                                         | 949                                                    | 998                         |

**9 OTHER ASSETS**

|                                                                                         | <b>Note</b> | <b>The Group</b>       |                        | <b>The Company</b>     |                        |
|-----------------------------------------------------------------------------------------|-------------|------------------------|------------------------|------------------------|------------------------|
|                                                                                         |             | <b>2023<br/>RM'000</b> | <b>2022<br/>RM'000</b> | <b>2023<br/>RM'000</b> | <b>2022<br/>RM'000</b> |
| Foreclosed properties                                                                   |             | <b>46</b>              | 46                     | -                      | -                      |
| Sundry debtors and other prepayments                                                    |             | <b>338,198</b>         | 274,377                | <b>2,250</b>           | 2,635                  |
| Settlement accounts                                                                     |             | <b>850,808</b>         | 708,194                | -                      | -                      |
| Treasury related receivables                                                            |             | <b>159,020</b>         | 578,958                | -                      | -                      |
| Cash collateral pledged for derivative transactions                                     |             | <b>1,086,263</b>       | 689,029                | -                      | -                      |
| Fee income receivables net of expected credit losses of RM1,385,000 (2022: RM1,970,000) | (a)         | <b>7,715</b>           | 8,961                  | -                      | -                      |
| Other receivables net of expected credit losses of RM1,811,000 (2022: RM1,624,000)      | (b)         | <b>235,699</b>         | 171,935                | -                      | -                      |
|                                                                                         |             | <b>2,677,749</b>       | 2,431,500              | <b>2,250</b>           | 2,635                  |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 9 OTHER ASSETS (continued)

(a) Movements in expected credit losses for fee income receivables are as follows:

| The Group                          | Lifetime ECL<br>not credit<br>impaired<br>RM'000 | Lifetime ECL<br>credit<br>impaired<br>RM'000 | Total ECL<br>RM'000 |
|------------------------------------|--------------------------------------------------|----------------------------------------------|---------------------|
| <b>2023</b>                        |                                                  |                                              |                     |
| As at 1 July                       | 6                                                | 1,964                                        | 1,970               |
| New financial assets originated    | 4                                                | -                                            | 4                   |
| Financial assets derecognised      | (5)                                              | (168)                                        | (173)               |
| Allowance written back             | -                                                | (337)                                        | (337)               |
| Amount written off                 | -                                                | (551)                                        | (551)               |
| Allowance made                     | -                                                | 472                                          | 472                 |
| As at 30 June                      | 5                                                | 1,380                                        | 1,385               |
| <b>2022</b>                        |                                                  |                                              |                     |
| As at 1 July                       | 4                                                | 1,938                                        | 1,942               |
| New financial assets originated    | 3                                                | -                                            | 3                   |
| Financial assets derecognised      | (1)                                              | (60)                                         | (61)                |
| Impaired during the financial year | -                                                | 86                                           | 86                  |
| As at 30 June                      | 6                                                | 1,964                                        | 1,970               |

(b) Movements in expected credit losses for other receivables are as follows:

| The Group                       | Lifetime ECL<br>not credit<br>impaired<br>RM'000 | Lifetime ECL<br>credit<br>impaired<br>RM'000 | Total ECL<br>RM'000 |
|---------------------------------|--------------------------------------------------|----------------------------------------------|---------------------|
| <b>2023</b>                     |                                                  |                                              |                     |
| As at 1 July                    | 1,077                                            | 547                                          | 1,624               |
| New financial assets originated | 281                                              | -                                            | 281                 |
| Financial assets derecognised   | -                                                | (94)                                         | (94)                |
| As at 30 June                   | 1,358                                            | 453                                          | 1,811               |
| <b>2022</b>                     |                                                  |                                              |                     |
| As at 1 July                    | 1,010                                            | 453                                          | 1,463               |
| New financial assets originated | 67                                               | 94                                           | 161                 |
| As at 30 June                   | 1,077                                            | 547                                          | 1,624               |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**10 STATUTORY DEPOSITS WITH CENTRAL BANKS**

The non-interest bearing statutory deposits are maintained by certain banking 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. The non-interest bearing statutory deposits of a foreign banking subsidiary and the foreign branch of a banking subsidiary of the Group are maintained with respective central banks in compliance with the applicable legislation.

**11 INVESTMENT IN SUBSIDIARY COMPANIES**

|                                                                                        | The Company       |                |
|----------------------------------------------------------------------------------------|-------------------|----------------|
|                                                                                        | 2023<br>RM'000    | 2022<br>RM'000 |
| <b>Investment in subsidiary companies, at cost</b>                                     |                   |                |
| Unquoted shares                                                                        | 262,980           | 262,980        |
| Shares quoted in Malaysia                                                              | 16,804,109        | 16,804,109     |
|                                                                                        | <b>17,067,089</b> | 17,067,089     |
| <b>Investment in debt instrument issued by subsidiary companies, at amortised cost</b> |                   |                |
| Multi-currency Additional Tier 1 capital securities                                    | 404,862           | 806,661        |
| Subordinated obligations                                                               | 1,102,166         | 1,602,433      |
|                                                                                        | <b>18,574,117</b> | 19,476,183     |
| Less: Allowance for impairment losses                                                  | (15,241)          | (16,755)       |
|                                                                                        | <b>18,558,876</b> | 19,459,428     |

Movements in the allowance for impairment losses are as follows:

|                                                       | The Company    |                |
|-------------------------------------------------------|----------------|----------------|
|                                                       | 2023<br>RM'000 | 2022<br>RM'000 |
| As at 1 July                                          | 16,755         | 18,008         |
| Expected credit losses made during the financial year | (1,514)        | (1,253)        |
| As at 30 June                                         | <b>15,241</b>  | 16,755         |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

- (i) Information about principal subsidiaries:

The subsidiary companies of the Company are as follows:

| Name of companies                                                     | Country of incorporation | Effective percentage of ownership |           | Principal activities                                                                      |
|-----------------------------------------------------------------------|--------------------------|-----------------------------------|-----------|-------------------------------------------------------------------------------------------|
|                                                                       |                          | 2023<br>%                         | 2022<br>% |                                                                                           |
| (a) HLA Holdings Sdn Bhd and its subsidiary companies:                | Malaysia                 | 100.0                             | 100.0     | Investment holding                                                                        |
| (i) Hong Leong Assurance Berhad                                       | Malaysia                 | 70.0                              | 70.0      | Life insurance business                                                                   |
| - Unincorporated trust for ESS <sup>a*</sup>                          | Malaysia                 | -                                 | -         | Special purpose vehicle for ESS                                                           |
| (ii) Hong Leong Insurance (Asia) Limited*                             | Hong Kong                | 100.0                             | 100.0     | General insurance business                                                                |
| (iii) Hong Leong MSIG Takaful Berhad                                  | Malaysia                 | 65.0                              | 65.0      | Family takaful business                                                                   |
| (iv) RC Holdings Sdn Bhd                                              | Malaysia                 | 100.0                             | 100.0     | In members' voluntary liquidation                                                         |
| (v) HL Assurance Pte. Ltd.*                                           | Singapore                | 100.0                             | 100.0     | General insurance business                                                                |
| (b) Unincorporated trust for ESS <sup>a*</sup>                        | Malaysia                 | -                                 | -         | Special purpose vehicle for ESS                                                           |
| (c) HLF Principal Investments (L) Limited                             | Malaysia                 | 100.0                             | 100.0     | Investment holding                                                                        |
| (d) Hong Leong Capital Berhad and its subsidiary companies:           | Malaysia                 | 73.7                              | 73.7      | Investment holding                                                                        |
| (i) HLG Securities Sdn Bhd                                            | Malaysia                 | 73.7                              | 73.7      | In members' voluntary liquidation                                                         |
| (ii) HLG Capital Markets Sdn Bhd                                      | Malaysia                 | -                                 | 73.7      | Dissolved                                                                                 |
| (iii) Hong Leong Investment Bank Berhad and its subsidiary companies: | Malaysia                 | 73.7                              | 73.7      | Investment banking, stockbroking business, futures broking and related financial services |
| - SSSB Jaya (1987) Sdn Bhd                                            | Malaysia                 | 73.7                              | 73.7      | In creditors' voluntary liquidation                                                       |
| - HLIB Nominees (Tempatan) Sdn Bhd                                    | Malaysia                 | 73.7                              | 73.7      | Nominee and custodian services for Malaysian clients                                      |
| - HLIB Nominees (Asing) Sdn Bhd                                       | Malaysia                 | 73.7                              | 73.7      | Nominee and custodian services for foreign clients                                        |
| (iv) HLCB Assets Sdn Bhd                                              | Malaysia                 | 73.7                              | 73.7      | Investment activities                                                                     |
| (v) Hong Leong Asset Management Bhd and its subsidiary company:       | Malaysia                 | 73.7                              | 73.7      | Unit trust management, fund management and sale of unit trusts                            |
| - Hong Leong Islamic Asset Management Sdn Bhd                         | Malaysia                 | 73.7                              | 73.7      | Islamic fund management services                                                          |
| (vi) Unincorporated trust for ESS <sup>a*</sup>                       | Malaysia                 | -                                 | -         | Special purpose vehicle for ESS purpose                                                   |
| (e) Hong Leong Bank Berhad and its subsidiary companies:              | Malaysia                 | 65.5                              | 65.5      | All aspects of commercial banking business and provision of related services              |
| (i) Hong Leong Islamic Bank Berhad                                    | Malaysia                 | 65.5                              | 65.5      | Islamic banking business and related financial services                                   |
| (ii) DC Tower Sdn Bhd                                                 | Malaysia                 | 65.5                              | 65.5      | Property management                                                                       |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)**

## (i) Information about principal subsidiaries: (continued)

The subsidiary companies of the Company are as follows: (continued)

| Name of companies                                                      | Country of incorporation | Effective percentage of ownership |           | Principal activities                                   |
|------------------------------------------------------------------------|--------------------------|-----------------------------------|-----------|--------------------------------------------------------|
|                                                                        |                          | 2023<br>%                         | 2022<br>% |                                                        |
| (e) Hong Leong Bank Berhad and its subsidiary companies: (continued)   |                          |                                   |           |                                                        |
| (iii) Hong Leong Bank Vietnam Limited*                                 | Vietnam                  | <b>65.5</b>                       | 65.5      | Commercial banking business                            |
| (iv) Hong Leong Bank (Cambodia) PLC**                                  | Cambodia                 | <b>65.5</b>                       | 65.5      | Commercial banking business                            |
| (v) HLF Credit (Perak) Bhd and its subsidiary companies:               | Malaysia                 | <b>65.5</b>                       | 65.5      | Investment holding                                     |
| - Gensource Sdn Bhd and its subsidiary company:                        | Malaysia                 | <b>65.5</b>                       | 65.5      | Investment holding                                     |
| - Pelita Terang Sdn Bhd                                                | Malaysia                 | <b>65.5</b>                       | 65.5      | Dormant                                                |
| - Promidah Sdn Bhd *                                                   | Malaysia                 | <b>65.5</b>                       | 65.5      | Dormant                                                |
| - Promizul Sdn Bhd                                                     | Malaysia                 | <b>65.5</b>                       | 65.5      | In members' voluntary liquidation                      |
| - HLB Realty Sdn Bhd                                                   | Malaysia                 | <b>65.5</b>                       | 65.5      | Property investment                                    |
| (vi) HLB Nominees (Tempatan) Sdn Bhd                                   | Malaysia                 | <b>65.5</b>                       | 65.5      | Agent and nominee for Malaysian clients                |
| (vii) HLB Nominees (Asing) Sdn Bhd                                     | Malaysia                 | <b>65.5</b>                       | 65.5      | Agent and nominee for foreign clients                  |
| (viii) HLB Trade Services (Hong Kong) Limited*                         | Hong Kong                | <b>65.5</b>                       | 65.5      | Ceased operations                                      |
| (ix) HLB Principal Investments (L) Limited and its subsidiary company: | Malaysia                 | <b>65.5</b>                       | 65.5      | Investment holding                                     |
| - Promino Sdn Bhd                                                      | Malaysia                 | <b>65.5</b>                       | 65.5      | Holding of pooled motor vehicles for HLB group's usage |
| (x) Promilia Berhad                                                    | Malaysia                 | <b>65.5</b>                       | 65.5      | Holding of motor vehicles for HLB group's usage        |
| (xi) EB Nominees (Tempatan) Sendirian Berhad                           | Malaysia                 | <b>65.5</b>                       | 65.5      | In members' voluntary liquidation                      |
| (xii) EB Realty Sendirian Berhad                                       | Malaysia                 | <b>65.5</b>                       | 65.5      | In members' voluntary liquidation                      |
| (xiii) OBB Realty Sdn Bhd                                              | Malaysia                 | <b>65.5</b>                       | 65.5      | Property investment                                    |
| (xiv) Unincorporated trust for ESS <sup>Ω</sup> *                      | Malaysia                 | -                                 | -         | Special purpose vehicle for ESS purpose                |
| (f) Hong Leong Income Fund <sup>Ω</sup>                                | Malaysia                 | <b>61.1</b>                       | 70.2      | Unit trust funds                                       |
| (g) Hong Leong Wholesale Equity Fund 2 <sup>Ω</sup>                    | Malaysia                 | <b>65.5</b>                       | 65.5      | Unit trust funds                                       |
| (h) Hong Leong Value Fund <sup>Ω</sup>                                 | Malaysia                 | <b>78.3</b>                       | 73.1      | Unit trust funds                                       |
| (i) Hong Leong Strategic Fund <sup>Ω</sup>                             | Malaysia                 | <b>39.9</b>                       | 37.3      | Unit trust funds                                       |
| (j) Hong Leong Dividend Fund <sup>Ω</sup>                              | Malaysia                 | <b>49.3</b>                       | -         | Unit trust funds                                       |
| (k) Hong Leong Global ESG Fund <sup>Ω</sup>                            | Malaysia                 | <b>86.2</b>                       | -         | Unit trust funds                                       |
| (l) Hong Leong Global Shariah ESG Fund <sup>Ω</sup>                    | Malaysia                 | <b>38.9</b>                       | -         | Unit trust funds                                       |

\* Not audited by PricewaterhouseCoopers PLT

+ Audited by member firms of PricewaterhouseCoopers International Limited

Ω Deemed subsidiary companies pursuant to MFRS 10 "Consolidated Financial Statements"



## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

- (ii) Details of subsidiary companies that have material non-controlling interests:

Set out below are the Group's subsidiary companies that have material non-controlling interests:

|                                                                            | Proportion of ownership<br>interests and voting rights<br>held by non-controlling<br>interests |           | Profit allocated to<br>non-controlling interests |                | Accumulated<br>non-controlling interests |                |
|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|-----------|--------------------------------------------------|----------------|------------------------------------------|----------------|
|                                                                            | 2023<br>%                                                                                      | 2022<br>% | 2023<br>RM'000                                   | 2022<br>RM'000 | 2023<br>RM'000                           | 2022<br>RM'000 |
| Hong Leong Bank Berhad                                                     | 34.5                                                                                           | 34.5      | 1,316,556                                        | 1,133,548      | 11,721,996                               | 10,681,901     |
| Hong Leong Capital Berhad                                                  | 26.3                                                                                           | 26.3      | 13,112                                           | 19,051         | 253,797                                  | 248,439        |
| Hong Leong Assurance<br>Berhad                                             | 30.0                                                                                           | 30.0      | 85,195                                           | 77,031         | 786,302                                  | 710,106        |
| Individually immaterial<br>subsidiaries with non-<br>controlling interests |                                                                                                |           | 1,452                                            | 1,022          | 75,827                                   | 73,687         |
|                                                                            |                                                                                                |           | 1,416,315                                        | 1,230,652      | 12,837,922                               | 11,714,133     |

Summarised financial information for each subsidiary companies that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)**

(ii) Details of subsidiary companies that have material non-controlling interests: (continued)

Set out below are the Group's subsidiary companies that have material non-controlling interests: (continued)

|                                                            | Hong Leong<br>Assurance Berhad |                | Hong Leong<br>Bank Berhad |                | Hong Leong<br>Capital Berhad |                |
|------------------------------------------------------------|--------------------------------|----------------|---------------------------|----------------|------------------------------|----------------|
|                                                            | 2023<br>RM'000                 | 2022<br>RM'000 | 2023<br>RM'000            | 2022<br>RM'000 | 2023<br>RM'000               | 2022<br>RM'000 |
| Total assets                                               | <b>26,328,891</b>              | 24,123,922     | <b>279,850,454</b>        | 254,331,377    | <b>4,975,761</b>             | 4,276,873      |
| Total liabilities                                          | <b>(23,707,884)</b>            | (21,756,901)   | <b>(245,863,802)</b>      | (223,342,401)  | <b>(4,010,385)</b>           | (3,331,880)    |
| Net assets                                                 | <b>2,621,007</b>               | 2,367,021      | <b>33,986,652</b>         | 30,988,976     | <b>965,376</b>               | 944,993        |
| Equity attributable to owners of the Company               | <b>(1,834,705)</b>             | (1,656,915)    | <b>(22,264,656)</b>       | (20,307,075)   | <b>(711,579)</b>             | (696,554)      |
| Non-controlling interests                                  | <b>(786,302)</b>               | (710,106)      | <b>(11,721,996)</b>       | (10,681,901)   | <b>(253,797)</b>             | (248,439)      |
| Revenue                                                    | <b>368,543</b>                 | 320,303        | <b>5,685,509</b>          | 5,597,408      | <b>196,326</b>               | 223,360        |
| Profit before taxation                                     | <b>352,914</b>                 | 313,585        | <b>4,626,631</b>          | 4,366,800      | <b>61,428</b>                | 97,172         |
| Taxation                                                   | <b>(68,928)</b>                | (56,815)       | <b>(808,435)</b>          | (1,077,517)    | <b>(11,552)</b>              | (24,709)       |
| Other comprehensive income/(loss)                          | -                              | -              | <b>380,331</b>            | (677,311)      | <b>15,306</b>                | (23,156)       |
| Total comprehensive income                                 | <b>283,986</b>                 | 256,770        | <b>4,198,527</b>          | 2,611,972      | <b>65,182</b>                | 49,307         |
| Net cash used in investing activities                      | <b>(4,829)</b>                 | (5,160)        | <b>(5,723,340)</b>        | (288,023)      | <b>(344,941)</b>             | (66,970)       |
| Net cash (used in)/generated from financing activities     | <b>(54,979)</b>                | (54,992)       | <b>(115,882)</b>          | 196,815        | <b>(53,588)</b>              | (69,936)       |
| Net cash (used in)/generated from operating activities     | <b>(332,009)</b>               | 191,028        | <b>7,622,201</b>          | 2,501,916      | <b>458,760</b>               | 358,429        |
| Net (decrease)/increase in cash and cash equivalents       | <b>(391,817)</b>               | 130,876        | <b>1,782,979</b>          | 2,410,708      | <b>60,231</b>                | 221,523        |
| Profit allocated to non-controlling interests of the Group | <b>85,195</b>                  | 77,031         | <b>1,316,556</b>          | 1,133,548      | <b>13,112</b>                | 19,051         |
| Dividends to non-controlling interests of the Group        | <b>9,000</b>                   | 9,000          | <b>410,947</b>            | 376,719        | <b>11,776</b>                | 16,116         |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 12 INVESTMENT IN ASSOCIATED COMPANIES

|                                                           | The Group      |                |
|-----------------------------------------------------------|----------------|----------------|
|                                                           | 2023<br>RM'000 | 2022<br>RM'000 |
| Quoted shares and unit trust investments                  | 2,405,825      | 1,159,108      |
| Unquoted shares investments                               | 643,323        | 643,323        |
| Cumulative share of results, net of dividend received     | 6,170,950      | 4,888,027      |
| Equity conversion option                                  | 57,937         | 82,751         |
| Cumulative share of changes in other comprehensive income | (26,834)       | (15,701)       |
| Exchange fluctuation reserve                              | 799,539        | 903,317        |
|                                                           | 10,050,740     | 7,660,825      |

(a) Information about associated companies

| Name of companies                                 | Country of incorporation | Principal activities | The Group<br>Percentage (%) of equity held |           |
|---------------------------------------------------|--------------------------|----------------------|--------------------------------------------|-----------|
|                                                   |                          |                      | 2023<br>%                                  | 2022<br>% |
| Bank of Chengdu Co., Ltd                          | China                    | Commercial banking   | 19.8                                       | 18.0      |
| Community CSR Sdn Bhd                             | Malaysia                 | Investment holding   | 20.0                                       | 20.0      |
| Sichuan Jincheng Consumer Finance Limited Company | China                    | Consumer financing   | 12.0                                       | 12.0      |
| MSIG Insurance (Malaysia) Bhd                     | Malaysia                 | Insurance            | 30.0                                       | 30.0      |
| Hong Leong Wholesale Bond Fund                    | Malaysia                 | Unit trust           | 47.8                                       | 54.8      |
| Hong Leong Dana Maa'rof Fund                      | Malaysia                 | Unit trust           | 10.2                                       | 12.3      |
| Hong Leong Islamic Income Management Fund         | Malaysia                 | Unit trust           | 36.9                                       | 7.0       |
| Hong Leong Asia-Pacific Dividend Fund             | Malaysia                 | Unit trust           | 22.6                                       | 22.0      |
| Hong Leong Dana AlSafa Fund                       | Malaysia                 | Unit trust           | 30.4                                       | -         |

#### Nature of relationship

##### (i) Bank of Chengdu Co., Ltd ("BOCD")

On 25 October 2007, Hong Leong Bank Berhad ("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 the promising and growing financial services sector of China. It strengthens and diversifies the earning 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 Group's equity interest of the enlarged capital in BOCD is now reduced to 18% from 20%. BOCD remains an associate by virtue of the representation held on BOCD's Board of Directors.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 12 INVESTMENT IN ASSOCIATED COMPANIES (continued)

#### (a) Information about associated companies (continued)

##### (i) Bank of Chengdu Co., Ltd ("BOCD") (continued)

In March 2022, HLB subscribed convertible bonds issued by BOCD. During the financial year, HLB has fully converted the bonds and the Group'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 Group is RM5.94 billion (2022: RM7.09 billion) at RM7.88 (2022: RM10.91) per share as at 30 June 2023.

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) Community CSR Sdn Bhd ("CCSR")

In 2011, HLB subscribed to RM50 million Cumulative Redeemable Preference Shares ("CRPS") in Jana Pendidikan Malaysia Sdn Bhd. For every RM1 million subscription of CRPS, HLB is entitled to subscribe for 1 ordinary share of RM1 each in CCSR. As such, HLB 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 Right Issues of RM1 each.

##### (iii) Sichuan Jincheng Consumer Finance Limited Company ("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 Group's strategic partnership in BOCD and affirms the Group's vision and belief in the huge potential of China.

In March 2017, the Board of Directors of the Group had approved the divestment of 37% of the HLB's stake through non-subscription of the issuance of new share capital by JCCFC and selling down the original share capital held by the Group 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 on JCCFC's Board of Directors.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 12 INVESTMENT IN ASSOCIATED COMPANIES (continued)

#### (a) Information about associated companies (continued)

##### (iv) MSIG Insurance (Malaysia) Bhd ("MSIG")

On 1 October 2010, HLA Holdings Sdn Bhd ("HLAH") entered into a Strategic Partnership with Mitsui Sumitomo Insurance Company, Limited ("MSIJ") to transfer the Non-Life Business of Hong Leong Assurance Berhad ("HLA") to MSIG Insurance (Malaysia) Bhd ("MSIG"), a subsidiary of MSIJ and one of the largest general insurance in Malaysia, satisfied via the issuance of such number of new shares as shall represent 30% of the ordinary issued and paid-up capital of MSIG.

##### (v) Unit trust investments

Deemed associated companies pursuant to MFRS 128 "Investments in Associates and Joint Ventures".

CCSR and MSIG are non-listed companies and no quoted market price available for their shares.

The Group deems BOCD and MSIM as material associated companies.

- (b) The summarised financial information below represents amounts shown in the material associated companies financial statements which are accounted for using equity method is as follows:

##### (i) Bank of Chengdu Co., Ltd

|                                                                             | The Group      |                |
|-----------------------------------------------------------------------------|----------------|----------------|
|                                                                             | 2023<br>RM'000 | 2022<br>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     |
| Interest income                                                             | 23,809,371     | 20,952,823     |
| Interest expense                                                            | (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      |
| Shares of results of associated company (%)                                 | 19.8%          | 18%            |
| Shares of results of associated company (RM'000)                            | 1,266,273      | 1,012,694      |
| Dividends from the associated company (RM'000)                              | -              | 268,591        |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**12 INVESTMENT IN ASSOCIATED COMPANIES (continued)**

- (b) The summarised financial information below represents amounts shown in the material associated companies financial statements which are accounted for using equity method is as follows: (continued)

**(ii) MSIG Insurance (Malaysia) Bhd**

|                                                  | The Group      |                |
|--------------------------------------------------|----------------|----------------|
|                                                  | 2023<br>RM'000 | 2022<br>RM'000 |
| Total assets                                     | 6,478,349      | 6,423,664      |
| Total liabilities                                | (3,189,124)    | (3,141,819)    |
| Net assets                                       | 3,289,225      | 3,281,845      |
| Interest income                                  | 37,263         | 20,285         |
| Non-interest income                              | 506,512        | 558,510        |
| Profit before taxation                           | 322,051        | 324,719        |
| Profit after taxation                            | 227,536        | 260,894        |
| Total comprehensive income                       | 240,580        | 218,344        |
| Shares of results of associated company (%)      | 30%            | 30%            |
| Shares of results of associated company (RM'000) | 68,261         | 78,268         |
| Dividends from the associated company (RM'000)   | 69,960         | 119,931        |

- (c) Reconciliation of the summarised financial information to the carrying amount of the interest in the material associated companies recognised in the consolidated financial statements:

**(i) Bank of Chengdu Co., Ltd**

|                                                     | The Group      |                |
|-----------------------------------------------------|----------------|----------------|
|                                                     | 2023<br>RM'000 | 2022<br>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 income 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 company (%)                  | 19.8%          | 18.0%          |
| Interest in associated company (RM'000)             | 8,581,351      | 6,340,003      |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 12 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) MSIG Insurance (Malaysia) Bhd

|                                                   | The Group      |                |
|---------------------------------------------------|----------------|----------------|
|                                                   | 2023<br>RM'000 | 2022<br>RM'000 |
| Opening net assets as at 1 July                   | 3,281,845      | 3,463,272      |
| Profit for the financial year                     | 227,536        | 260,894        |
| Other comprehensive income for the financial year | 13,044         | (42,550)       |
| Dividends                                         | (233,200)      | (399,771)      |
| Closing net assets as at 30 June                  | 3,289,225      | 3,281,845      |
| Interest in associated company (%)                | 30%            | 30%            |
| Interest in associated company (RM'000)           | 986,767        | 984,553        |

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.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 13 PROPERTY AND EQUIPMENT

| The Group<br>2023                     | Note | Land and<br>building*<br>RM'000 | Office and<br>computer<br>equipment<br>RM'000 | Furniture,<br>fittings and<br>renovation<br>RM'000 | Motor<br>vehicles<br>RM'000 | Capital<br>work-in-<br>progress<br>RM'000 | Total<br>RM'000 |
|---------------------------------------|------|---------------------------------|-----------------------------------------------|----------------------------------------------------|-----------------------------|-------------------------------------------|-----------------|
| <b>Cost</b>                           |      |                                 |                                               |                                                    |                             |                                           |                 |
| As at 1 July                          |      | 1,027,146                       | 1,183,501                                     | 477,445                                            | 12,374                      | 90,719                                    | 2,791,185       |
| Additions                             |      | 10,342                          | 32,890                                        | 5,151                                              | 2,979                       | 96,215                                    | 147,577         |
| Reclassification to intangible assets | 17   | -                               | 7,428                                         | 2,014                                              | -                           | (95,853)                                  | (86,411)        |
| Disposals/write-off                   |      | -                               | (116,405)                                     | (6,396)                                            | (1,948)                     | (62)                                      | (124,811)       |
| Exchange fluctuation                  |      | 4,274                           | 4,691                                         | 2,214                                              | 196                         | 500                                       | 11,875          |
| As at 30 June                         |      | 1,041,762                       | 1,112,105                                     | 480,428                                            | 13,601                      | 91,519                                    | 2,739,415       |
| <b>Accumulated depreciation</b>       |      |                                 |                                               |                                                    |                             |                                           |                 |
| As at 1 July                          |      | 150,967                         | 965,420                                       | 392,725                                            | 7,693                       | -                                         | 1,516,805       |
| Charge during the financial year      |      | 17,274                          | 82,608                                        | 22,136                                             | 2,108                       | -                                         | 124,126         |
| Reclassification to intangible assets | 17   | -                               | 65                                            | -                                                  | -                           | -                                         | 65              |
| Disposals/write-off                   |      | -                               | (115,248)                                     | (6,282)                                            | (1,948)                     | -                                         | (123,478)       |
| Exchange fluctuation                  |      | 1,115                           | 3,873                                         | 1,877                                              | 153                         | -                                         | 7,018           |
| As at 30 June                         |      | 169,356                         | 936,718                                       | 410,456                                            | 8,006                       | -                                         | 1,524,536       |
| Net book value as at 30 June 2023     |      | 872,406                         | 175,387                                       | 69,972                                             | 5,595                       | 91,519                                    | 1,214,879       |

\* Land and building consists of the following:

| The Group<br>2023                 | Freehold       |                    | Long-term leasehold |                    | Short-term leasehold |                    | Total<br>RM'000 |
|-----------------------------------|----------------|--------------------|---------------------|--------------------|----------------------|--------------------|-----------------|
|                                   | land<br>RM'000 | building<br>RM'000 | land^<br>RM'000     | building<br>RM'000 | land^<br>RM'000      | building<br>RM'000 |                 |
| Cost                              |                |                    |                     |                    |                      |                    |                 |
| As at 1 July                      | 136,299        | 585,388            | 43,885              | 257,846            | 1,092                | 2,636              | 1,027,146       |
| Additions                         | 10,342         | -                  | -                   | -                  | -                    | -                  | 10,342          |
| Exchange fluctuation              | -              | -                  | -                   | 4,274              | -                    | -                  | 4,274           |
| As at 30 June                     | 146,641        | 585,388            | 43,885              | 262,120            | 1,092                | 2,636              | 1,041,762       |
| Accumulated depreciation          |                |                    |                     |                    |                      |                    |                 |
| As at 1 July                      | -              | 74,853             | 6,694               | 67,400             | 486                  | 1,534              | 150,967         |
| Charge during the financial year  | -              | 11,689             | 462                 | 5,056              | 17                   | 50                 | 17,274          |
| Exchange fluctuation              | -              | -                  | -                   | 1,115              | -                    | -                  | 1,115           |
| As at 30 June                     | -              | 86,542             | 7,156               | 73,571             | 503                  | 1,584              | 169,356         |
| Net book value as at 30 June 2023 | 146,641        | 498,846            | 36,729              | 188,549            | 589                  | 1,052              | 872,406         |

<sup>^</sup> These are the right-of-use assets within the scope of MFRS 16. Refer to accounting policies for leases as disclosed in Note I.



## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 13 PROPERTY AND EQUIPMENT (continued)

| The Group<br>2022                 | Note | Land and<br>building*<br>RM'000 | Office and<br>computer<br>equipment<br>RM'000 | Furniture,<br>fittings and<br>renovation<br>RM'000 | Motor<br>vehicles<br>RM'000 | Capital<br>work-in-<br>progress<br>RM'000 | Total<br>RM'000 |
|-----------------------------------|------|---------------------------------|-----------------------------------------------|----------------------------------------------------|-----------------------------|-------------------------------------------|-----------------|
| <b>Cost</b>                       |      |                                 |                                               |                                                    |                             |                                           |                 |
| As at 1 July                      |      | 1,026,176                       | 1,172,938                                     | 485,842                                            | 10,393                      | 88,914                                    | 2,784,263       |
| Additions                         |      | -                               | 25,570                                        | 4,515                                              | 3,544                       | 102,953                                   | 136,582         |
| Reclassification/transfer         | 17   | (1,536)                         | 14,861                                        | 2,352                                              | -                           | (101,723)                                 | (86,046)        |
| Disposals/write-off               |      | (630)                           | (32,648)                                      | (16,675)                                           | (1,620)                     | (34)                                      | (51,607)        |
| Exchange fluctuation              |      | 3,136                           | 2,780                                         | 1,411                                              | 57                          | 609                                       | 7,993           |
| As at 30 June                     |      | 1,027,146                       | 1,183,501                                     | 477,445                                            | 12,374                      | 90,719                                    | 2,791,185       |
| <b>Accumulated depreciation</b>   |      |                                 |                                               |                                                    |                             |                                           |                 |
| As at 1 July                      |      | 133,325                         | 905,274                                       | 382,714                                            | 7,718                       | -                                         | 1,429,031       |
| Charge during the financial year  |      | 17,197                          | 90,118                                        | 25,018                                             | 1,544                       | -                                         | 133,877         |
| Disposals/write-off               |      | (318)                           | (32,340)                                      | (16,257)                                           | (1,620)                     | -                                         | (50,535)        |
| Exchange fluctuation              |      | 763                             | 2,368                                         | 1,250                                              | 51                          | -                                         | 4,432           |
| As at 30 June                     |      | 150,967                         | 965,420                                       | 392,725                                            | 7,693                       | -                                         | 1,516,805       |
| Net book value as at 30 June 2022 |      | 876,179                         | 218,081                                       | 84,720                                             | 4,681                       | 90,719                                    | 1,274,380       |

\* Land and building consists of the following:

| The Group<br>2022                 | Freehold       |                    | Long-term leasehold |                    | Short-term leasehold |                    | Total<br>RM'000 |
|-----------------------------------|----------------|--------------------|---------------------|--------------------|----------------------|--------------------|-----------------|
|                                   | land<br>RM'000 | building<br>RM'000 | land^<br>RM'000     | building<br>RM'000 | land^<br>RM'000      | building<br>RM'000 |                 |
| <b>Cost</b>                       |                |                    |                     |                    |                      |                    |                 |
| As at 1 July                      | 136,299        | 585,388            | 44,143              | 256,618            | 1,092                | 2,636              | 1,026,176       |
| Exchange fluctuation              | -              | -                  | -                   | 3,136              | -                    | -                  | 3,136           |
| Reclassification                  | -              | -                  | -                   | (1,536)            | -                    | -                  | (1,536)         |
| Disposals                         | -              | -                  | (258)               | (372)              | -                    | -                  | (630)           |
| As at 30 June                     | 136,299        | 585,388            | 43,885              | 257,846            | 1,092                | 2,636              | 1,027,146       |
| <b>Accumulated depreciation</b>   |                |                    |                     |                    |                      |                    |                 |
| As at 1 July                      | -              | 63,157             | 6,320               | 61,899             | 469                  | 1,480              | 133,325         |
| Exchange fluctuation              | -              | -                  | -                   | 763                | -                    | -                  | 763             |
| Disposals                         | -              | -                  | (91)                | (227)              | -                    | -                  | (318)           |
| Charge during the financial year  | -              | 11,696             | 465                 | 4,965              | 17                   | 54                 | 17,197          |
| As at 30 June                     | -              | 74,853             | 6,694               | 67,400             | 486                  | 1,534              | 150,967         |
| Net book value as at 30 June 2022 | 136,299        | 510,535            | 37,191              | 190,446            | 606                  | 1,102              | 876,179         |

^ These are the right-of-use assets within the scope of MFRS 16. Refer to accounting policies for leases as disclosed in Note I.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 13 PROPERTY AND EQUIPMENT (continued)

| The Company                       | Office and<br>computer<br>equipment<br>RM'000 | Furniture,<br>fittings and<br>renovation<br>RM'000 | Motor<br>vehicles<br>RM'000 | Total<br>RM'000 |
|-----------------------------------|-----------------------------------------------|----------------------------------------------------|-----------------------------|-----------------|
| <b>2023</b>                       |                                               |                                                    |                             |                 |
| <b>Cost</b>                       |                                               |                                                    |                             |                 |
| As at 1 July                      | 1,094                                         | 4,523                                              | 3,274                       | 8,891           |
| Additions                         | 14                                            | 1,057                                              | 668                         | 1,739           |
| Disposals                         | -                                             | (1)                                                | (615)                       | (616)           |
| As at 30 June                     | 1,108                                         | 5,579                                              | 3,327                       | 10,014          |
| <b>Accumulated depreciation</b>   |                                               |                                                    |                             |                 |
| As at 1 July                      | 1,045                                         | 2,106                                              | 937                         | 4,088           |
| Disposals                         | -                                             | (1)                                                | (615)                       | (616)           |
| Charge during the financial year  | 39                                            | 509                                                | 653                         | 1,201           |
| As at 30 June                     | 1,084                                         | 2,614                                              | 975                         | 4,673           |
| Net book value as at 30 June 2023 | 24                                            | 2,965                                              | 2,352                       | 5,341           |
| <b>2022</b>                       |                                               |                                                    |                             |                 |
| <b>Cost</b>                       |                                               |                                                    |                             |                 |
| As at 1 July                      | 1,108                                         | 4,526                                              | 1,971                       | 7,605           |
| Additions                         | 11                                            | -                                                  | 2,363                       | 2,374           |
| Disposals                         | (25)                                          | (3)                                                | (1,060)                     | (1,088)         |
| As at 30 June                     | 1,094                                         | 4,523                                              | 3,274                       | 8,891           |
| <b>Accumulated depreciation</b>   |                                               |                                                    |                             |                 |
| As at 1 July                      | 1,030                                         | 1,680                                              | 1,706                       | 4,416           |
| Disposals                         | (25)                                          | (3)                                                | (1,060)                     | (1,088)         |
| Charge during the financial year  | 40                                            | 429                                                | 291                         | 760             |
| As at 30 June                     | 1,045                                         | 2,106                                              | 937                         | 4,088           |
| Net book value as at 30 June 2022 | 49                                            | 2,417                                              | 2,337                       | 4,803           |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 14 RIGHT-OF-USE ASSETS

| The Group                        | Properties<br>RM'000 | Office<br>equipment<br>RM'000 | Total<br>RM'000 |
|----------------------------------|----------------------|-------------------------------|-----------------|
| <b>2023</b>                      |                      |                               |                 |
| As at 1 July                     | 214,131              | 224                           | 214,355         |
| Modification                     | (328)                | -                             | (328)           |
| Additions                        | 30,458               | 1,145                         | 31,603          |
| Disposals                        | (9,066)              | (9)                           | (9,075)         |
| Charge during the financial year | (51,726)             | (288)                         | (52,014)        |
| Exchange fluctuation             | 4,766                | 33                            | 4,799           |
| As at 30 June                    | 188,235              | 1,105                         | 189,340         |
| <b>2022</b>                      |                      |                               |                 |
| As at 1 July                     | 210,324              | 370                           | 210,694         |
| Modification                     | 2,241                | -                             | 2,241           |
| Additions                        | 63,490               | 221                           | 63,711          |
| Disposals                        | (10,527)             | -                             | (10,527)        |
| Charge during the financial year | (51,913)             | (368)                         | (52,281)        |
| Exchange fluctuation             | 516                  | 1                             | 517             |
| As at 30 June                    | 214,131              | 224                           | 214,355         |
| The Company                      | Properties<br>RM'000 | Total<br>RM'000               |                 |
| <b>2023</b>                      |                      |                               |                 |
| As at 1 July                     | 4,075                | 4,075                         |                 |
| Charge during the financial year | (940)                | (940)                         |                 |
| As at 30 June                    | 3,135                | 3,135                         |                 |
| <b>2022</b>                      |                      |                               |                 |
| As at 1 July                     | 5,015                | 5,015                         |                 |
| Charge during the financial year | (940)                | (940)                         |                 |
| As at 30 June                    | 4,075                | 4,075                         |                 |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 15 INVESTMENT PROPERTIES

|                                                      | The Group      |                |
|------------------------------------------------------|----------------|----------------|
|                                                      | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Fair value</b>                                    |                |                |
| As at 1 July                                         | 471,610        | 469,610        |
| Fair value gain                                      | 20             | 2,000          |
| As at 30 June                                        | 471,630        | 471,610        |
| The analysis of investment properties is as follows: |                |                |
| Freehold land and building                           | 469,000        | 469,000        |
| Leasehold land and building                          | 2,630          | 2,610          |

The fair value of the properties was estimated based on open market valuation by an independent professional valuer, Raine & Horne International Zaki + Partners Sdn Bhd. During the financial year, the fair value gain attributable to insurance fund policy holders was RM20,000.

Pursuant to MFRS 13 "Fair Value Measurement", the Group establishes a fair value hierarchy that categories into three levels of inputs to valuation techniques used to measure fair value.

|         | The Group      |                |
|---------|----------------|----------------|
|         | 2023<br>RM'000 | 2022<br>RM'000 |
| Level 2 | 2,630          | 2,610          |
| Level 3 | 469,000        | 469,000        |

Description of valuation techniques used and key inputs to valuation on investment properties measured at Level 3:

|                                  |                                      | The Group     |                 |
|----------------------------------|--------------------------------------|---------------|-----------------|
| Valuation technique              | Unobservable input                   | 2023          | 2022            |
| Comparison and investment method | Term yield                           | 6.00%         | 6.00%           |
|                                  | Revisionary rate                     | 6.50% - 6.70% | 6.50% - 6.75%   |
|                                  | Discount rate                        | 6.50% - 6.70% | 6.50% - 6.75%   |
|                                  | Average rental per square feet (net) | RM2.07-RM3.84 | RM2.11 - RM3.87 |
|                                  | Estimated value per square feet      | RM521-RM799   | RM521 - RM799   |

The investment properties generated rental income and incurred the following direct expenses:

|                           | The Group      |                |
|---------------------------|----------------|----------------|
|                           | 2023<br>RM'000 | 2022<br>RM'000 |
| Rental income             | 7,193          | 8,789          |
| Direct operating expenses | 9,862          | 8,462          |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 16 GOODWILL ARISING ON CONSOLIDATION

|                                                                              | The Group      |                |
|------------------------------------------------------------------------------|----------------|----------------|
|                                                                              | 2023<br>RM'000 | 2022<br>RM'000 |
| As at 1 July/30 June                                                         | 2,410,644      | 2,410,644      |
| Goodwill has been allocated to the following cash-generating units ("CGUs"): |                |                |
| Commercial banking                                                           | 2,246,484      | 2,246,484      |
| Investment banking and asset management                                      | 99,803         | 99,803         |
| Insurance                                                                    | 64,357         | 64,357         |
|                                                                              | 2,410,644      | 2,410,644      |

#### Impairment test for goodwill

##### (i) Commercial banking CGU and investment banking and asset management CGU

The recoverable amounts of the commercial banking CGU and investment banking and asset management CGU have been determined based on the respective value-in-use calculations. Value in use is the present value of the future cash flows expected to be derived from the CGU. This calculation uses pre-tax cash flow projection based on the budget for the financial year ending 2024, which is approved by the respective Board of Directors of Hong Leong Bank Berhad and Hong Leong Capital Berhad with a further projection of 2 years. Cash flows beyond the 3 years period are extrapolated using an estimated growth rate of 4.2% (2022: 4.4%) representing the forecasted GDP 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 of these CGUs 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 rate used in determining the recoverable amount of the commercial banking CGUs and investment banking and asset management CGUs are 12.1% (2022: 9.9%) and 8.7% (2022: 11.2%) respectively. The pre-tax discount rate reflects the specific risks relating to the CGUs.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 16 GOODWILL ARISING ON CONSOLIDATION (continued)

#### Impairment test for goodwill (continued)

##### (ii) Insurance CGU

The value-in-use of the Insurance CGU is derived using the actuarial valuation for the life insurance business. The actuarial valuation of the life insurance fund is based on the latest position as at statements of financial position date, using the most recent available assumptions at the point of assessment. Such assumptions are derived from historical experience of the insurer and current industry trends and positions.

The value-in-use has been calculated based on the set of assumptions outlined below:

- (a) The present value of future shareholders' earnings is discounted at 8.5% (2022: 8.5%).
- (b) Future earnings are projected based on actuarial assumptions that are determined in accordance with generally accepted actuarial best practice and are appropriate to the business and risk profile of the business.
- (c) Allowance for corporate tax of 18% (2022: 18%) has been made on the assumptions that the application of current tax legislation and tax rates will continue unchanged.
- (d) The current actuarial reserving methods and bases have been assumed to continue with no significant alterations.
- (e) The current risk-based capital requirement has been assumed to continue unaltered.
- (f) Required capital is calculated at the Individual Target Capital Level.
- (g) The cost of capital is the cost of holding the required capital at the Individual Target Capital Level allowing for future investment return on the capital held.

It should be recognised that the actual future results will differ from those stated above, from any future changes in the operations and economic environment and natural variation in experience. There is no warranty that the future experience will be in line with the assumptions made.

Management believes that any reasonably possible change to the key assumptions applied would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGUs, which could warrant any impairment to be recognised.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 17 INTANGIBLE ASSETS

| The Group                                      | Note | Computer software<br>RM'000 | Total<br>RM'000 |
|------------------------------------------------|------|-----------------------------|-----------------|
| <b>2023</b>                                    |      |                             |                 |
| <b>Cost or valuation</b>                       |      |                             |                 |
| As at 1 July                                   |      | 1,028,428                   | 1,028,428       |
| Additions                                      |      | 41,863                      | 41,863          |
| Reclassification from property and equipment   | 13   | 86,411                      | 86,411          |
| Disposals/write-off                            |      | (57,397)                    | (57,397)        |
| Exchange fluctuation                           |      | 12,590                      | 12,590          |
| As at 30 June                                  |      | 1,111,895                   | 1,111,895       |
| <b>Accumulated amortisation and impairment</b> |      |                             |                 |
| As at 1 July                                   |      | 703,490                     | 703,490         |
| Amortisation during the financial year         |      | 67,129                      | 67,129          |
| Reclassification from property and equipment   | 13   | (65)                        | (65)            |
| Disposals/write-off                            |      | (54,783)                    | (54,783)        |
| Exchange fluctuation                           |      | 8,206                       | 8,206           |
| As at 30 June                                  |      | 723,977                     | 723,977         |
| Net book value as at 30 June 2023              |      | 387,918                     | 387,918         |
| <b>2022</b>                                    |      |                             |                 |
| <b>Cost or valuation</b>                       |      |                             |                 |
| As at 1 July                                   |      | 911,492                     | 911,492         |
| Additions                                      |      | 41,382                      | 41,382          |
| Disposals/write-off                            |      | (14,613)                    | (14,613)        |
| Exchange fluctuation                           |      | 5,657                       | 5,657           |
| Reclassification from property and equipment   | 13   | 84,510                      | 84,510          |
| As at 30 June                                  |      | 1,028,428                   | 1,028,428       |
| <b>Accumulated amortisation and impairment</b> |      |                             |                 |
| As at 1 July                                   |      | 651,498                     | 651,498         |
| Amortisation during the financial year         |      | 62,123                      | 62,123          |
| Disposals/write-off                            |      | (13,875)                    | (13,875)        |
| Exchange fluctuation                           |      | 3,744                       | 3,744           |
| As at 30 June                                  |      | 703,490                     | 703,490         |
| Net book value as at 30 June 2022              |      | 324,938                     | 324,938         |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 17 INTANGIBLE ASSETS (continued)

| The Company                            | Computer software |                |
|----------------------------------------|-------------------|----------------|
|                                        | 2023<br>RM'000    | 2022<br>RM'000 |
| <b>Cost</b>                            |                   |                |
| As at 1 July                           | 441               | 466            |
| Additions                              | 136               | 8              |
| Disposals/write-off                    | -                 | (33)           |
| As at 30 June                          | 577               | 441            |
| <b>Accumulated amortisation</b>        |                   |                |
| As at 1 July                           | 365               | 359            |
| Amortisation during the financial year | 75                | 39             |
| Disposals/write-off                    | -                 | (33)           |
| As at 30 June                          | 440               | 365            |
| Net book value as at 30 June           | 137               | 76             |

## 18 DEPOSITS FROM CUSTOMERS

|                                                                                   | The Group      |                |
|-----------------------------------------------------------------------------------|----------------|----------------|
|                                                                                   | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>At amortised cost</b>                                                          |                |                |
| Fixed deposits                                                                    | 112,597,523    | 94,334,763     |
| Negotiable instruments of deposits                                                | 10,914,720     | 8,626,532      |
| Short-term placements                                                             | 19,048,027     | 25,984,088     |
|                                                                                   | 142,560,270    | 128,945,383    |
| Demand deposits                                                                   | 42,465,293     | 41,151,127     |
| Savings deposits                                                                  | 22,479,001     | 24,771,649     |
| Others                                                                            | 398,549        | 449,369        |
|                                                                                   | 207,903,113    | 195,317,528    |
| <b>At fair value through profit or loss</b>                                       |                |                |
| Structured deposits linked to interest rate derivatives                           | 3,874,742      | 2,425,376      |
| Fair value changes arising from designation at fair value through profit or loss* | (310,412)      | (359,983)      |
|                                                                                   | 3,564,330      | 2,065,393      |
|                                                                                   | 211,467,443    | 197,382,921    |

\* The Group has 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.



## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 18 DEPOSITS FROM CUSTOMERS (continued)

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

|                          | The Group          |                    |
|--------------------------|--------------------|--------------------|
|                          | 2023<br>RM'000     | 2022<br>RM'000     |
| Due within:              |                    |                    |
| - six months             | 119,473,207        | 104,131,355        |
| - six months to one year | 20,115,668         | 20,172,188         |
| - one year to five years | 2,196,854          | 3,835,461          |
| - more than five years   | 774,541            | 806,379            |
|                          | <b>142,560,270</b> | <b>128,945,383</b> |

- (b) The deposits are sourced from the following customers:

|                                 | The Group          |                    |
|---------------------------------|--------------------|--------------------|
|                                 | 2023<br>RM'000     | 2022<br>RM'000     |
| Government and statutory bodies | 5,261,598          | 3,703,073          |
| Business enterprises            | 99,334,076         | 91,954,329         |
| Individuals                     | 104,628,726        | 99,418,027         |
| Others                          | 2,243,043          | 2,307,492          |
|                                 | <b>211,467,443</b> | <b>197,382,921</b> |

### 19 INVESTMENT ACCOUNTS OF CUSTOMERS

|                                   | The Group        |                  |
|-----------------------------------|------------------|------------------|
|                                   | 2023<br>RM'000   | 2022<br>RM'000   |
| Unrestricted investment accounts: |                  |                  |
| Mudarabah with maturity           | 2,249,231        | 2,659,311        |
| Restricted investment accounts:   |                  |                  |
| Wakalah bi Al-Istihmar            | 1,282            | 9,097            |
|                                   | <b>2,250,513</b> | <b>2,668,408</b> |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**19 INVESTMENT ACCOUNTS OF CUSTOMERS (continued)**

(i) Movement in the investment account holder

| The Group                                   | Unrestricted<br>investment<br>accounts<br>Mudarabah<br>RM'000 | Restricted<br>investment<br>accounts<br>Wakalah<br>RM'000 |
|---------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------|
| <b>2023</b>                                 |                                                               |                                                           |
| At 1 July                                   | 2,659,311                                                     | 9,097                                                     |
| Funding inflows/(outflows)                  |                                                               |                                                           |
| New placement/Renewal during the year       | 11,645,422                                                    | 1,316                                                     |
| Redemption during the year                  | (12,068,129)                                                  | (9,097)                                                   |
|                                             | 2,236,604                                                     | 1,316                                                     |
| Profit payable to Investment Account Holder | 12,627                                                        | (34)                                                      |
| At 30 June                                  | 2,249,231                                                     | 1,282                                                     |
| <b>2022</b>                                 |                                                               |                                                           |
| At 1 July                                   | 1,145,154                                                     | -                                                         |
| Funding inflows/(outflows)                  |                                                               |                                                           |
| New placement/Renewal during the year       | 5,730,758                                                     | 10,262                                                    |
| Redemption during the year                  | (4,226,969)                                                   | (236)                                                     |
|                                             | 2,648,943                                                     | 10,026                                                    |
| Profit payable to Investment Account Holder | 10,368                                                        | (929)                                                     |
| At 30 June                                  | 2,659,311                                                     | 9,097                                                     |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 19 INVESTMENT ACCOUNTS OF CUSTOMERS (continued)

(i) Movement in the investment account holder (continued)

| The Group                      | Unrestricted investment accounts<br>Mudarabah<br>RM'000 | Restricted investment accounts<br>Wakalah<br>RM'000 |
|--------------------------------|---------------------------------------------------------|-----------------------------------------------------|
| <b>2023</b>                    |                                                         |                                                     |
| <b><u>Investment Asset</u></b> |                                                         |                                                     |
| House financing                | 580,926                                                 | -                                                   |
| Term financing                 | 1,115,411                                               | -                                                   |
| Personal financing             | 268,392                                                 | -                                                   |
| Cash or cash equivalent        | 271,875                                                 | -                                                   |
| Unit trusts                    | -                                                       | 1,316                                               |
| Total investment               | 2,236,604                                               | 1,316                                               |
| <b>2022</b>                    |                                                         |                                                     |
| <b><u>Investment Asset</u></b> |                                                         |                                                     |
| House financing                | 688,725                                                 | -                                                   |
| Term financing                 | 1,323,448                                               | -                                                   |
| Personal financing             | 317,873                                                 | -                                                   |
| Cash or cash equivalent        | 318,897                                                 | -                                                   |
| Unit trusts                    | -                                                       | 10,026                                              |
| Total investment               | 2,648,943                                               | 10,026                                              |

(ii) Profit Sharing Ratio ("PSR") and Rate of Return ("ROR"):

| The Group                         | 2023             |                  | 2022             |                  |
|-----------------------------------|------------------|------------------|------------------|------------------|
|                                   | Average PSR<br>% | Average ROR<br>% | Average PSR<br>% | Average ROR<br>% |
| 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             |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

|                              | The Group         |                  |
|------------------------------|-------------------|------------------|
|                              | 2023<br>RM'000    | 2022<br>RM'000   |
| Licensed banks               | 8,316,003         | 5,007,600        |
| Licensed investment banks    | 362,886           | 22,067           |
| Central banks (Note)         | 1,497,021         | 1,579,601        |
| Other financial institutions | 2,276,150         | 1,620,217        |
|                              | <b>12,452,060</b> | <b>8,229,485</b> |

Note:

Deposits and placements from central banks includes monies received by the Group under the various government financing scheme as part of the government support measure in response to COVID-19 pandemic for the purpose of SME lending amounting to RM1,497,021,000 (2022: RM1,579,601,000) at concession rates.

**21 DERIVATIVE FINANCIAL INSTRUMENTS**

|                                                         | Note | The Group      |                |
|---------------------------------------------------------|------|----------------|----------------|
|                                                         |      | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Derivatives at fair value through profit or loss</b> |      |                |                |
| - Interest rate swaps                                   |      | 739,030        | 729,883        |
| - Cross currency swaps                                  |      | 217,004        | 211,722        |
| - Foreign currency forwards                             |      | 994,436        | 732,105        |
| - Foreign currency options                              |      | 46,942         | 52,967         |
| - Foreign currency swaps                                |      | 43,599         | 5,249          |
| - Futures                                               |      | 26,173         | 10,145         |
| - Equity options                                        |      | 64,016         | 104,852        |
| - Commodity swap                                        |      | 1,142          | 4,348          |
| - Total return swap                                     |      | 92,605         | 39,156         |
| <b>Derivatives designated as fair value hedge</b>       |      |                |                |
| - Interest rate swaps                                   | (b)  | 10,513         | 11,266         |
| - Foreign currency forwards                             |      | 154            | 476            |
| Total derivative financial instruments assets           |      | 2,235,614      | 1,902,169      |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 21 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

|                                                         |      | The Group      |                |
|---------------------------------------------------------|------|----------------|----------------|
|                                                         | Note | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Derivatives at fair value through profit or loss</b> |      |                |                |
| - Interest rate swaps                                   |      | (923,202)      | (1,051,116)    |
| - Cross currency swaps                                  |      | (415,845)      | (224,152)      |
| - Foreign currency forwards                             |      | (853,076)      | (240,959)      |
| - Foreign currency options                              |      | (33,915)       | (50,603)       |
| - Foreign currency swaps                                |      | (40,059)       | (8,601)        |
| - Equity options                                        |      | (61,479)       | (103,510)      |
| - Futures                                               |      | (874)          | (32,739)       |
| - Swaption                                              |      | (19,739)       | (7,767)        |
| - Commodity swap                                        |      | (1,131)        | (4,346)        |
| - Total return swap                                     |      | (92,605)       | (39,156)       |
| <b>Derivatives designated as cash flow hedge</b>        |      |                |                |
| - Interest rate swaps                                   | (a)  | -              | (361)          |
| <b>Derivatives designated as fair value hedge</b>       |      |                |                |
| - Interest rate swaps                                   | (b)  | (35)           | (233)          |
| - Foreign currency forwards                             |      | (5,471)        | (1,463)        |
| Total derivative financial instruments liabilities      |      | (2,447,431)    | (1,765,006)    |

(a) Cash flow hedge

The Group'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.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**21 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                           |                                     |
|------------------------------------|-------------------------------------|-------------------------------------|
|                                    | 2023<br>> 1 - 3<br>months<br>RM'000 | 2022<br>> 1 - 3<br>months<br>RM'000 |
| Cash inflows (hedging instruments) | -                                   | 569                                 |
| Cash outflows (hedged items)       | -                                   | (491)                               |
| Net cash inflows                   | -                                   | 78                                  |

## (b) Fair value hedge

The Group's fair value hedges principally consist of interest rate swaps and foreign currency forwards that are used to protect against changes in the fair value of financial assets due to movement in interest rates and foreign exchange rates. The Group had undertaken fair value hedges on interest rate risk of RM541,667,000 (2022: RM633,095,000) and foreign currency risk of RM559,545,000 (2022: RM608,546,000) on certain receivables using interest rate swaps and foreign currency forwards. The total fair value gain and loss of the said interest rate swaps amounted to gain of RM10,478,000 (2022: gain RM9,515,000) and of the said foreign currency forwards amounted to loss of RM5,317,000 (2022: loss RM987,000).

On 29 April 2022, HLB issued a nominal value of RM900.0 million Basel III-compliant Additional Tier 1 Green capital securities ("Green Capital Securities"), pursuant to its Multi-currency Additional Tier 1 capital securities programme. HLB has hedged the interest rate risk arising from these Green Capital Securities.

Included in the net non-interest income is the net gains and losses arising from fair value hedges that were effective during the financial year as follows:

|                                                           | The Group      |                |
|-----------------------------------------------------------|----------------|----------------|
|                                                           | 2023<br>RM'000 | 2022<br>RM'000 |
| Gain on hedging instruments                               | 10,169         | 25,454         |
| Loss on the hedged items attributable to the hedged risks | (9,000)        | (28,656)       |
|                                                           | 1,169          | (3,202)        |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 22 OTHER LIABILITIES

|                                                         | Note | The Group      |                | The Company    |                |
|---------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                         |      | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Trade payables                                          |      | 4,435,135      | 4,149,662      | -              | -              |
| Post employment benefits obligation                     |      |                |                |                |                |
| - defined contribution plan                             |      | 1,928          | 1,905          | 41             | 41             |
| Loan advance payment                                    |      | 3,666,443      | 3,829,956      | -              | -              |
| Treasury and cheque clearing                            |      | 204,026        | 128,773        | -              | -              |
| Cash collateral pledged for derivative transactions     |      | 298,332        | 213,260        | -              | -              |
| Sundry creditors and accruals                           |      | 477,975        | 402,365        | 2,847          | 2,411          |
| Amount due to subsidiary companies                      |      | -              | -              | 6              | -              |
| Provision for reinstatement cost                        |      | 22,136         | 22,948         | 278            | 264            |
| Provision for bonus and staff related expenses          |      | 233,053        | 244,062        | 11,603         | 12,152         |
| Expected credit losses on financial guarantee contracts | (a)  | 8,110          | 3,657          | -              | -              |
| Financial liabilities due to third party investors      | (b)  | 1,242,934      | 1,589,696      | -              | -              |
| Settlement accounts                                     |      | 889,467        | 824,436        | -              | -              |
| Others                                                  |      | 574,917        | 590,294        | -              | -              |
|                                                         |      | 12,054,456     | 12,001,014     | 14,775         | 14,868         |

(a) Movements in expected credit losses of financial guarantee contracts are as follows:

|                                              | Stage 1                    | Stage 2                                          | Stage 3                                      | Total ECL<br>RM'000 |
|----------------------------------------------|----------------------------|--------------------------------------------------|----------------------------------------------|---------------------|
|                                              | 12 months<br>ECL<br>RM'000 | Lifetime ECL<br>not credit<br>impaired<br>RM'000 | Lifetime ECL<br>credit<br>impaired<br>RM'000 |                     |
| <b>The Group</b>                             |                            |                                                  |                                              |                     |
| <b>2023</b>                                  |                            |                                                  |                                              |                     |
| As 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                                               | -                                            | -                   |
| 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 differences                         | 555                        | 14                                               | -                                            | 569                 |
| As at 30 June                                | 6,718                      | 1,392                                            | -                                            | 8,110               |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**22 OTHER LIABILITIES (continued)**

- (a) Movements in expected credit losses of financial guarantee contracts are as follows: (continued)

| The Group                                    | Stage 1                    | Stage 2                                          | Stage 3                                      | Total ECL<br>RM'000 |
|----------------------------------------------|----------------------------|--------------------------------------------------|----------------------------------------------|---------------------|
|                                              | 12 months<br>ECL<br>RM'000 | Lifetime ECL<br>not credit<br>impaired<br>RM'000 | Lifetime ECL<br>credit<br>impaired<br>RM'000 |                     |
| <b>2022</b>                                  |                            |                                                  |                                              |                     |
| As 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 differences                         | 141                        | 22                                               | -                                            | 163                 |
| As at 30 June                                | 3,116                      | 541                                              | -                                            | 3,657               |

- (b) Financial liabilities due to third party investors relate to the net asset value of units held by the third party investors of unit trust funds deemed as subsidiary company pursuant to MFRS 10 "Consolidated Financial Statements".

**23 LEASE LIABILITIES**

|                   | The Group      |                | The Company    |                |
|-------------------|----------------|----------------|----------------|----------------|
|                   | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Lease liabilities | <b>192,011</b> | 212,599        | <b>3,353</b>   | 4,249          |

Scheduled repayment of lease liabilities, showing contractual undiscounted cash flows:

|                                                     | The Group      |                | The Company    |                |
|-----------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                     | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Scheduled repayment of lease liabilities            |                |                |                |                |
| - Not later than one year                           | <b>44,608</b>  | 42,560         | <b>945</b>     | 896            |
| - Later than one year and not later than five years | <b>114,697</b> | 130,277        | <b>2,408</b>   | 3,353          |
| - Later than five years                             | <b>32,706</b>  | 39,762         | -              | -              |
|                                                     | <b>192,011</b> | 212,599        | <b>3,353</b>   | 4,249          |



## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 24 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 tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

|                                          | The Group      |                | The Company    |                |
|------------------------------------------|----------------|----------------|----------------|----------------|
|                                          | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Deferred tax assets/(liabilities)</b> |                |                |                |                |
| - to be recovered within 12 months       | 415,090        | 456,845        | 203            | 229            |
| - to be recovered more than 12 months    | (307,216)      | (91,914)       | -              | -              |
|                                          | 107,874        | 364,931        | 203            | 229            |

The analysis of deferred tax assets and deferred tax liabilities is as follows:

|                                  | The Group      |                | The Company    |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Deferred tax assets</b>       |                |                |                |                |
| - Cash flow hedge reserve        | -              | 88             | -              | -              |
| - Financial assets at FVTPL      | -              | 68,954         | -              | -              |
| - Financial investments at FVOCI | 149,282        | 241,482        | -              | -              |
| - Unutilised tax credit          | 89,604         | 98,747         | -              | -              |
| - Provision for expenses         | 110,767        | 123,238        | -              | -              |
| - Expected credit loss           | 238,120        | 248,339        | -              | -              |
| - Other temporary differences    | 807            | 4,771          | 203            | 229            |
|                                  | 588,580        | 785,619        | 203            | 229            |
| <b>Deferred tax liabilities</b>  |                |                |                |                |
| - Property and equipment         | (83,360)       | (74,373)       | -              | -              |
| - Financial assets at FVTPL      | (12,336)       | -              | -              | -              |
| - Unallocated surplus            | (385,010)      | (346,315)      | -              | -              |
|                                  | (480,706)      | (420,688)      | -              | -              |
| <b>Net deferred tax assets</b>   | 107,874        | 364,931        | 203            | 229            |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 24 DEFERRED TAXATION (continued)

The movements in deferred tax assets and liabilities during the financial year are as follows:

| The Group                                  | Note | Property and equipment<br>RM'000 | Financial investments<br>at FVOCI<br>RM'000 | Financial assets<br>at FVTPL<br>RM'000 | Cash flow hedge<br>reserve<br>RM'000 | Unutilised<br>tax credit<br>RM'000 | Expected credit<br>losses<br>RM'000 | Provision for<br>expenses<br>RM'000 | Unallocated<br>surplus<br>RM'000 | Other temporary<br>differences<br>RM'000 | Total<br>RM'000 |
|--------------------------------------------|------|----------------------------------|---------------------------------------------|----------------------------------------|--------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|----------------------------------|------------------------------------------|-----------------|
| <b>2023</b>                                |      |                                  |                                             |                                        |                                      |                                    |                                     |                                     |                                  |                                          |                 |
| As at 1 July                               |      | (74,373)                         | 241,482                                     | 68,954                                 | 88                                   | 98,747                             | 248,339                             | 123,238                             | (346,315)                        | 4,771                                    | 364,931         |
| Charged to statements of income            | 42   | (8,214)                          | -                                           | (13,504)                               | -                                    | (9,142)                            | (10,358)                            | (11,975)                            | (38,695)                         | (1,070)                                  | (92,958)        |
| Charged to insurance funds                 |      | -                                | -                                           | (67,786)                               | -                                    | -                                  | -                                   | -                                   | -                                | (2,900)                                  | (70,686)        |
| Charged to equity                          | 57   | -                                | (93,068)                                    | -                                      | (83)                                 | -                                  | -                                   | -                                   | -                                | -                                        | (93,151)        |
| Exchange difference and others             |      | (773)                            | 868                                         | -                                      | (5)                                  | -                                  | 139                                 | (496)                               | -                                | 5                                        | (262)           |
| As at 30 June                              |      | (83,360)                         | 149,282                                     | (12,336)                               | -                                    | 89,605                             | 238,120                             | 110,767                             | (385,010)                        | 4,770                                    | 107,874         |
| <b>2022</b>                                |      |                                  |                                             |                                        |                                      |                                    |                                     |                                     |                                  |                                          |                 |
| As at 1 July                               |      | (66,988)                         | (19,568)                                    | (80,500)                               | 1,904                                | 111,008                            | 249,748                             | 120,143                             | (297,387)                        | 893                                      | 19,253          |
| (Charged)/credited to statements of income | 42   | (7,172)                          | -                                           | 18,057                                 | -                                    | (12,270)                           | (1,518)                             | 2,970                               | (48,927)                         | 2,136                                    | (46,724)        |
| (Charged)/credited to insurance funds      |      | (9)                              | -                                           | 131,397                                | -                                    | -                                  | -                                   | -                                   | -                                | 1,743                                    | 133,131         |
| Credited/(charged) to equity               | 57   | -                                | 261,084                                     | -                                      | (1,816)                              | -                                  | -                                   | -                                   | -                                | -                                        | 259,268         |
| Exchange difference and others             |      | (204)                            | (34)                                        | -                                      | -                                    | 9                                  | 109                                 | 125                                 | (1)                              | (1)                                      | 3               |
| As at 30 June                              |      | (74,373)                         | 241,482                                     | 68,954                                 | 88                                   | 98,747                             | 248,339                             | 123,238                             | (346,315)                        | 4,771                                    | 364,931         |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 24 DEFERRED TAXATION (continued)

The movements in deferred tax assets and liabilities during the financial year are as follows: (continued)

| The Company                      | Note | Other temporary differences<br>RM'000 |
|----------------------------------|------|---------------------------------------|
| <b>2023</b>                      |      |                                       |
| As at 1 July                     |      | 229                                   |
| Charged to statements of income  | 42   | (26)                                  |
| As at 30 June                    |      | 203                                   |
| <b>2022</b>                      |      |                                       |
| As at 1 July                     |      | 184                                   |
| Credited to statements of income | 42   | 45                                    |
| As at 30 June                    |      | 229                                   |

### 25 BORROWINGS

|                   | Note | The Group      |                | The Company    |                |
|-------------------|------|----------------|----------------|----------------|----------------|
|                   |      | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Revolving credit  | (a)  | -              | 100,075        | -              | 100,075        |
| Commercial papers | (b)  | -              | 109,920        | -              | 109,920        |
| Senior notes      | (c)  | 201,936        | 201,936        | 201,919        | 201,863        |
|                   |      | 201,936        | 411,931        | 201,919        | 411,858        |

- (a) The revolving credit facilities are unsecured and repayable within 12 months.
- (b) The CPs are issued at a discount and the issue price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering ("FAST") issued by Bank Negara Malaysia at the tenure of one (1), three (3), six (6), nine (9) or twelve (12) months as the Company may select.
- (c) On 23 August 2021, the Company issued an unsecured RM200.0 million in aggregate principal amount of new Senior Notes ("the new Notes") out of its multi-currency perpetual notes programme. The new Notes were issued for a period of 3 years with a coupon rate of 2.85% per annum.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 26 SUBORDINATED OBLIGATIONS

|                                   | Note | The Group      |                | The Company    |                |
|-----------------------------------|------|----------------|----------------|----------------|----------------|
|                                   |      | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Tier 2 subordinated debt, at par  | (a)  | 600,000        | 600,000        | -              | -              |
| Add: Interest payable             |      | 4,710          | 4,710          | -              | -              |
|                                   |      | 604,710        | 604,710        | -              | -              |
| Tier 2 subordinated notes, at par | (b)  | 1,600,000      | 1,600,000      | 1,100,000      | 1,600,000      |
| Add: Interest payable             |      | 2,867          | 2,473          | 2,203          | 2,473          |
|                                   |      | 1,602,867      | 1,602,473      | 1,102,203      | 1,602,473      |
| Less: Unamortised discounts       |      | (927)          | (100)          | (344)          | (849)          |
|                                   |      | 1,601,940      | 1,602,373      | 1,101,859      | 1,601,624      |
|                                   |      | 2,206,650      | 2,207,083      | 1,101,859      | 1,601,624      |

- (a) On 3 February 2020, Hong Leong Assurance Berhad (“HLA”), a wholly owned subsidiary of HLA Holdings Sdn Bhd and also an indirect subsidiary of HLFGB, completed the Subordinated Notes (“Sub-Notes”) issuance of RM300.0 million in nominal value. The Sub-Notes were issued for a period of 10 years on a 10 non-callable 5 years basis with a coupon rate of 3.85% per annum.

On 28 December 2020, HLA completed two issuances of Sub-Notes for RM150.0 million in nominal value each. The Sub-Notes were issued for a period of 5 years basis with a coupon rate of 3.45% per annum and 8 years basis with a coupon rate of 3.70% respectively.

The above Sub-Notes are unsecured liabilities and classified as Tier 2 capital under Risk-Based Capital Framework for Insurers.

- (b) On 25 June 2018, the Company issued an unsecured RM500.0 million nominal value of Tier 2 subordinated notes (“Sub-Notes”) out of its multi-currency perpetual notes programme. The Sub-Notes, which qualified as Tier 2 capital for the Company, carry a distribution rate of 4.93% per annum. The Sub-Notes has a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM500.0 million Tier 2 subordinated notes issued by HLB, a subsidiary of the Company. On 26 June 2023, the Company had fully redeemed the RM500.0 million nominal value of this Sub-Notes.

On 14 June 2019, the Company had issued an unsecured RM1.1 billion nominal value of Tier 2 subordinated notes (“Sub-Notes”) out of its multi-currency perpetual notes programme. The Sub-Notes, which qualified as Tier 2 capital for the Company, carry a distribution rate of 4.30% per annum. The Sub-Notes has a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM1.0 billion and RM100.0 million Tier 2 subordinated notes issued by HLB and HLIB respectively, the subsidiary companies of the Company.

On 19 June 2023, HLB issued an unsecured RM500.0 million nominal value of Tier 2 subordinated notes (“Sub-Notes”) out of its multi-currency subordinated notes programme. The Sub-Notes carry a distribution rate of 4.20% per annum with a tenure of 10 years non-callable 5 years.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 27 MULTI-CURRENCY ADDITIONAL TIER 1 CAPITAL SECURITIES

|                                                             | The Group        |                | The Company    |                |
|-------------------------------------------------------------|------------------|----------------|----------------|----------------|
|                                                             | 2023<br>RM'000   | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Multi-currency Additional Tier 1 capital securities, at par | <b>1,700,000</b> | 1,700,000      | <b>400,000</b> | 800,000        |
| Add: Interest payable                                       | <b>16,005</b>    | 13,712         | <b>4,965</b>   | 6,799          |
|                                                             | <b>1,716,005</b> | 1,713,712      | <b>404,965</b> | 806,799        |
| Less: Unamortised discounts                                 | <b>(1,490)</b>   | (1,145)        | <b>(114)</b>   | (368)          |
| Add: Fair value changes arising from fair value hedges      | <b>5,115</b>     | 3,282          | -              | -              |
|                                                             | <b>1,719,630</b> | 1,715,849      | <b>404,851</b> | 806,431        |

On 30 November 2017, the Company issued an unsecured RM400.0 million nominal value of Multi-currency Additional Tier 1 capital securities ("Capital Securities") out of its multi-currency perpetual notes programme. The Capital Securities, which qualify as Additional Tier 1 capital for the Company, carry a distribution rate of 5.23% 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 for RM400.0 million Additional Tier 1 capital securities issued by HLB, a subsidiary of the Company. On 30 November 2022, the Company had fully redeemed the RM400.0 million nominal value of this Capital Securities.

On 29 March 2019, the Company issued a second tranche of unsecured RM400.0 million nominal value Capital Securities. The Capital Securities carry a distribution rate of 4.82% per annum, perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400.0 million Additional Tier 1 capital securities issued by HLB.

On 29 April 2022, HLB issued a nominal value of RM900.0 million Basel III-compliant Additional Tier 1 Green capital securities ("Green Capital Securities"), out of its multi-currency Additional Tier 1 capital securities programme. The Green Capital Securities carry a distribution rate of 4.45% per annum and are perpetual and non-callable for 5 years with an Issuer's call option to redeem at the end of year 5. 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, HLB issued a nominal value of RM400.0 million Additional Tier 1 capital securities ("Capital Securities") out of its multi-currency Additional Tier 1 capital securities programme. The Capital Securities carry a distribution rate of 4.70% per annum are perpetual and non-callable for 5 years with an Issuer's call option to redeem at the end of year 5.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 28 INSURANCE FUNDS

|                                          | The Group      |                |
|------------------------------------------|----------------|----------------|
|                                          | 2023<br>RM'000 | 2022<br>RM'000 |
| Unearned premium reserves                | 160,334        | 119,375        |
| Life policyholders' fund                 | 13,343,352     | 12,528,235     |
| Life investment-linked unitholders' fund | 5,939,225      | 4,876,579      |
|                                          | 19,442,911     | 17,524,189     |

The main insurance risks that the Group is exposed to are the following:

- Mortality risk – risk of loss arising due to policyholder's death experience being different than expected.
- Morbidity risk – risk of loss arising due to policyholder's health experience being different than expected.
- Longevity risk – risk of loss arising due to the annuitants living longer than expected.
- Investment return/interest rate risk – risk of loss arising from actual returns being different than expected.
- Expense risk – risk of loss arising from expense experience being different than expected.
- Lapse risk – risk of loss arising due to policyholder surrender experience being different than expected.

The risks vary in relation to the location of the risk insured by the Group, type of risk insured or by industry.

## 29 SHARE CAPITAL

|                                      | The Group and the Company               |           |                                         |           |
|--------------------------------------|-----------------------------------------|-----------|-----------------------------------------|-----------|
|                                      | 2023                                    |           | 2022                                    |           |
|                                      | Number of<br>ordinary<br>shares<br>'000 | RM'000    | Number of<br>ordinary<br>shares<br>'000 | RM'000    |
| <b>Issued and fully paid capital</b> |                                         |           |                                         |           |
| Ordinary shares with no par value    | 1,147,517                               | 2,267,008 | 1,147,517                               | 2,267,008 |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 30 RESERVES

|                              | Note | The Group         |                | The Company       |                |
|------------------------------|------|-------------------|----------------|-------------------|----------------|
|                              |      | 2023<br>RM'000    | 2022<br>RM'000 | 2023<br>RM'000    | 2022<br>RM'000 |
| Retained profits             | (a)  | <b>22,843,179</b> | 20,937,790     | <b>14,627,185</b> | 14,315,649     |
| Regulatory reserves          | (b)  | <b>1,016,490</b>  | 666,534        | -                 | -              |
| Share options reserve        | (c)  | <b>35,502</b>     | 60,866         | <b>2,296</b>      | 2,685          |
| Exchange fluctuation reserve | (d)  | <b>967,332</b>    | 907,614        | -                 | -              |
| Other capital reserve        | (e)  | <b>213,314</b>    | 213,314        | <b>254,991</b>    | 254,991        |
| Fair value reserve           | (f)  | <b>(318,005)</b>  | (541,311)      | -                 | -              |
| Cash flow hedge reserve      | (g)  | -                 | (185)          | -                 | -              |
|                              |      | <b>24,757,812</b> | 22,244,622     | <b>14,884,472</b> | 14,573,325     |

- (a) The Company can distribute dividends out of its entire retained earnings under the single-tier system.
- (b) Regulatory reserves represent the Group'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 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.

Prior to 1 July 2018, the Group comply with BNM's Policy on Classification and Impairment Provisions for Loans/Financing, to maintain, in aggregate, the collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances.

During the financial year, an amount of RM350.0 million at Group has been transferred from regulatory reserves to retained profits (2022: RM229.4 million).

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.

- (c) The share options reserve arose from the employee share option schemes granted to eligible executives of the Group. Terms of the share options and movements in the number of shares held by Trustee for ESS are disclosed in Note 54 to the financial statements.
- (d) Exchange differences arising from translation of the Group's banking foreign branches, subsidiaries and associated companies are shown under exchange fluctuation reserve.
- (e) The other capital reserve of the Group arose from the capitalisation of bonus issue, gain on disposal of subsidiary company and assets in certain subsidiary companies, other capital reserve arising from redemption of redeemable preference shares "RPS" from the subsidiaries and revaluation gain arising from change in use from owner-occupied properties to investment properties. The capital reserve of the Company arose from gain on disposal of a subsidiary company not recognised in the statements of income due to a common control transaction, and investments and proceeds on issuance of replacement warrants used for bond redemption in previous years.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 30 RESERVES (continued)

- (f) The fair value reserve is in respect of unrealised fair value gains and losses on financial investments at fair value through other comprehensive income.

|                                                                             | Note | The Group      |                |
|-----------------------------------------------------------------------------|------|----------------|----------------|
|                                                                             |      | 2023<br>RM'000 | 2022<br>RM'000 |
| As at 1 July                                                                |      | (541,311)      | 85,375         |
| Net fair value changes                                                      |      | 467,354        | (1,110,656)    |
| Changes in expected credit losses                                           |      | 294            | (751)          |
| Reclassification to net profits/retained profits on disposal and impairment |      | (26,551)       | (66,794)       |
| Deferred taxation                                                           | 57   | (93,068)       | 261,084        |
| Share of fair value reserve of associated companies                         |      | (11,133)       | (29,506)       |
| Net change in fair value reserve                                            |      | 336,896        | (946,623)      |
| Attributable to non-controlling interests                                   |      | (113,590)      | 319,937        |
| As at 30 June                                                               |      | (318,005)      | (541,311)      |

- (g) Hedging reserve arises from cash flow hedge activities undertaken by HLB to hedge the changes in the cash flow hedged items arising from the movement of market interest rates. The reserve is non-distributable and is reversed to the statement of income when the hedged items affect the statement of income or termination of the cash flow hedge.

### 31 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 Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust.

MFRS 132 "Financial Instruments: Presentation" requires that if an entity reacquires its own equity instruments, those instruments shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

In accordance with MFRS 132 "Financial Instruments: Presentation", the shares purchased for the benefit of the ESS holders are recorded as "Treasury Shares for ESS" in the equity on the statements of financial position. The number of shares held by the appointed trustee was 9,323,192 shares (2022: 9,479,596) at an average price of RM18.74 per share (2022: RM18.74). The total consideration paid, including transaction costs was RM174,725,233 (2022: RM177,656,388).

Pursuant to the insurance subsidiary company's ESS, the insurance subsidiary company also held 4,091,900 (2022: 4,091,900) units of the Company's shares at an average price of RM14.27 (2022: RM14.27) per share with total consideration paid, including transaction costs of RM58,381,907 (2022: RM58,381,907), which have been classified as treasury shares held for ESS at the Group level.

The main features of the ESS are disclosed in the Director's Report and details of the ESS are disclosed in Note 54 to the financial statements.



## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 32 INTEREST INCOME

|                                                                  | The Group      |                | The Company    |                |
|------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                  | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Loans, advances and financing                                    | 5,586,379      | 4,143,728      | -              | -              |
| Money at call and deposit placements with financial institutions | 295,460        | 147,955        | 2,858          | 562            |
| Securities purchased under resale agreements                     | 867            | 758            | -              | -              |
| Financial investments at FVOCI                                   | 919,899        | 709,818        | -              | -              |
| Financial investments at amortised cost                          | 702,552        | 653,131        | -              | -              |
| Subordinated obligations                                         | -              | -              | 70,497         | 70,830         |
| Multi-currency Additional Tier 1 capital securities              | -              | -              | 27,425         | 39,400         |
| Others                                                           | 43,875         | 17,357         | -              | -              |
|                                                                  | 7,549,032      | 5,672,747      | 100,780        | 110,792        |
| Of which:                                                        |                |                |                |                |
| Accretion of discount less amortisation of premium               | (7,961)        | (143,093)      | -              | -              |
| Interest income earned on impaired loans, advances and financing | 41,342         | 26,008         | -              | -              |

### 33 INTEREST INCOME FOR FINANCIAL ASSETS AT FVTPL

|                           | The Group      |                |
|---------------------------|----------------|----------------|
|                           | 2023<br>RM'000 | 2022<br>RM'000 |
| Financial assets at FVTPL | 214,224        | 270,941        |

### 34 INTEREST EXPENSE

|                                                                   | The Group      |                | The Company    |                |
|-------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                   | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Deposits and placements of banks and other financial institutions | 392,662        | 84,152         | -              | -              |
| Deposits from customers                                           | 2,733,069      | 1,616,096      | -              | -              |
| Short-term placements                                             | 622,833        | 178,631        | -              | -              |
| Borrowings                                                        | 8,221          | 14,269         | 8,277          | 14,331         |
| Subordinated obligations                                          | 94,788         | 94,439         | 72,117         | 72,468         |
| Recourse obligations on loans sold to Cagamas Berhad              | 29,263         | 15,450         | -              | -              |
| Multi-currency Additional Tier 1 capital securities               | 81,755         | 47,102         | 28,247         | 40,598         |
| Others                                                            | 14,660         | 37,045         | 229            | 282            |
|                                                                   | 3,977,251      | 2,087,184      | 108,870        | 127,679        |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**35 INCOME FROM ISLAMIC BANKING BUSINESS**

|                                                                | The Group          |                |
|----------------------------------------------------------------|--------------------|----------------|
|                                                                | 2023<br>RM'000     | 2022<br>RM'000 |
| Income derived from investment of depositors' funds and others | <b>1,894,039</b>   | 1,409,048      |
| Income derived from investment of shareholders' funds          | <b>259,365</b>     | 168,618        |
| Income derived from investment of investment accounts          | <b>118,629</b>     | 68,451         |
| Income attributable to depositors                              | <b>(1,229,550)</b> | (702,907)      |
| Income attributable to depositors on investment accounts       | <b>(79,115)</b>    | (38,425)       |
|                                                                | <b>963,368</b>     | 904,785        |
| Of which:                                                      |                    |                |
| Financing income earned on impaired financing and advances     | <b>6,556</b>       | 3,417          |

**36 FINANCIAL EFFECTS OF LOSS FROM THE MODIFICATION OF CASH FLOWS AND BENEFITS RECOGNISED UNDER THE VARIOUS GOVERNMENT SCHEMES**

|                                                            | The Group      |                |
|------------------------------------------------------------|----------------|----------------|
|                                                            | 2023<br>RM'000 | 2022<br>RM'000 |
| Loss on modification of cash flow                          |                |                |
| included in interest income (Note 32)                      | -              | (27,472)       |
| included in income from Islamic banking business (Note 35) | -              | (17,944)       |
| Subtotal                                                   | -              | (45,416)       |

Note:

The Group 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 recognised a loss from the modification of cash flows of the loan/financing.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 37 NON-INTEREST INCOME

|                                                                                 | The Group      |                | The Company    |                |
|---------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                                 | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Insurance income                                                                | 310,277        | 368,913        | -              | -              |
| Brokerage income                                                                | 44,622         | 65,883         | -              | -              |
| <b>Fee income</b>                                                               |                |                |                |                |
| Commissions                                                                     | 158,329        | 181,402        | -              | -              |
| Service charges and fees                                                        | 38,491         | 37,999         | -              | -              |
| Guarantee fees                                                                  | 27,807         | 15,913         | -              | -              |
| Credit card related fees                                                        | 210,975        | 193,684        | -              | -              |
| Corporate advisory fees                                                         | 5,006          | 9,970          | -              | -              |
| Commitment fees                                                                 | 37,124         | 36,696         | -              | -              |
| Fee on loans, advances and financing                                            | 51,585         | 50,101         | -              | -              |
| Placement fees                                                                  | 10,238         | 8,853          | -              | -              |
| Arranger fees                                                                   | 2,740          | 1,503          | -              | -              |
| Unit trust fee income                                                           | 46,106         | 58,104         | -              | -              |
| Other fee income                                                                | 228,791        | 229,441        | 11,334         | 8,802          |
|                                                                                 | 817,192        | 823,666        | 11,334         | 8,802          |
| <b>Net income from securities</b>                                               |                |                |                |                |
| Net realised gain/(loss) from sale of:                                          |                |                |                |                |
| - financial assets at FVTPL                                                     | 94,926         | (61,771)       | -              | (38)           |
| - financial investments at FVOCI                                                | 38,769         | 81,523         | -              | -              |
| - derivative financial instruments                                              | (21,620)       | 56,192         | -              | -              |
| Gross dividend income from:                                                     |                |                |                |                |
| - financial assets at FVTPL                                                     | 90,215         | 73,196         | -              | 193            |
| - financial investments at FVOCI                                                | 2,175          | 406            | -              | -              |
| - subsidiary companies                                                          | -              | -              | 885,303        | 820,911        |
| Net unrealised gain on revaluation of:                                          |                |                |                |                |
| - financial assets at FVTPL                                                     | 25,935         | 118,285        | -              | -              |
| - derivative financial instruments                                              | 111,593        | 114,389        | -              | -              |
| Net realised gain/(loss) on fair value changes arising from fair value hedges   | 7,371          | (8,454)        | -              | -              |
| Net unrealised gain/(loss) on fair value changes arising from fair value hedges | 1,169          | (3,202)        | -              | -              |
|                                                                                 | 350,533        | 370,564        | 885,303        | 821,066        |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**37 NON-INTEREST INCOME (continued)**

|                                                | The Group      |                | The Company    |                |
|------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Other income</b>                            |                |                |                |                |
| Foreign exchange gain/(loss)                   | 124,638        | (158,222)      | 1              | 1              |
| Rental income                                  | 10,850         | 10,975         | -              | -              |
| Net gain on disposal of property and equipment | 387            | 1,745          | 113            | 160            |
| Other non-operating income                     | 21,298         | 6,703          | 224            | 245            |
|                                                | 157,173        | (138,799)      | 338            | 406            |
|                                                | 1,679,797      | 1,490,227      | 896,975        | 830,274        |

**38 OVERHEAD EXPENSES**

|                                     | Note | The Group      |                | The Company    |                |
|-------------------------------------|------|----------------|----------------|----------------|----------------|
|                                     |      | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Personnel costs                     | (a)  | 1,409,181      | 1,303,424      | 25,297         | 113            |
| Establishment costs                 | (b)  | 579,281        | 558,715        | 2,811          | 2,262          |
| Marketing expenses                  | (c)  | 232,887        | 198,548        | -              | -              |
| Administration and general expenses | (d)  | 348,278        | 297,523        | 4,201          | 4,342          |
|                                     |      | 2,569,627      | 2,358,210      | 32,309         | 6,717          |

(a) Personnel costs comprise the following:

|                                  | The Group      |                | The Company    |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Salaries, bonus and allowances   | 1,322,626      | 1,234,170      | 20,727         | 16,870         |
| Medical expenses                 | 32,767         | 30,909         | 16             | 15             |
| Training and convention expenses | 17,235         | 14,824         | 51             | 3              |
| Staff welfare                    | 10,996         | 13,341         | 712            | 636            |
| Other employees benefits         | 25,557         | 10,180         | 3,791          | (17,411)       |
|                                  | 1,409,181      | 1,303,424      | 25,297         | 113            |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 38 OVERHEAD EXPENSES (continued)

(b) Establishment costs comprise the following:

|                                        | The Group      |                | The Company    |                |
|----------------------------------------|----------------|----------------|----------------|----------------|
|                                        | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Depreciation of property and equipment | 120,327        | 130,105        | 1,201          | 760            |
| Depreciation of right-of-use assets    | 49,862         | 50,518         | 940            | 940            |
| Amortisation of intangible assets      | 64,223         | 59,027         | 75             | 39             |
| Rental of premises                     | 1,503          | 1,854          | -              | -              |
| Information technology expenses        | 252,771        | 230,781        | 235            | 312            |
| Security services                      | 20,937         | 19,354         | -              | -              |
| Electricity, water and sewerage        | 22,524         | 21,628         | 38             | 37             |
| Hire of plant and machinery            | 13,666         | 12,483         | -              | -              |
| Others                                 | 33,468         | 32,965         | 322            | 174            |
|                                        | 579,281        | 558,715        | 2,811          | 2,262          |

(c) Marketing expenses comprise the following:

|                                               | The Group      |                | The Company    |                |
|-----------------------------------------------|----------------|----------------|----------------|----------------|
|                                               | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Advertisement and publicity                   | 34,264         | 29,454         | -              | -              |
| Sales commission and credit card related fees | 146,392        | 127,692        | -              | -              |
| Others                                        | 52,230         | 41,402         | -              | -              |
|                                               | 232,886        | 198,548        | -              | -              |

(d) Administration and general expenses comprise the following:

|                                   | The Group      |                | The Company    |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Teletransmission expenses         | 21,946         | 23,339         | 23             | 24             |
| Stationery and printing expenses  | 11,885         | 12,251         | 19             | 14             |
| Professional fees                 | 106,828        | 92,911         | 1,406          | 1,506          |
| Insurance fees                    | 45,472         | 33,550         | -              | -              |
| Stamp, postage and courier        | 14,738         | 15,229         | -              | -              |
| Credit card fees                  | 75,315         | 49,302         | -              | -              |
| Travelling and transport expenses | 3,753          | 2,806          | 4              | 1              |
| Registration and license fees     | 11,059         | 10,151         | -              | -              |
| Brokerage and commission          | 11,974         | 11,007         | -              | -              |
| Others                            | 45,309         | 46,977         | 2,749          | 2,797          |
|                                   | 348,279        | 297,523        | 4,201          | 4,342          |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**38 OVERHEAD EXPENSES (continued)**

The above expenditure includes the following statutory disclosures:

|                                             | The Group       |                | The Company    |                |
|---------------------------------------------|-----------------|----------------|----------------|----------------|
|                                             | 2023<br>RM'000  | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Directors' remuneration (Note 41)           | <b>12,747</b>   | 11,853         | <b>12,381</b>  | 11,386         |
| Auditors' remuneration*:                    |                 |                |                |                |
| (i) PwC Malaysia firm                       |                 |                |                |                |
| - statutory audit                           | <b>3,623</b>    | 3,201          | <b>159</b>     | 146            |
| - regulatory related fees                   | <b>1,096</b>    | 471            | <b>21</b>      | 19             |
| - other services                            | <b>2,933</b>    | 578            | <b>408</b>     | 329            |
| - tax compliance                            | <b>88</b>       | 98             | -              | -              |
| (ii) PwC overseas affiliated firms          |                 |                |                |                |
| - statutory audit                           | <b>1,052</b>    | 731            | -              | -              |
| - regulatory related fees                   | <b>223</b>      | 194            | -              | -              |
| - tax compliance                            | <b>101</b>      | 93             | -              | -              |
| Property and equipment written off          | <b>1,182</b>    | 729            | -              | -              |
| Intangible assets written off               | <b>2,607</b>    | 738            | -              | -              |
| Options (writeback)/charge arising from ESS | <b>(10,144)</b> | (20,447)       | <b>2,481</b>   | (18,660)       |

**39 ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER LOSSES**

|                                                                  | The Group        |                |
|------------------------------------------------------------------|------------------|----------------|
|                                                                  | 2023<br>RM'000   | 2022<br>RM'000 |
| Allowance for impairment losses on loans, advances and financing |                  |                |
| - expected credit losses                                         | <b>343,086</b>   | 393,314        |
| Writeback of impairment losses on clients' and brokers' balances |                  |                |
| - expected credit losses                                         | <b>(132)</b>     | (190)          |
| Impaired loans, advances and financing                           |                  |                |
| - written off                                                    | <b>29,519</b>    | 20,054         |
| - recovered from bad debt written off                            | <b>(257,265)</b> | (250,061)      |
|                                                                  | <b>115,208</b>   | 163,117        |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 40 WRITEBACK OF IMPAIRMENT LOSSES ON OTHER ASSETS

|                                                                       | The Group      |                |
|-----------------------------------------------------------------------|----------------|----------------|
|                                                                       | 2023<br>RM'000 | 2022<br>RM'000 |
| Expected credit losses on:                                            |                |                |
| - financial investments at FVOCI                                      | 194            | (827)          |
| - financial investments at amortised cost                             | (53)           | (14)           |
| - other receivables                                                   | (8)            | 47             |
| - cash and short-term funds                                           | (155)          | 85             |
| - deposits and placements with banks and other financial institutions | (282)          | (322)          |
|                                                                       | (304)          | (1,031)        |

|                                                                                         | The Company    |                |
|-----------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                         | 2023<br>RM'000 | 2022<br>RM'000 |
| Expected credit losses on investment in debt instruments issued by subsidiary companies | (1,514)        | (1,253)        |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 41 DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all Directors for the financial year are as follows:

|                                | The Group                                              |                         |                                                         |                 | The Company                                            |                         |                                                         |                 |
|--------------------------------|--------------------------------------------------------|-------------------------|---------------------------------------------------------|-----------------|--------------------------------------------------------|-------------------------|---------------------------------------------------------|-----------------|
|                                | Salaries, allowances and other remunerations<br>RM'000 | Director fees<br>RM'000 | Estimated monetary value for benefits-in-kind<br>RM'000 | Total<br>RM'000 | Salaries, allowances and Other remunerations<br>RM'000 | Director fees<br>RM'000 | Estimated monetary value for benefits-in-kind<br>RM'000 | Total<br>RM'000 |
| <b>2023</b>                    |                                                        |                         |                                                         |                 |                                                        |                         |                                                         |                 |
| <b>Executive Director</b>      |                                                        |                         |                                                         |                 |                                                        |                         |                                                         |                 |
| Tan Kong Khoon                 | 11,376                                                 | -                       | 28                                                      | 11,404          | 11,376                                                 | -                       | 28                                                      | 11,404          |
| <b>Non-executive Directors</b> |                                                        |                         |                                                         |                 |                                                        |                         |                                                         |                 |
| Tan Sri Quek Leng Chan         | -                                                      | -                       | 35                                                      | 35              | -                                                      | -                       | 35                                                      | 35              |
| Leong Ket Ti                   | 47                                                     | 285                     | -                                                       | 332             | 24                                                     | 160                     | -                                                       | 184             |
| Raja Noorma binti Raja Othman  | 72                                                     | 305                     | -                                                       | 377             | 19                                                     | 140                     | -                                                       | 159             |
| Chong Chye Neo                 | 34                                                     | 205                     | -                                                       | 239             | 34                                                     | 205                     | -                                                       | 239             |
| Ho Heng Chuan                  | 32                                                     | 180                     | -                                                       | 212             | 32                                                     | 180                     | -                                                       | 212             |
| Emily Kok                      | 18                                                     | 130                     | -                                                       | 148             | 18                                                     | 130                     | -                                                       | 148             |
|                                | 203*                                                   | 1,105                   | 35                                                      | 1,343           | 127*                                                   | 815                     | 35                                                      | 977             |
| Total Directors' remuneration  | 11,579                                                 | 1,105                   | 63                                                      | 12,747          | 11,503                                                 | 815                     | 63                                                      | 12,381          |
| Directors of subsidiaries      | 12,100                                                 | 5,181                   | 618                                                     | 17,899          |                                                        |                         |                                                         |                 |

\* Directors' meeting allowances



## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 41 DIRECTORS' REMUNERATION (continued)

Forms of remuneration in aggregate for all Directors for the financial year are as follows: (continued)

|                                                                             | The Group                                                       |                            |                                                                      |                 | The Company                                                     |                            |                                                                      |                 |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------|----------------------------------------------------------------------|-----------------|-----------------------------------------------------------------|----------------------------|----------------------------------------------------------------------|-----------------|
|                                                                             | Salaries,<br>allowances<br>and other<br>remunerations<br>RM'000 | Director<br>fees<br>RM'000 | Estimated<br>monetary<br>value<br>for benefits-<br>in-kind<br>RM'000 | Total<br>RM'000 | Salaries,<br>allowances<br>and other<br>remunerations<br>RM'000 | Director<br>fees<br>RM'000 | Estimated<br>monetary<br>value<br>for benefits-<br>in-kind<br>RM'000 | Total<br>RM'000 |
| <b>2022</b>                                                                 |                                                                 |                            |                                                                      |                 |                                                                 |                            |                                                                      |                 |
| <b>Executive Director</b>                                                   |                                                                 |                            |                                                                      |                 |                                                                 |                            |                                                                      |                 |
| Tan Kong Khoon                                                              | 10,489                                                          | -                          | 23                                                                   | 10,512          | 10,489                                                          | -                          | 23                                                                   | 10,512          |
| <b>Non-executive Directors</b>                                              |                                                                 |                            |                                                                      |                 |                                                                 |                            |                                                                      |                 |
| Tan Sri Quek Leng Chan                                                      | -                                                               | -                          | 29                                                                   | 29              | -                                                               | -                          | 29                                                                   | 29              |
| Leong Ket Ti                                                                | 25                                                              | 285                        | -                                                                    | 310             | 13                                                              | 160                        | -                                                                    | 173             |
| Raja Noorma binti Raja Othman                                               | 44                                                              | 302                        | -                                                                    | 346             | 12                                                              | 137                        | -                                                                    | 149             |
| Chong Chye Neo                                                              | 34                                                              | 327                        | -                                                                    | 361             | 23                                                              | 205                        | -                                                                    | 228             |
| Dato' Noorazman bin Abd Aziz<br>(Resigned with effect from 14 January 2022) | 7                                                               | 70                         | -                                                                    | 77              | 7                                                               | 70                         | -                                                                    | 77              |
| Ho Heng Chuan                                                               | 18                                                              | 177                        | -                                                                    | 195             | 18                                                              | 177                        | -                                                                    | 195             |
| Emily Kok<br>(Appointed with effect from 26 April 2022)                     | 1                                                               | 22                         | -                                                                    | 23              | 1                                                               | 22                         | -                                                                    | 23              |
|                                                                             | 129*                                                            | 1,183                      | 29                                                                   | 1,341           | 74*                                                             | 771                        | 29                                                                   | 874             |
| <b>Total Directors' remuneration</b>                                        | <b>10,618</b>                                                   | <b>1,183</b>               | <b>52</b>                                                            | <b>11,853</b>   | <b>10,563</b>                                                   | <b>771</b>                 | <b>52</b>                                                            | <b>11,386</b>   |
| <b>Directors of subsidiaries</b>                                            | <b>12,536</b>                                                   | <b>4,441</b>               | <b>209</b>                                                           | <b>17,186</b>   |                                                                 |                            |                                                                      |                 |

\* Directors' meeting allowances

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 41 DIRECTORS' REMUNERATION (continued)

Directors and Officers of the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the Group was RM10 million (2022: RM10 million). The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group was RM71,250 (2022: RM84,550) and the apportioned amount of the said premium paid by the Company was RM3,563 (2022: RM4,228).

The movement and details of the Directors of the Company in office and interests in shares and share options are reported in the Directors' Report.

The movement and details of the Directors of the Company in office and interests in shares and share options are reported in the Directors' Report.

Included in the Non-Executive Directors' remunerations are amounts paid to Directors in their capacities as Executive Directors for certain subsidiary companies.

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.

### 42 TAXATION

|                               | Note | The Group      |                | The Company    |                |
|-------------------------------|------|----------------|----------------|----------------|----------------|
|                               |      | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Income tax:                   |      |                |                |                |                |
| - Current year                |      | 842,387        | 1,139,477      | 600            | 418            |
| - Over accrual in prior years |      | (40,584)       | (29,083)       | (418)          | (122)          |
|                               |      | 801,803        | 1,110,394      | 182            | 296            |
| Deferred taxation             | 24   | 92,958         | 46,724         | 26             | (45)           |
| Taxation                      |      | 894,761        | 1,157,118      | 208            | 251            |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 42 TAXATION (continued)

|                                                                    | The Group        |                | The Company      |                |
|--------------------------------------------------------------------|------------------|----------------|------------------|----------------|
|                                                                    | 2023<br>RM'000   | 2022<br>RM'000 | 2023<br>RM'000   | 2022<br>RM'000 |
| Profit before taxation                                             | <b>5,102,380</b> | 4,839,979      | <b>858,090</b>   | 807,923        |
| Tax calculated at a rate of 24% (2022: 24%)                        | <b>1,224,571</b> | 1,161,595      | <b>205,942</b>   | 193,902        |
| Additional tax rate of 9% in excess of RM100.0 million (Note)      | -                | 309,949        | -                | -              |
| Tax effects of:                                                    |                  |                |                  |                |
| - Differences in tax rate of foreign inward and offshore insurance | <b>(747)</b>     | (278)          | -                | -              |
| - Income not subject to tax                                        | <b>(55,922)</b>  | (98,830)       | <b>(219,030)</b> | (223,371)      |
| - Share of net income of associated companies                      | <b>(325,850)</b> | (266,102)      | -                | -              |
| - Expenses not deductible for tax purposes                         | <b>96,641</b>    | 81,602         | <b>13,714</b>    | 29,842         |
| - Over accrual in prior years                                      | <b>(40,584)</b>  | (29,083)       | <b>(418)</b>     | (122)          |
| - Recognition of unutilised tax credit previously not recognised   | <b>(1,295)</b>   | (1,332)        | -                | -              |
| - Origination of temporary differences not recognised              | <b>(2,053)</b>   | (403)          | -                | -              |
| Taxation                                                           | <b>894,761</b>   | 1,157,118      | <b>208</b>       | 251            |

In order to support the Government's initiative to assist parties affected by the pandemic, it has been proposed in Budget 2022 that 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.

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.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 43 EARNINGS PER SHARE

#### Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

|                                                   | The Group        |                | The Company      |                |
|---------------------------------------------------|------------------|----------------|------------------|----------------|
|                                                   | 2023<br>RM'000   | 2022<br>RM'000 | 2023<br>RM'000   | 2022<br>RM'000 |
| Weighted average number of ordinary shares ('000) | <b>1,134,049</b> | 1,133,882      | <b>1,138,141</b> | 1,137,974      |
| Net profit attributable to owners of the parent   | <b>2,791,303</b> | 2,452,209      | <b>857,882</b>   | 807,672        |
| Basic earnings per share (sen)                    | <b>246.1</b>     | 216.3          | <b>75.4</b>      | 71.0           |

#### Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current and previous financial year as there are no dilutive potential ordinary shares.

### 44 DIVIDENDS

Dividends recognised as distribution to ordinary equity holders of the Company:

|                                                                                            | The Group and The Company |                |
|--------------------------------------------------------------------------------------------|---------------------------|----------------|
|                                                                                            | 2023<br>RM'000            | 2022<br>RM'000 |
| Interim dividend of 17.0 sen per share in respect of the financial year ended 30 June 2023 | <b>193,493</b>            | -              |
| Interim dividend of 15.0 sen per share in respect of the financial year ended 30 June 2022 | -                         | 170,706        |
| Final dividend of 31.0 sen per share in respect of the financial year ended 30 June 2022   | <b>352,792</b>            | -              |
| Final dividend of 29.2 sen per share in respect of the financial year ended 30 June 2021   | -                         | 332,261        |
|                                                                                            | <b>546,285</b>            | 502,967        |

The Directors have declared a final single-tier dividend of 32.0 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.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 45 COMMITMENTS AND CONTINGENCIES

Group related commitments and contingencies

In the normal course of business, the Group 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/principal amount of the commitments and contingencies constitute the following:

|                                                                                                     | The Group          |                    |
|-----------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                     | 2023<br>RM'000     | 2022<br>RM'000     |
| <b>Commitments and contingencies</b>                                                                |                    |                    |
| Direct credit substitutes*                                                                          | 225,515            | 138,103            |
| Certain transaction related contingent items                                                        | 2,594,402          | 2,024,547          |
| Short-term self liquidating trade related contingencies                                             | 1,063,924          | 853,412            |
| Obligations under underwriting agreement                                                            | -                  | 7,140              |
| Any commitments that are unconditionally cancellable at any time by the Group without prior notice: |                    |                    |
| - less than one year                                                                                | 917,463            | 919,747            |
| Irrevocable commitments to extend credit:                                                           |                    |                    |
| - maturity less than one year                                                                       | 26,457,159         | 23,913,907         |
| - maturity more than one year                                                                       | 17,073,556         | 17,538,803         |
| Unutilised credit card lines                                                                        | 6,902,344          | 7,090,121          |
|                                                                                                     | <b>55,234,363</b>  | <b>52,485,780</b>  |
| <b>Derivative financial instruments</b>                                                             |                    |                    |
| Foreign exchange related contracts^:                                                                |                    |                    |
| - less than one year                                                                                | 67,555,981         | 58,120,986         |
| - one year to five years                                                                            | 7,321,941          | 5,944,644          |
| - over five years                                                                                   | 737,005            | 396,495            |
| Interest rate related contracts^:                                                                   |                    |                    |
| - less than one year                                                                                | 46,129,203         | 35,859,070         |
| - one year to five years                                                                            | 84,573,444         | 55,088,368         |
| - over five years                                                                                   | 4,399,525          | 4,308,323          |
| Equity related contracts^:                                                                          |                    |                    |
| - less than one year                                                                                | 487,429            | 245,878            |
| - one year to five years                                                                            | 668,593            | 102,899            |
| - over five years                                                                                   | -                  | 270,542            |
| Credit related contracts^:                                                                          |                    |                    |
| - less than one year                                                                                | 121,391            | -                  |
| - over five years                                                                                   | 1,225,853          | 938,327            |
| Commodity related contracts:                                                                        |                    |                    |
| - less than one year                                                                                | 554,082            | 438,428            |
| - one year to five years                                                                            | -                  | 493,416            |
|                                                                                                     | <b>213,774,447</b> | <b>162,207,376</b> |
|                                                                                                     | <b>269,008,810</b> | <b>214,693,156</b> |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 45 COMMITMENTS AND CONTINGENCIES (continued)

Group related commitments and contingencies (continued)

- \* Included in direct credit substitutes are the financial guarantee contracts of RM163,630,721 (2022: RM79,527,616), of which fair value at the time of issuance is nil.
- ^ These derivatives are revalued at gross position basis and the fair value have been reflected in Note 21 to the financial statements as derivative assets or derivative liabilities.

### 46 CAPITAL COMMITMENTS

The capital commitments are in respect of:

- property and equipment
- intangible assets

Capital expenditure approved by the Directors but not provided for in the financial statements are as follows:

|                                   | The Group      |                |
|-----------------------------------|----------------|----------------|
|                                   | 2023<br>RM'000 | 2022<br>RM'000 |
| Authorised and contracted for     | 85,460         | 95,606         |
| Authorised but not contracted for | 17,911         | 21,785         |
|                                   | <b>103,371</b> | <b>117,391</b> |

### 47 ULTIMATE HOLDING COMPANY

The ultimate holding company is Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 48 CAPITAL ADEQUACY

The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components). The consolidated capital adequacy of the Group includes consolidation of all financial and non-financial subsidiary companies, except the insurance/takaful subsidiary companies which shall be deducted in the calculation of Common Equity Tier 1 ("CET 1") capital. The total risk-weighted assets ("RWA") of the Group are computed based on Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk.

The Capital Adequacy Framework (Capital Components) sets out the minimum capital adequacy ratios as well as requirements on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The minimum capital adequacy requirements for CET 1 capital ratio, Tier 1 capital ratio and Total Capital ratio are 4.500%, 6.000% and 8.000% respectively. The Group is also required to maintain CCB of up to 2.500% of total RWA, which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019 onwards. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which the Group has credit exposures. The minimum capital adequacy including CCB for CET 1 capital ratio, Tier 1 capital ratio and Total capital ratio for year 2019 onwards are 7.000%, 8.500% and 10.500% 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 Group 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.

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

|                                            | Hong Leong Financial Group |         | Hong Leong Bank Group |         | Hong Leong Bank Berhad |         | Hong Leong Investment Bank Berhad |         |
|--------------------------------------------|----------------------------|---------|-----------------------|---------|------------------------|---------|-----------------------------------|---------|
|                                            | 2023                       | 2022    | 2023                  | 2022    | 2023                   | 2022    | 2023                              | 2022    |
| <b>Before deducting proposed dividends</b> |                            |         |                       |         |                        |         |                                   |         |
| CET 1 capital ratio                        | <b>11.245%</b>             | 12.025% | <b>13.310%</b>        | 13.935% | <b>13.000%</b>         | 13.912% | <b>38.498%</b>                    | 39.445% |
| Tier 1 capital ratio                       | <b>12.329%</b>             | 13.220% | <b>14.353%</b>        | 15.050% | <b>14.029%</b>         | 14.999% | <b>38.498%</b>                    | 39.445% |
| Total capital ratio                        | <b>14.859%</b>             | 16.130% | <b>16.399%</b>        | 17.176% | <b>16.009%</b>         | 17.051% | <b>48.792%</b>                    | 50.437% |
| <b>After deducting proposed dividends</b>  |                            |         |                       |         |                        |         |                                   |         |
| CET 1 capital ratio                        | <b>11.022%</b>             | 11.792% | <b>12.824%</b>        | 13.428% | <b>12.372%</b>         | 13.266% | <b>35.719%</b>                    | 35.367% |
| Tier 1 capital ratio                       | <b>12.106%</b>             | 12.987% | <b>13.866%</b>        | 14.543% | <b>13.401%</b>         | 14.353% | <b>35.719%</b>                    | 35.367% |
| Total capital ratio                        | <b>14.635%</b>             | 15.897% | <b>15.912%</b>        | 16.669% | <b>15.381%</b>         | 16.404% | <b>46.013%</b>                    | 46.359% |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 48 CAPITAL ADEQUACY (continued)

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

|                                                                             | Hong Leong Financial Group |                | Hong Leong Bank Group |                | Hong Leong Bank Berhad |                | Hong Leong Investment Bank Berhad |                |
|-----------------------------------------------------------------------------|----------------------------|----------------|-----------------------|----------------|------------------------|----------------|-----------------------------------|----------------|
|                                                                             | 2023<br>RM'000             | 2022<br>RM'000 | 2023<br>RM'000        | 2022<br>RM'000 | 2023<br>RM'000         | 2022<br>RM'000 | 2023<br>RM'000                    | 2022<br>RM'000 |
| <b>CET 1 Capital</b>                                                        |                            |                |                       |                |                        |                |                                   |                |
| Share capital                                                               | 2,267,008                  | 2,267,008      | 7,739,063             | 7,739,063      | 7,739,063              | 7,739,063      | 252,950                           | 252,950        |
| Retained profit                                                             | 22,843,179                 | 20,937,790     | 25,017,703            | 22,727,982     | 15,727,832             | 15,120,482     | 280,317                           | 287,881        |
| Other reserves                                                              | 909,389                    | 651,730        | 947,836               | 592,754        | 2,905                  | (283,282)      | (4,486)                           | (19,792)       |
| Qualifying non-controlling interests                                        | 7,906,064                  | 6,896,206      | -                     | -              | -                      | -              | -                                 | -              |
| Less: Treasury shares                                                       | (233,108)                  | (236,039)      | (708,766)             | (713,690)      | (708,766)              | (713,690)      | -                                 | -              |
| Less: Other intangible assets                                               | (368,261)                  | (309,817)      | (362,435)             | (304,749)      | (326,216)              | (269,645)      | -                                 | -              |
| Less: Goodwill                                                              | (2,346,287)                | (2,346,287)    | (1,831,312)           | (1,831,312)    | (1,771,547)            | (1,771,547)    | (33,936)                          | (33,638)       |
| Less: Deferred tax assets                                                   | (508,213)                  | -              | (410,436)             | (528,771)      | (317,985)              | (403,666)      | (96,878)                          | (110,559)      |
| Less: Investment in subsidiary companies/ associated companies              | (12,125,553)               | (9,640,457)    | (8,712,976)           | (6,455,474)    | (3,938,210)            | (2,794,291)    | (200)                             | (200)          |
| Total CET 1 Capital                                                         | 18,344,218                 | 18,220,134     | 21,678,677            | 21,225,803     | 16,407,076             | 16,623,424     | 397,767                           | 376,642        |
| <b>Tier 1 Capital</b>                                                       |                            |                |                       |                |                        |                |                                   |                |
| Multi-currency Additional Tier 1 capital securities                         | 399,997                    | 799,932        | 1,698,491             | 1,698,839      | 1,698,491              | 1,698,839      | -                                 | -              |
| Qualifying non-controlling interests                                        | 1,368,004                  | 1,011,415      | -                     | -              | -                      | -              | -                                 | -              |
| Tier 1 capital before regulatory adjustments                                | 1,768,001                  | 1,811,347      | 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)      | -                                 | -              |
| Tier 1 capital after regulatory adjustments                                 | 1,768,001                  | 1,811,347      | 1,698,491             | 1,698,839      | 1,298,491              | 1,298,839      | -                                 | -              |
| Total Tier 1 Capital                                                        | 20,112,219                 | 20,031,481     | 23,377,168            | 22,924,642     | 17,705,567             | 17,922,263     | 397,767                           | 376,642        |
| <b>Tier 2 Capital</b>                                                       |                            |                |                       |                |                        |                |                                   |                |
| Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves | 1,826,248                  | 1,718,509      | 1,832,523             | 1,738,471      | 1,399,403              | 1,350,820      | 6,356                             | 4,952          |
| Subordinated obligations                                                    | 1,099,990                  | 1,599,900      | 1,499,089             | 1,499,970      | 1,499,089              | 1,499,970      | 100,000                           | 100,000        |
| Qualifying non-controlling interests                                        | 1,200,465                  | 1,090,639      | -                     | -              | -                      | -              | -                                 | -              |
| Less: Investment in Tier 2 subordinated sukuk murabahah                     | -                          | -              | -                     | -              | (400,000)              | (400,000)      | -                                 | -              |
| Total Tier 2 Capital                                                        | 4,126,703                  | 4,409,048      | 3,331,612             | 3,238,441      | 2,498,492              | 2,450,790      | 106,356                           | 104,952        |
| Total capital                                                               | 24,238,922                 | 24,440,529     | 26,708,780            | 26,163,083     | 20,204,059             | 20,373,053     | 504,123                           | 481,594        |



## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 48 CAPITAL ADEQUACY (continued)

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

|                  | Hong Leong Financial Group |             | Hong Leong Bank Group |             | Hong Leong Bank Berhad |             | Hong Leong Investment Bank Berhad |         |
|------------------|----------------------------|-------------|-----------------------|-------------|------------------------|-------------|-----------------------------------|---------|
|                  | 2023                       | 2022        | 2023                  | 2022        | 2023                   | 2022        | 2023                              | 2022    |
|                  | RM'000                     | RM'000      | RM'000                | RM'000      | RM'000                 | RM'000      | RM'000                            | RM'000  |
| Credit risk*     | <b>146,099,832</b>         | 137,480,719 | <b>146,601,855</b>    | 139,077,644 | <b>111,952,229</b>     | 108,065,582 | <b>508,514</b>                    | 396,120 |
| Market risk      | <b>6,433,925</b>           | 4,254,505   | <b>6,124,089</b>      | 3,917,894   | <b>6,120,834</b>       | 3,934,497   | <b>185,018</b>                    | 217,123 |
| Operational risk | <b>10,596,687</b>          | 9,789,061   | <b>10,143,761</b>     | 9,327,630   | <b>8,131,845</b>       | 7,485,705   | <b>339,681</b>                    | 341,603 |
| Total RWA        | <b>163,130,444</b>         | 151,524,285 | <b>162,869,705</b>    | 152,323,168 | <b>126,204,908</b>     | 119,485,784 | <b>1,033,213</b>                  | 954,846 |

\* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad 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 Hong Leong Bank Group's subsidiary company are as follows:

|                                            | Hong Leong Islamic Bank Berhad |         |
|--------------------------------------------|--------------------------------|---------|
|                                            | 2023                           | 2022    |
| <b>Before deducting proposed dividends</b> |                                |         |
| CET 1 capital ratio                        | <b>11.423%</b>                 | 11.176% |
| Tier 1 capital ratio                       | <b>12.653%</b>                 | 12.550% |
| Total capital ratio                        | <b>15.051%</b>                 | 15.101% |
| <b>After deducting proposed dividends</b>  |                                |         |
| CET 1 capital ratio                        | <b>11.423%</b>                 | 11.176% |
| Tier 1 capital ratio                       | <b>12.653%</b>                 | 12.550% |
| Total capital ratio                        | <b>15.051%</b>                 | 15.101% |

# Notes to the Financial Statements

for the financial year ended 30 June 2023

## 49 SEGMENTAL INFORMATION

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 to and assesses the performance of the operating segments of an entity.

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

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period.

### Business segments

The Group comprises the following main business segments:

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

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 49 SEGMENTAL INFORMATION (continued)

#### Business segment reporting

Set out below is information of the Group by business segments:

| The Group<br>2023                                                                     | Commercial<br>banking<br>RM'000 | Investment<br>banking<br>RM'000 | Insurance<br>RM'000 | Other<br>operations<br>RM'000 | Eliminations/<br>consolidation<br>adjustments<br>RM'000 | Consolidated<br>RM'000 |
|---------------------------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------|-------------------------------|---------------------------------------------------------|------------------------|
| <b>Revenue</b>                                                                        |                                 |                                 |                     |                               |                                                         |                        |
| External revenue                                                                      | 5,659,889                       | 195,355                         | 582,264             | (8,338)                       | -                                                       | 6,429,170              |
| Inter-segment revenue                                                                 | 25,620                          | 971                             | 1,147               | 872,376                       | (900,114)                                               | -                      |
| Segment revenue                                                                       | 5,685,509                       | 196,326                         | 583,411             | 864,038                       | (900,114)                                               | 6,429,170              |
| Overhead expenses of which:                                                           | (2,233,282)                     | (135,097)                       | (210,676)           | (5,963)                       | 15,391                                                  | (2,569,627)            |
| Depreciation of property and<br>equipment                                             | (110,039)                       | (4,532)                         | (4,530)             | (1,226)                       | -                                                       | (120,327)              |
| Amortisation of intangible assets                                                     | (58,132)                        | (2,311)                         | (3,706)             | (74)                          | -                                                       | (64,223)               |
| (Allowance for)/writeback of<br>impairment losses on loans,<br>advances and financing | (115,382)                       | 174                             | -                   | -                             | -                                                       | (115,208)              |
| Writeback of/(allowance for)<br>impairment losses on other<br>assets                  | 306                             | 25                              | (27)                | -                             | -                                                       | 304                    |
| Segment results                                                                       | 3,337,151                       | 61,428                          | 372,708             | 858,075                       | (884,723)                                               | 3,744,639              |
| Share of results of associated<br>companies                                           | 1,289,480                       | -                               | 68,261              | -                             | -                                                       | 1,357,741              |
| Profit before taxation                                                                | 4,626,631                       | 61,428                          | 440,969             | 858,075                       | (884,723)                                               | 5,102,380              |
| Taxation                                                                              |                                 |                                 |                     |                               |                                                         | (894,761)              |
| Net profit for the financial year                                                     |                                 |                                 |                     |                               |                                                         | 4,207,619              |
| Non-controlling interests                                                             |                                 |                                 |                     |                               |                                                         | (1,416,316)            |
| Profit attributable to owners of the<br>parent                                        |                                 |                                 |                     |                               |                                                         | 2,791,303              |
| <b>Other information</b>                                                              |                                 |                                 |                     |                               |                                                         |                        |
| Segment assets                                                                        | 279,850,454                     | 4,975,761                       | 29,479,529          | 18,703,533                    | (17,743,487)                                            | 315,265,790            |
| Segment liabilities                                                                   | 245,863,802                     | 4,010,385                       | 25,205,512          | 1,728,407                     | (1,171,950)                                             | 275,636,156            |
| <b>Other significant segment items</b>                                                |                                 |                                 |                     |                               |                                                         |                        |
| Capital expenditure                                                                   | 169,225                         | 3,665                           | 14,674              | 1,876                         | -                                                       | 189,440                |

Note:

Total segment revenue comprises of net interest income, income from Islamic banking business and non-interest income.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 49 SEGMENTAL INFORMATION (continued)

## Business segment reporting (continued)

Set out below is information of the Group by business segments: (continued)

| The Group<br>2022                                                               | Commercial<br>banking<br>RM'000 | Investment<br>banking<br>RM'000 | Insurance<br>RM'000 | Other<br>operations<br>RM'000 | Eliminations/<br>consolidation<br>adjustments<br>RM'000 | Consolidated<br>RM'000 |
|---------------------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------|-------------------------------|---------------------------------------------------------|------------------------|
| <b>Revenue</b>                                                                  |                                 |                                 |                     |                               |                                                         |                        |
| External revenue                                                                | 5,575,202                       | 222,478                         | 475,131             | (21,295)                      | -                                                       | 6,251,516              |
| Inter-segment revenue                                                           | 22,206                          | 882                             | 1,414               | 816,261                       | (840,763)                                               | -                      |
| Segment revenue                                                                 | 5,597,408                       | 223,360                         | 476,545             | 794,966                       | (840,763)                                               | 6,251,516              |
| Overhead expenses of which:                                                     | (2,098,376)                     | (126,841)                       | (161,133)           | 12,946                        | 15,194                                                  | (2,358,210)            |
| Depreciation of property and equipment                                          | (121,499)                       | (4,036)                         | (3,785)             | (785)                         | -                                                       | (130,105)              |
| Amortisation of intangible assets                                               | (53,962)                        | (1,884)                         | (3,143)             | (38)                          | -                                                       | (59,027)               |
| (Allowance for)/writeback of impairment losses on loans, advances and financing | (163,574)                       | 457                             | -                   | -                             | -                                                       | (163,117)              |
| Writeback of/(allowance for) impairment losses on other assets                  | 851                             | 196                             | (16)                | -                             | -                                                       | 1,031                  |
| Segment results                                                                 | 3,336,309                       | 97,172                          | 315,396             | 807,912                       | (825,569)                                               | 3,731,220              |
| Share of results of associated companies                                        | 1,030,491                       | -                               | 78,268              | -                             | -                                                       | 1,108,759              |
| Profit before taxation                                                          | 4,366,800                       | 97,172                          | 393,664             | 807,912                       | (825,569)                                               | 4,839,979              |
| Taxation                                                                        |                                 |                                 |                     |                               |                                                         | (1,157,118)            |
| Net profit for the financial year                                               |                                 |                                 |                     |                               |                                                         | 3,682,861              |
| Non-controlling interests                                                       |                                 |                                 |                     |                               |                                                         | (1,230,652)            |
| Profit attributable to owners of the parent                                     |                                 |                                 |                     |                               |                                                         | 2,452,209              |
| <b>Other information</b>                                                        |                                 |                                 |                     |                               |                                                         |                        |
| Segment assets                                                                  | 254,331,377                     | 4,276,873                       | 27,237,632          | 19,501,749                    | (18,426,814)                                            | 286,920,817            |
| Segment liabilities                                                             | 223,342,401                     | 3,331,880                       | 23,268,856          | 2,840,682                     | (1,852,726)                                             | 250,931,093            |
| <b>Other significant segment items</b>                                          |                                 |                                 |                     |                               |                                                         |                        |
| Capital expenditure                                                             | 151,120                         | 7,220                           | 17,083              | 2,541                         | -                                                       | 177,964                |

Note:

Total segment revenue comprises of net interest income, income from Islamic banking business and non-interest income.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 49 SEGMENTAL INFORMATION (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 and associate operations in Singapore, Hong Kong, China, Vietnam and Cambodia. The overseas operations are mainly in commercial banking and insurance business.

| The Group           | Revenue<br>RM'000 | Total<br>assets<br>RM'000 | Total<br>liabilities<br>RM'000 | Capital<br>expenditure<br>RM'000 |
|---------------------|-------------------|---------------------------|--------------------------------|----------------------------------|
| <b>2023</b>         |                   |                           |                                |                                  |
| Malaysia            | 5,962,870         | 290,388,064               | 252,210,810                    | 166,838                          |
| Overseas operations | 466,300           | 24,877,726                | 23,425,346                     | 22,602                           |
|                     | <b>6,429,170</b>  | <b>315,265,790</b>        | <b>275,636,156</b>             | <b>189,440</b>                   |
| <b>2022</b>         |                   |                           |                                |                                  |
| Malaysia            | 5,825,813         | 266,930,759               | 232,285,684                    | 147,712                          |
| Overseas operations | 425,703           | 19,990,058                | 18,645,409                     | 30,252                           |
|                     | <b>6,251,516</b>  | <b>286,920,817</b>        | <b>250,931,093</b>             | <b>177,964</b>                   |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 50 SIGNIFICANT RELATED PARTY TRANSACTIONS

#### (a) Related parties and relationship

In addition to the related party disclosures mentioned elsewhere in the financial statements, other significant related parties transactions and their relationship with the Company are as follows:

| Related parties                                                                                                                        | Relationship                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hong Leong Company (Malaysia) Berhad ("HLCM")                                                                                          | Ultimate holding company                                                                                                                                                                                                                                                                                     |
| HLCM Capital Sdn Bhd, HL Management Co Sdn Bhd and Hong Leong Share Registration Services Sdn Bhd                                      | Subsidiary companies of ultimate holding company                                                                                                                                                                                                                                                             |
| Guardian Security Consultants Sdn Bhd ("GSC")                                                                                          | Associated company of ultimate holding company                                                                                                                                                                                                                                                               |
| Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("HLI Group")        | Subsidiary and associated companies of ultimate holding company                                                                                                                                                                                                                                              |
| Malaysian Pacific Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("MPI Group") | Subsidiary and associated companies of ultimate holding company                                                                                                                                                                                                                                              |
| Hume Cement Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("Hume Group")      | Subsidiary and associated companies of ultimate holding company                                                                                                                                                                                                                                              |
| HLMG Management Co Sdn Bhd                                                                                                             | Subsidiary companies of ultimate holding company                                                                                                                                                                                                                                                             |
| Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements ("GGL Group")                 | Substantial shareholder                                                                                                                                                                                                                                                                                      |
| GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements ("GLM Group")         | Subsidiary and associated companies of substantial shareholder                                                                                                                                                                                                                                               |
| Subsidiary companies of the Company as disclosed in Note 11                                                                            | Subsidiary companies of the Company                                                                                                                                                                                                                                                                          |
| Key management personnel                                                                                                               | The key management personnel of the Group and the Company consists of: <ul style="list-style-type: none"> <li>- All Directors of the Company</li> <li>- Key management personnel of the Company who are in charge of the HLFG Group</li> </ul>                                                               |
| Related parties of key management personnel (deemed as related to the Company)                                                         | (i) Close family members and dependents of key management personnel<br>(ii) Entities that are controlled, jointly controlled or significant 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 |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 50 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (b) Related party transactions

Transactions with related parties are as follows:

| 2023                                                | The Group                |                                |                                   |                                    |
|-----------------------------------------------------|--------------------------|--------------------------------|-----------------------------------|------------------------------------|
|                                                     | Parent company<br>RM'000 | Associated companies<br>RM'000 | Other related companies<br>RM'000 | Key management personnel<br>RM'000 |
| <b>Income</b>                                       |                          |                                |                                   |                                    |
| Interest on deposits                                | -                        | 325                            | -                                 | -                                  |
| Interest on loans                                   | -                        | -                              | 3,203                             | 4                                  |
| Interest on redeemable preference shares            | -                        | -                              | 2,250                             | -                                  |
| Dividend income                                     | -                        | -                              | 1,882                             | -                                  |
| Rental income                                       | -                        | 117                            | 705                               | -                                  |
| Brokerage fee received                              | -                        | -                              | 76                                | 23                                 |
| Insurance premium received                          | -                        | 536                            | 5,761                             | -                                  |
| Commission on product                               | -                        | 14,258                         | 82                                | -                                  |
| Others                                              | -                        | -                              | 564                               | 36                                 |
|                                                     | -                        | 15,236                         | 14,523                            | 63                                 |
| <b>Expenditure</b>                                  |                          |                                |                                   |                                    |
| Rental and maintenance                              | -                        | -                              | 11,425                            | -                                  |
| Interest on deposits                                | -                        | -                              | -                                 | 1,239                              |
| Interest paid on short-term placements              | -                        | -                              | 9,824                             | 4,093                              |
| Interest paid on current account and fixed deposits | -                        | -                              | 2,578                             | -                                  |
| Management fees                                     | -                        | -                              | 51,069                            | -                                  |
| Insurance expenses                                  | -                        | 2,813                          | 4,369                             | -                                  |
| Other miscellaneous expenses                        | -                        | 648                            | 10,592                            | -                                  |
|                                                     | -                        | 3,461                          | 89,857                            | 5,332                              |
| <b>Amount due from:</b>                             |                          |                                |                                   |                                    |
| Current account                                     | -                        | 21,715                         | -                                 | -                                  |
| Loans                                               | -                        | -                              | 35,172                            | -                                  |
| Redeemable preference shares                        | -                        | -                              | 25,000                            | -                                  |
| Insurance premium receivable                        | -                        | -                              | 570                               | -                                  |
| Credit card                                         | -                        | -                              | -                                 | 334                                |
| Others                                              | -                        | -                              | 6,929                             | -                                  |
|                                                     | -                        | 21,715                         | 67,671                            | 334                                |
| <b>Amount due to:</b>                               |                          |                                |                                   |                                    |
| Current account and fixed deposits                  | -                        | -                              | 18,004                            | 120,160                            |
| Short-term placements                               | -                        | -                              | 51,676*                           | 93,429                             |
| Others                                              | -                        | -                              | 7,075                             | -                                  |
|                                                     | -                        | -                              | 76,755                            | 213,589                            |

\* Transaction with subsidiary companies of ultimate holding company

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 50 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

## (b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

| 2022                                                | The Group                |                                |                                   |                                    |
|-----------------------------------------------------|--------------------------|--------------------------------|-----------------------------------|------------------------------------|
|                                                     | Parent company<br>RM'000 | Associated companies<br>RM'000 | Other related companies<br>RM'000 | Key management personnel<br>RM'000 |
| <b>Income</b>                                       |                          |                                |                                   |                                    |
| Interest on deposits                                | -                        | 329                            | -                                 | -                                  |
| Interest on loans                                   | -                        | -                              | 3,446                             | 3                                  |
| Dividend income                                     | -                        | -                              | 2,609                             | -                                  |
| Rental income                                       | -                        | 117                            | 1,729                             | -                                  |
| Brokerage fee received                              | -                        | -                              | 418                               | 46                                 |
| Insurance premium received                          | -                        | 531                            | 7,364                             | -                                  |
| Commission on product                               | -                        | 12,810                         | -                                 | -                                  |
| Others                                              | -                        | -                              | 1,340                             | 315                                |
|                                                     | -                        | 13,787                         | 16,906                            | 364                                |
| <b>Expenditure</b>                                  |                          |                                |                                   |                                    |
| Rental and maintenance                              | -                        | -                              | 9,533                             | -                                  |
| Interest on deposits                                | -                        | -                              | -                                 | 14                                 |
| Interest paid on short-term placements              | -                        | -                              | 3,657                             | 2,340                              |
| Interest paid on current account and fixed deposits | -                        | -                              | 1                                 | -                                  |
| Management fees                                     | -                        | -                              | 50,335                            | -                                  |
| Insurance expenses                                  | -                        | 2,171                          | 4,047                             | -                                  |
| Other miscellaneous expenses                        | -                        | 984                            | 9,215                             | -                                  |
|                                                     | -                        | 3,155                          | 76,788                            | 2,354                              |
| <b>Amount due from:</b>                             |                          |                                |                                   |                                    |
| Current account                                     | -                        | 21,809                         | -                                 | -                                  |
| Loans                                               | -                        | -                              | 87,745                            | -                                  |
| Redeemable preference shares                        | -                        | -                              | 25,000                            | -                                  |
| Insurance premium receivable                        | -                        | -                              | 5,765                             | -                                  |
| Credit card                                         | -                        | -                              | -                                 | 126                                |
| Others                                              | -                        | -                              | 8,498                             | -                                  |
|                                                     | -                        | 21,809                         | 127,008                           | 126                                |
| <b>Amount due to:</b>                               |                          |                                |                                   |                                    |
| Current account and fixed deposits                  | -                        | -                              | 6,032                             | 9,245                              |
| Short-term placements                               | -                        | -                              | 199,008*                          | 148,466                            |
| Others                                              | -                        | -                              | 25,263                            | -                                  |
|                                                     | -                        | -                              | 230,303                           | 157,711                            |

\* Transaction with subsidiary companies of ultimate holding company



## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 50 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

| 2023                                 | The Company              |                                |                                   |                                    |
|--------------------------------------|--------------------------|--------------------------------|-----------------------------------|------------------------------------|
|                                      | Parent company<br>RM'000 | Subsidiary companies<br>RM'000 | Other related companies<br>RM'000 | Key management personnel<br>RM'000 |
| <b>Income</b>                        |                          |                                |                                   |                                    |
| Dividend income                      | -                        | 885,303                        | -                                 | -                                  |
| Interest on deposits                 | -                        | 1,042                          | -                                 | -                                  |
| Lease income - sublease              | -                        | 203                            | -                                 | -                                  |
| Interest on debt instruments         | -                        | 97,922                         | -                                 | -                                  |
| Management fees                      | -                        | 11,334                         | -                                 | -                                  |
| Other Income                         | -                        | 20                             | -                                 | -                                  |
|                                      | -                        | 995,824                        | -                                 | -                                  |
| <b>Expenditure</b>                   |                          |                                |                                   |                                    |
| Insurance                            | -                        | 106                            | 149                               | -                                  |
| Management fees                      | -                        | -                              | 2,130                             | -                                  |
| Interest on lease liabilities        | -                        | 199                            | -                                 | -                                  |
| Other miscellaneous expenses         | -                        | 717                            | 305                               | -                                  |
|                                      | -                        | 1,022                          | 2,584                             | -                                  |
| <b>Amount due from:</b>              |                          |                                |                                   |                                    |
| Money at call and deposit placements | -                        | 94,743                         | -                                 | -                                  |
| <b>Amount due to:</b>                |                          |                                |                                   |                                    |
| Lease liabilities                    | -                        | 3,353                          | -                                 | -                                  |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 50 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

## (b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

|                                      | The Company    |                      |                         |                          |
|--------------------------------------|----------------|----------------------|-------------------------|--------------------------|
|                                      | Parent company | Subsidiary companies | Other related companies | Key management personnel |
| 2022                                 | RM'000         | RM'000               | RM'000                  | RM'000                   |
| <b>Income</b>                        |                |                      |                         |                          |
| Dividend income                      | -              | 820,911              | -                       | -                        |
| Interest on deposits                 | -              | 87                   | -                       | -                        |
| Lease income - sublease              | -              | 203                  | -                       | -                        |
| Interest on debt instruments         | -              | 110,230              | -                       | -                        |
| Management fees                      | -              | 8,802                | -                       | -                        |
| Other Income                         | -              | 197                  | -                       | -                        |
|                                      | -              | 940,430              | -                       | -                        |
| <b>Expenditure</b>                   |                |                      |                         |                          |
| Insurance                            | -              | 88                   | 31                      | -                        |
| Management fees                      | -              | -                    | 2,130                   | -                        |
| Interest on lease liabilities        | -              | 245                  | -                       | -                        |
| Other miscellaneous expenses         | -              | 672                  | 468                     | -                        |
|                                      | -              | 1,005                | 2,629                   | -                        |
| <b>Amount due from:</b>              |                |                      |                         |                          |
| Money at call and deposit placements | -              | 17,391               | -                       | -                        |
| <b>Amount due to:</b>                |                |                      |                         |                          |
| Lease liabilities                    | -              | 4,249                | -                       | -                        |

The related party transactions of the Company are primarily transacted with related parties domiciled in Malaysia.

|                                                                                  | The Group |        |
|----------------------------------------------------------------------------------|-----------|--------|
|                                                                                  | 2023      | 2022   |
|                                                                                  | RM'000    | RM'000 |
| The approved limit on loans, advances and financing for key management personnel | 2,702     | 2,402  |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 50 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (c) Key management personnel

##### Key management compensation

|                                                                | The Group      |                | The Company    |                |
|----------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Salaries, other short-term employee benefits and director fees | 14,124         | 13,239         | 13,758         | 12,773         |
| Executive share schemes expenses                               | 2,481          | (18,660)       | 2,481          | (18,660)       |

Included in the above is the Directors' compensation which is disclosed in Note 41.

Loans made to key management personnel of the Group is on similar terms and conditions generally available to other employees within the Group. No specific allowances were required for loans made to key management personnel.

### 51 FINANCIAL INSTRUMENTS

#### (a) Financial risk management objectives and policies

The Group's financial risk management policies are adopted from its main operating subsidiary companies which are involved in banking and finance, securities and insurance related business.

The Board of Directors ("The Board") of each main operating subsidiary company has the overall responsibility to ensure there is proper oversight of the management of risks in each of the subsidiary company. The Board sets the risk appetite and tolerance level that are consistent with each subsidiary company's overall business objectives and desired risk profile. A number of committees and dedicated risk management functions have been established to address and manage specific areas of risk and implement various risk management policies and procedures.

Specifically, a Board Audit and Risk Management Committee ("BARMC") comprising members of the Directors, has been set up to oversee that risk management at all levels is being managed effectively. They, in turn, report all the risk management activities to the Directors.

##### Commercial Banking

##### **Group Risk Management ("GRM")**

The Banking Group has implemented risk management framework with the objective to ensure the overall financial soundness and stability of the Banking Group's business operations. The Banking Group's risk management framework outlines the overall governance structure, aspiration, values and risk management strategies which aligns the Banking Group'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.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (a) Financial risk management objectives and policies (continued)

##### Commercial Banking (continued)

##### **Group Risk Management ("GRM") (continued)**

From a governance perspective, the Board has the overall responsibility to define the Banking Group'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 Banking Group'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 by the Banking Group 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 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 Banking Group. The core functions of the Banking Group's GRM function is to support line management in identification and management of key and emerging risks for the Banking Group, to measure these risks, to manage the risk positions and to determine the optimum capital allocations. The Banking Group regularly reviews its risk management framework to reflect changes in markets, products, regulatory and emerging best market practice.

##### **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 Banking Group. The Banking Group has established a credit risk governance policy to ensure that exposure to credit risk is kept within the Banking Group's financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines that 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 Banking Group'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 approving and discretionary authority to the MCC and the various personnel of the Banking Group based on job function and designation.

For any new products, credit risk assessment also forms part of the new product sign-off process to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (a) Financial risk management objectives and policies (continued)

##### Commercial Banking (continued)

##### **Credit Risk Management (continued)**

The Banking Group'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 Banking Group also conducts periodic stress testing of its credit portfolios to ascertain credit risk impact to capital under the relevant stress scenarios.

Independent Credit Review Team conducts independent post approval reviews on sampling basis to ensure that 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 Banking Group'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 Banking Group 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 Banking Group'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 limit. In addition, the Banking Group regularly review the interest rate outlook and develop 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 Banking Group measures earnings at risk and economic value or capital at risk.

In addition, the Banking Group also conducts periodic stress testing of the respective portfolios and on an overall basis to ascertain market risk under abnormal market conditions.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (a) Financial risk management objectives and policies (continued)

##### Commercial Banking (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 Banking Group'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 Requirement, the Banking Group 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 Banking Group Asset-Liability 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 Banking Group has in place liquidity contingency funding plans and stress test programmes to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. Contingency funding plan sets out the crisis escalation process and the various strategies to be employed to preserve liquidity including an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there is adequate liquidity contingency fund to meet the shortfalls during liquidity crisis scenarios.

##### **Crisis Related Risk Management**

Crisis related risk is the risk of loss arising from increased volatility and uncertainty, resulting in impact to the Banking Group's customers, financial markets and interruption on the Banking Group'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 Banking Group 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 Banking Group 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 Banking Group 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 Banking Group continuously enhances its BCM plans and processes to strengthen its resilience to endure future crises.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (a) Financial risk management objectives and policies (continued)

##### Commercial Banking (continued)

##### **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 Banking Group.

The Banking Group has integrated ESG and sustainability considerations within its business practices to ensure creation of long-term socioeconomic benefits for the communities it serves. The Banking Group has in place a Sustainability Risk Governance Framework which is aligned to the Banking Group’s overall Risk Management Framework. This provides a structured approach towards identifying, evaluating, quantifying, monitoring, mitigating and reporting ESG risks.

Although ESG presents risks, the Banking Group 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 Banking Group 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.

##### Investment Banking

Risk management is one of the core activities of the Investment Banking Group to strike a balance between sound practices and risk-return. An effective risk management is therefore vital to ensure that the Investment Banking Group conducts its business in a prudent manner to ensure that the risk of potential losses is reduced.

##### **Market risk**

Market risk is the risk of loss arising from adverse fluctuation in market prices, such as interest rates, equity prices and foreign currency. The Investment Banking Group monitors all such exposures arising from trading activities of the treasury and stockbroking business activities on a daily basis and management is alerted on the financial impact of these risks. To mitigate market risk, the Group also uses derivative financial instruments.

The Investment Banking Group has in place a set of policies, guidelines, measurement methodologies and control limits which includes Value-at-Risk (“VaR”), Present-Value-Basis-Point (“PVBP”), Management Action Trigger (“MAT”), notional limits and concentration limits to mitigating market risk.

Stress testing is also employed to capture the potential market risk exposures from unexpected market movements. Concerns and significant findings are communicated to the senior management at the Assets and Liabilities Management Committee (“ALMCO”) and to the Board.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (a) Financial risk management objectives and policies (continued)

##### Investment Banking (continued)

##### **Liquidity risk**

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 arises from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Investment Banking Group's policy to ensure that there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

##### **Credit risk**

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, credit limits and monitoring procedures. Credit risk includes settlement risk, default risk and concentration risk. Exposure to credit risk arises mainly from financing, underwriting, securities and derivative exposures of the Investment Banking Group.

The Investment Banking Group has set out Board approved policies and guidelines for the management of credit risk. To oversee all credit related matters of the Investment Banking Group, the Management Credit and Underwriting Committee ("MCUC") was setup in 2011 in addition to an independent Credit Department.

The Board has delegated appropriate Delegation of Authority to the MCUC and senior management for the approval of credit facilities. Credit limit setting for Treasury activities are endorsed by the MCUC and approved by the Board at least annually. Adherence to established credit policies, guidelines and limits is monitored daily by the Credit Control Department, Credit Department and the Risk Management Department.

##### Insurance

Insurers have to comply with the Malaysian Insurance Act and Regulations, including guidelines on investments. The Board of Directors is responsible for formulating policies and overseeing the major risks including those risks associated with the Financial Instruments described below.

The responsibility for the formulation, establishment and approval of the Insurance Group's investment policies rests with the Board of Directors as reported in the Corporate Governance Framework in the Directors' Report. The deployment and execution of the investment policies is delegated to the Investment Committee ("IC") in which the members are appointed by the Board of Directors. The IC oversees the formulation of investment and risk strategy and asset allocation to determine the optimum risk and return profile.

Risk limits are in place at various levels and monitored by a risk manager to ensure all investment securities are compatible with the Insurance Group's investment principles and philosophy. Sensitivity and stress tests are carried out on a regular basis to assess the resilience of the investment portfolios and the impact on the Insurance Group's solvency. The Insurance Group's Asset and Liability Management ("ALM") model is being deployed to address the Insurance Group's assets and liabilities match. The ALM model will enable management to assess the long-term impact of the investment strategy, asset mix and product pricing strategy on the Insurance Group's financial ability to meet its future obligations.



## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (a) Financial risk management objectives and policies (continued)

##### Insurance (continued)

##### **Actuarial and underwriting risk**

Actuarial risks relate to the adequacy of insurance premium rate levels to provide for insurance liabilities and solvency margin and takes into consideration the developments in mortality, morbidity, lapses and expenses.

Underwriting risk represents the risk that claims incurred are higher than anticipated. This is attributable to the nature of risk underwritten, random nature of claims frequency and severity of claims.

The Insurance Group manages the risks through strict underwriting guidelines, which include exclusions, cover limits, loadings and reinsurance programmes. New risks are carefully assessed before an insurance policy is underwritten and issued.

##### **Credit risk**

Credit risk is the risk of loss due to inability or unwillingness of an counterparty to service its debt obligations. The credit risk and investment activities is monitored regularly with respect to single customer limit, sectorial exposure, credit rating and residual maturity, in accordance with the investment guidelines and limits approved by the Board of Directors and the authorities.

At the date of the statement of financial position, the credit exposure is within the investment guidelines and limits approved by the Board of Directors and the authorities. The maximum exposure to credit risk is the carrying amount as stated in the financial statements.

##### **Interest rate risk**

Investment activities and insurance business are inherently exposed to interest rate risk. This risk arises due to differences in pricing or tenure of investments and liabilities. Interest rate risk is managed by targeting a desired return, which is reviewed periodically, based on the Insurance Group's long-term view on interest rates. Investment activities are managed by appropriate asset allocation, which is regularly reviewed and changed in relation to the investment climate to meet the Insurance Group's desired return.

##### **Market risk**

Adverse changes in the equity market impairs the carrying value of the equity portfolio which could affect the solvency of the Insurance Group. The Board has set internal limits for maximum equity exposure and individual stock exposure, which are consistent with BNM's guidelines and has also imposed daily trading limits. The Insurance Group's investment committee decides on the appropriate asset allocation for equities on a regular basis in line with the investment and economic conditions at time of review.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**51 FINANCIAL INSTRUMENTS (continued)****(a) Financial risk management objectives and policies (continued)****Insurance (continued)****Liquidity risk**

Liquidity risk arises due to inability of the Insurance Group to meet its financial obligations as and when they fall due. The Insurance Group manages liquidity risk via short term cash flows projection to determine net cash flow required. In addition, the Insurance Group's investible funds are substantially placed in fixed and call deposits and other money market instruments. Should there be any abnormal and unexpected cash out flows required, the Insurance Group is still able to meet its obligation in short period via the liquidation of bond holdings.

**(b) Market risk**

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates, foreign currency rates and equity risk, 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 Company as at financial year end.

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 Company 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 or financial liabilities bearing floating interest/profit rates and fixed rate financial assets and financial liabilities.

|                            | The Group<br>Increase/(decrease)           |                               | The Company<br>Increase/(decrease)         |                               |
|----------------------------|--------------------------------------------|-------------------------------|--------------------------------------------|-------------------------------|
|                            | Impact<br>on profit<br>after tax<br>RM'000 | Impact<br>on equity<br>RM'000 | Impact<br>on profit<br>after tax<br>RM'000 | Impact<br>on equity<br>RM'000 |
| <b>2023</b>                |                                            |                               |                                            |                               |
| + 100 basis points ("bps") | (164,436)                                  | (902,871)                     | -                                          | -                             |
| - 100 bps                  | 197,892                                    | 936,327                       | -                                          | -                             |
| <b>2022</b>                |                                            |                               |                                            |                               |
| + 100 bps                  | (119,364)                                  | (820,663)                     | (143)                                      | -                             |
| - 100 bps                  | 154,348                                    | 855,647                       | 143                                        | -                             |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (b) Market risk (continued)

##### (ii) Foreign currency risk sensitivity analysis

The Group and the Company 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 Company:

|                               | The Group<br>Net receivable/(payable)<br>exposure |                |
|-------------------------------|---------------------------------------------------|----------------|
|                               | 2023<br>RM'000                                    | 2022<br>RM'000 |
| United States Dollar ("USD")  | (493,088)                                         | (213,099)      |
| Euro ("EUR")                  | 42,707                                            | 7,263          |
| Great Britain Pound ("GBP")   | 30,119                                            | 3,917          |
| Singapore Dollar ("SGD")      | 39,024                                            | (25,614)       |
| Chinese Yuan Renminbi ("CNY") | (16,042)                                          | (226,826)      |
| Hong Kong Dollar ("HKD")      | 359,135                                           | 389,321        |
| Japanese Yen ("JPY")          | 5                                                 | 5              |
| Australian Dollar ("AUD")     | (14,480)                                          | 21,641         |
| Others                        | 275,613                                           | 295,796        |
|                               | <b>222,993</b>                                    | <b>252,404</b> |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**51 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 RM exchange rates to the profit after tax are as follows:

|                               | The Group<br>Increase/(decrease) |                |
|-------------------------------|----------------------------------|----------------|
|                               | 2023<br>RM'000                   | 2022<br>RM'000 |
| + 1%                          |                                  |                |
| United States Dollar ("USD")  | 3,487                            | 1,849          |
| Euro ("EUR")                  | (324)                            | (55)           |
| Great Britain Pound ("GBP")   | (229)                            | (26)           |
| Singapore Dollar ("SGD")      | (165)                            | 2,664          |
| Chinese Yuan Renminbi ("CNY") | 122                              | 1,726          |
| Hong Kong Dollar ("HKD")      | 184                              | 2,542          |
| Australian Dollar ("AUD")     | 122                              | (165)          |
| Others                        | (2,111)                          | (2,216)        |
|                               | <b>1,086</b>                     | <b>6,319</b>   |
| - 1%                          |                                  |                |
| United States Dollar ("USD")  | (3,487)                          | (1,849)        |
| Euro ("EUR")                  | 324                              | 55             |
| Great Britain Pound ("GBP")   | 229                              | 26             |
| Singapore Dollar ("SGD")      | 165                              | (2,664)        |
| Chinese Yuan Renminbi ("CNY") | (122)                            | (1,726)        |
| Hong Kong Dollar ("HKD")      | (184)                            | (2,542)        |
| Australian Dollar ("AUD")     | (122)                            | 165            |
| Others                        | 2,111                            | 2,216          |
|                               | <b>(1,086)</b>                   | <b>(6,319)</b> |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (b) Market risk (continued)

##### (iii) Equity risk

Equity risk refers to the impact of change in equity positions held by the Group for yield purposes.

|                                     | The Group                                  |                               |
|-------------------------------------|--------------------------------------------|-------------------------------|
|                                     | Increase/(decrease)                        |                               |
|                                     | Impact<br>on profit<br>after tax<br>RM'000 | Impact<br>on equity<br>RM'000 |
| <b>2023</b>                         |                                            |                               |
| + 20% change in equity market price | 106,236                                    | -                             |
| - 20% change in equity market price | (106,236)                                  | -                             |
| <b>2022</b>                         |                                            |                               |
| + 20% change in equity market price | 99,854                                     | 91,738                        |
| - 20% change in equity market price | (99,854)                                   | (91,738)                      |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (b) Market risk (continued)

##### (iv) Interest/profit rate risk

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

|                                                                        | The Group                  |                            |                            |                           |                           |                                           |                   | Total<br>RM'000    |
|------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|---------------------------|---------------------------|-------------------------------------------|-------------------|--------------------|
|                                                                        | Non-trading book           |                            |                            |                           |                           | Non-interest/<br>profit rate<br>sensitive | Trading<br>book   |                    |
| 2023                                                                   | Up to<br>1 month<br>RM'000 | >1 – 3<br>months<br>RM'000 | >3 –12<br>months<br>RM'000 | >1 – 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | RM'000                                    | RM'000            |                    |
| <b>Financial assets</b>                                                |                            |                            |                            |                           |                           |                                           |                   |                    |
| Cash and short-term funds                                              | 8,458,028                  | 68,499                     | 80,000                     | -                         | -                         | 1,241,905                                 | -                 | 9,848,432          |
| Deposits and placements with banks and other financial institutions    | -                          | 709,976                    | 358,464                    | -                         | -                         | 11,134                                    | -                 | 1,079,574          |
| Financial assets at fair value through profit or loss                  | -                          | -                          | 65,598                     | 379,885                   | 699,741                   | 1,898,131                                 | 28,850,537        | 31,893,892         |
| Financial investments at fair value through other comprehensive income | 1,812,442                  | 2,516,904                  | 2,232,716                  | 27,663,594                | 1,124,495                 | 374,634                                   | -                 | 35,724,785         |
| Financial investments at amortised cost                                | 719,795                    | 50,031                     | 958,332                    | 29,234,613                | 1,056,729                 | 312,803                                   | -                 | 32,332,303         |
| Derivative financial instruments                                       |                            |                            |                            |                           |                           |                                           |                   |                    |
| - Trading derivatives                                                  | -                          | -                          | -                          | -                         | -                         | -                                         | 2,225,101         | 2,225,101          |
| - Hedging derivatives                                                  | -                          | -                          | -                          | 6,647                     | 3,866                     | -                                         | -                 | 10,513             |
| Loans, advances and financing                                          |                            |                            |                            |                           |                           |                                           |                   |                    |
| - Performing                                                           | 147,506,115                | 3,079,387                  | 1,580,720                  | 7,864,109                 | 19,650,709                | 255,635                                   | -                 | 179,936,675        |
| - Impaired ^                                                           | 60,276                     | 9,123                      | 6,134                      | 89,603                    | 465,604                   | -                                         | -                 | 630,740            |
| Clients' and brokers' balances                                         | -                          | -                          | -                          | -                         | -                         | 618,824                                   | -                 | 618,824            |
| Other receivables                                                      | 100,459                    | 157                        | 705                        | 2,195                     | -                         | 2,452,511                                 | -                 | 2,556,027          |
| Statutory deposits with Central Banks                                  | -                          | -                          | -                          | -                         | -                         | 3,449,270                                 | -                 | 3,449,270          |
| <b>Total financial assets</b>                                          | <b>158,657,115</b>         | <b>6,434,077</b>           | <b>5,282,669</b>           | <b>65,240,646</b>         | <b>23,001,144</b>         | <b>10,614,847</b>                         | <b>31,075,638</b> | <b>300,306,136</b> |

^ This represents outstanding impaired loans after deducting expected credit losses.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 51 FINANCIAL INSTRUMENTS (continued)

## (b) Market risk (continued)

## (iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

|                                                                   | The Group                  |                            |                            |                           |                           |                                           | Trading book     | Total              |
|-------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|---------------------------|---------------------------|-------------------------------------------|------------------|--------------------|
|                                                                   | Non-trading book           |                            |                            |                           |                           | Non-interest/<br>profit rate<br>sensitive |                  |                    |
| 2023                                                              | Up to<br>1 month<br>RM'000 | >1 - 3<br>months<br>RM'000 | >3 -12<br>months<br>RM'000 | >1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | RM'000                                    | RM'000           | RM'000             |
| <b>Financial liabilities</b>                                      |                            |                            |                            |                           |                           |                                           |                  |                    |
| Deposits from customers                                           | 79,130,813                 | 41,974,775                 | 43,919,319                 | 5,364,619                 | 841,095                   | 40,236,822                                | -                | 211,467,443        |
| Investment accounts of customers                                  | 448,208                    | 859,166                    | 930,546                    | -                         | -                         | 12,593                                    | -                | 2,250,513          |
| Deposits and placements of banks and other financial institutions | 5,368,349                  | 5,227,428                  | 315,766                    | 1,478,344                 | 22,139                    | 40,034                                    | -                | 12,452,060         |
| Obligations on securities sold under repurchase agreements        | 2,678,098                  | 4,718,922                  | -                          | -                         | -                         | 2,563                                     | -                | 7,399,583          |
| Bills and acceptance payable                                      | 4,314                      | 29,963                     | 30,168                     | -                         | -                         | 146,986                                   | -                | 211,431            |
| Derivative financial instruments                                  |                            |                            |                            |                           |                           |                                           |                  |                    |
| - Trading derivatives                                             | -                          | -                          | -                          | -                         | -                         | -                                         | 2,447,396        | 2,447,396          |
| - Hedging derivatives                                             | -                          | -                          | -                          | 35                        | -                         | -                                         | -                | 35                 |
| Clients' and brokers' balances                                    | -                          | -                          | -                          | -                         | -                         | 145,393                                   | -                | 145,393            |
| Payables and other liabilities                                    | 2,240                      | 434                        | 13,298                     | 183                       | -                         | 11,527,198                                | 163,076          | 11,706,429         |
| Recourse obligations on loans/financing sold to Cagamas Berhad    | -                          | -                          | -                          | 2,950,040                 | -                         | 22,180                                    | -                | 2,972,220          |
| Provision for claims                                              | -                          | -                          | -                          | -                         | -                         | 396,780                                   | 17,567           | 414,347            |
| Borrowings                                                        | -                          | -                          | -                          | 200,000                   | -                         | 1,936                                     | -                | 201,936            |
| Multi-currency Additional Tier 1 capital securities               | -                          | -                          | 394,617                    | 1,304,261                 | -                         | 20,752                                    | -                | 1,719,630          |
| Subordinated obligations                                          | -                          | -                          | 998,136                    | 649,089                   | 549,998                   | 9,427                                     | -                | 2,206,650          |
| Lease liabilities                                                 | 4,031                      | 7,594                      | 33,169                     | 119,294                   | 14,906                    | 9,261                                     | 3,756            | 192,011            |
| Insurance funds                                                   | -                          | -                          | -                          | -                         | -                         | 19,327,232                                | 115,679          | 19,442,911         |
| <b>Total financial liabilities</b>                                | <b>87,636,053</b>          | <b>52,818,282</b>          | <b>44,635,019</b>          | <b>12,065,865</b>         | <b>1,428,138</b>          | <b>71,899,157</b>                         | <b>2,747,474</b> | <b>275,229,988</b> |
| <b>Net interest sensitivity gap</b>                               | <b>71,021,062</b>          | <b>(46,384,205)</b>        | <b>(41,352,350)</b>        | <b>53,174,781</b>         | <b>21,573,006</b>         |                                           |                  |                    |
| Financial guarantees                                              | -                          | -                          | -                          | -                         | -                         | 1,045,877                                 |                  |                    |
| Credit related commitments and contingencies                      | -                          | -                          | -                          | -                         | -                         | 51,350,522                                |                  |                    |
| Treasury related commitments and contingencies (hedging)          | -                          | -                          | -                          | 469,048                   | 72,619                    | -                                         |                  |                    |
| <b>Net interest sensitivity gap</b>                               | <b>-</b>                   | <b>-</b>                   | <b>-</b>                   | <b>469,048</b>            | <b>72,619</b>             | <b>52,396,399</b>                         |                  |                    |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (b) Market risk (continued)

##### (iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

|                                                                        | The Group                  |                            |                             |                           |                           |                                                     | Trading book<br>RM'000 | Total<br>RM'000    |
|------------------------------------------------------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-----------------------------------------------------|------------------------|--------------------|
|                                                                        | ←                          | Non-trading book           |                             |                           |                           | →                                                   |                        |                    |
| 2022                                                                   | Up to<br>1 month<br>RM'000 | >1 – 3<br>months<br>RM'000 | >3 – 12<br>months<br>RM'000 | >1 – 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Non-interest/<br>profit rate<br>sensitive<br>RM'000 |                        |                    |
| <b>Financial assets</b>                                                |                            |                            |                             |                           |                           |                                                     |                        |                    |
| Cash and short-term funds                                              | 8,007,675                  | 291,195                    | -                           | -                         | -                         | 1,307,024                                           | -                      | 9,605,894          |
| Deposits and placements with banks and other financial institutions    | -                          | 926,643                    | 367,258                     | -                         | -                         | 6,845                                               | -                      | 1,300,746          |
| Financial assets at fair value through profit or loss                  | -                          | 15,264                     | 6,806                       | 195,032                   | 634,820                   | 3,309,683                                           | 25,309,024             | 29,470,629         |
| Financial investments at fair value through other comprehensive income | 921,028                    | 1,023,891                  | 905,341                     | 19,396,428                | 4,892,707                 | 313,548                                             | -                      | 27,452,943         |
| Financial investments at amortised cost                                | 4,370,742                  | 230,080                    | 1,203,719                   | 22,373,916                | 5,067,716                 | 362,684                                             | -                      | 33,608,857         |
| Derivative financial instruments                                       |                            |                            |                             |                           |                           |                                                     |                        |                    |
| - Trading derivatives                                                  | -                          | -                          | -                           | -                         | -                         | -                                                   | 1,891,782              | 1,891,782          |
| - Hedging derivatives                                                  | -                          | -                          | -                           | 707                       | 9,680                     | -                                                   | -                      | 10,387             |
| Loans, advances and financing                                          |                            |                            |                             |                           |                           |                                                     |                        |                    |
| - Performing                                                           | 140,557,250                | 732,314                    | 1,470,703                   | 8,977,056                 | 14,659,740                | 296,137                                             | -                      | 166,693,200        |
| - Impaired <sup>^</sup>                                                | 69,568                     | 5,164                      | 6,489                       | 52,546                    | 350,336                   | -                                                   | -                      | 484,103            |
| Clients' and brokers' balances                                         | -                          | -                          | -                           | -                         | -                         | 722,181                                             | -                      | 722,181            |
| Other receivables                                                      | 126,102                    | 157                        | 705                         | 3,134                     | -                         | 2,214,173                                           | -                      | 2,344,271          |
| Statutory deposits with Central Banks                                  | -                          | -                          | -                           | -                         | 248,512                   | 272,138                                             | -                      | 520,650            |
| <b>Total financial assets</b>                                          | <b>154,052,365</b>         | <b>3,224,708</b>           | <b>3,961,021</b>            | <b>50,998,819</b>         | <b>25,863,511</b>         | <b>8,804,413</b>                                    | <b>27,200,806</b>      | <b>274,105,643</b> |

<sup>^</sup> This represents outstanding impaired loans after deducting expected credit losses.



## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 51 FINANCIAL INSTRUMENTS (continued)

## (b) Market risk (continued)

## (iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

|                                                                   | The Group                  |                            |                             |                           |                           | Non-interest/<br>profit rate<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000    |
|-------------------------------------------------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-----------------------------------------------------|---------------------------|--------------------|
|                                                                   | Up to<br>1 month<br>RM'000 | >1 - 3<br>months<br>RM'000 | >3 - 12<br>months<br>RM'000 | >1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                                                     |                           |                    |
| <b>2022</b>                                                       |                            |                            |                             |                           |                           |                                                     |                           |                    |
| <b>Financial liabilities</b>                                      |                            |                            |                             |                           |                           |                                                     |                           |                    |
| Deposits from customers                                           | 79,144,766                 | 35,679,741                 | 37,937,516                  | 4,727,875                 | 1,704,736                 | 38,188,287                                          | -                         | 197,382,921        |
| Investment accounts of customers                                  | 975,190                    | 1,457,150                  | 226,629                     | -                         | -                         | 9,439                                               | -                         | 2,668,408          |
| Deposits and placements of banks and other financial institutions | 4,872,554                  | 1,209,531                  | 534,761                     | 1,557,628                 | 21,973                    | 33,038                                              | -                         | 8,229,485          |
| Obligations on securities sold under repurchase agreements        | 1,117,131                  | 2,662,226                  | -                           | -                         | 187,726                   | 4,221                                               | -                         | 3,971,304          |
| Bills and acceptance payable                                      | 3,044                      | 15,461                     | 11,389                      | -                         | -                         | 211,467                                             | -                         | 241,361            |
| Derivative financial instruments                                  |                            |                            |                             |                           |                           |                                                     |                           |                    |
| - Trading derivatives                                             | -                          | -                          | -                           | -                         | -                         | -                                                   | 1,764,532                 | 1,764,532          |
| - Hedging derivatives                                             | -                          | 361                        | -                           | 113                       | -                         | -                                                   | -                         | 474                |
| Clients' and brokers' balances                                    | -                          | -                          | -                           | -                         | -                         | 306,901                                             | -                         | 306,901            |
| Payables and other liabilities                                    | 2,209                      | 434                        | 13,850                      | 183                       | -                         | 11,519,770                                          | 125,386                   | 11,661,832         |
| Recourse obligations on loans/financing sold to Cagamas Berhad    | -                          | 362,918                    | 600,039                     | 650,012                   | -                         | 10,967                                              | -                         | 1,623,936          |
| Provision for claims                                              | -                          | -                          | -                           | -                         | -                         | 319,045                                             | 18,960                    | 338,005            |
| Borrowings                                                        | 210,000                    | -                          | -                           | 200,073                   | -                         | 1,858                                               | -                         | 411,931            |
| Multi-currency Additional Tier 1 capital securities               | -                          | -                          | 799,916                     | 892,649                   | 3,282                     | 20,002                                              | -                         | 1,715,849          |
| Subordinated obligations                                          | -                          | -                          | 499,970                     | 1,150,000                 | 548,345                   | 8,768                                               | -                         | 2,207,083          |
| Lease liabilities                                                 | 3,970                      | 7,736                      | 33,853                      | 145,483                   | 8,661                     | 7,960                                               | 4,936                     | 212,599            |
| Insurance funds                                                   | -                          | -                          | -                           | -                         | -                         | 17,444,519                                          | 79,670                    | 17,524,189         |
| <b>Total financial liabilities</b>                                | <b>86,328,864</b>          | <b>41,395,558</b>          | <b>40,657,923</b>           | <b>9,324,016</b>          | <b>2,474,723</b>          | <b>68,086,242</b>                                   | <b>1,993,484</b>          | <b>250,260,810</b> |
| <b>Net interest sensitivity gap</b>                               | <b>67,723,501</b>          | <b>(38,170,850)</b>        | <b>(36,696,902)</b>         | <b>41,674,803</b>         | <b>23,388,788</b>         |                                                     |                           |                    |
| Financial guarantees                                              | -                          | -                          | -                           | -                         | -                         | 745,430                                             |                           |                    |
| Credit related commitments and contingencies                      | -                          | -                          | -                           | -                         | -                         | 49,469,718                                          |                           |                    |
| Treasury related commitments and contingencies (hedging)          | -                          | -                          | 100,000                     | 476,190                   | 86,905                    | -                                                   |                           |                    |
| <b>Net interest sensitivity gap</b>                               | <b>-</b>                   | <b>-</b>                   | <b>100,000</b>              | <b>476,190</b>            | <b>86,905</b>             | <b>50,215,148</b>                                   |                           |                    |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (b) Market risk (continued)

##### (iv) Interest/profit rate risk (continued)

The tables below summarise the Company's exposure to interest/profit rate risks. Included in the tables are the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

|                                                                     | The Company                  |                            |                             |                           |                           |                                     | Trading book<br>RM'000 | Total<br>RM'000 |
|---------------------------------------------------------------------|------------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-------------------------------------|------------------------|-----------------|
|                                                                     | ← Up to<br>1 month<br>RM'000 | >1 - 3<br>months<br>RM'000 | >3 - 12<br>months<br>RM'000 | >1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Non-interest<br>sensitive<br>RM'000 |                        |                 |
| <b>2023</b>                                                         |                              |                            |                             |                           |                           |                                     |                        |                 |
| <b>Financial assets</b>                                             |                              |                            |                             |                           |                           |                                     |                        |                 |
| Cash and short-term funds                                           | 65,246                       | -                          | -                           | -                         | -                         | -                                   | -                      | 65,246          |
| Deposits and placements with banks and other financial institutions | -                            | 67,860                     | -                           | -                         | -                         | -                                   | -                      | 67,860          |
| Other receivables                                                   | 78                           | 157                        | 705                         | 2,195                     | -                         | 1,996                               | -                      | 5,131           |
| Total financial assets                                              | 65,324                       | 68,017                     | 705                         | 2,195                     | -                         | 1,996                               | -                      | 138,237         |
| <b>Financial liabilities</b>                                        |                              |                            |                             |                           |                           |                                     |                        |                 |
| Payables and other liabilities                                      | 346                          | -                          | 12,279                      | -                         | -                         | 2,150                               | -                      | 14,775          |
| Borrowings                                                          |                              |                            |                             |                           |                           |                                     |                        |                 |
| - Senior notes                                                      | -                            | -                          | -                           | 200,000                   | -                         | 1,919                               | -                      | 201,919         |
| Multi-currency Additional Tier 1 capital securities                 | -                            | -                          | 400,000                     | -                         | -                         | 4,851                               | -                      | 404,851         |
| Subordinated obligations                                            | -                            | -                          | 1,100,000                   | -                         | -                         | 1,859                               | -                      | 1,101,859       |
| Lease liabilities                                                   | 77                           | 155                        | 713                         | 2,408                     | -                         | -                                   | -                      | 3,353           |
| Total financial liabilities                                         | 423                          | 155                        | 1,512,992                   | 202,408                   | -                         | 10,779                              | -                      | 1,726,757       |
| <b>Net interest sensitivity gap</b>                                 | 64,901                       | 67,862                     | (1,512,287)                 | (200,213)                 | -                         |                                     |                        |                 |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 51 FINANCIAL INSTRUMENTS (continued)

## (b) Market risk (continued)

## (iv) Interest/profit rate risk (continued)

The tables below summarise the Company's exposure to interest/profit rate risks. Included in the tables are the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

|                                                                     | The Company                |                            |                             |                           |                           |                                     | Trading book<br>RM'000 | Total<br>RM'000  |
|---------------------------------------------------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-------------------------------------|------------------------|------------------|
|                                                                     | Up to<br>1 month<br>RM'000 | >1 - 3<br>months<br>RM'000 | >3 - 12<br>months<br>RM'000 | >1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Non-interest<br>sensitive<br>RM'000 |                        |                  |
| <b>2022</b>                                                         |                            |                            |                             |                           |                           |                                     |                        |                  |
| <b>Financial assets</b>                                             |                            |                            |                             |                           |                           |                                     |                        |                  |
| Cash and short-term funds                                           | 26,609                     | -                          | -                           | -                         | -                         | -                                   | -                      | 26,609           |
| Deposits and placements with banks and other financial institutions | -                          | 3,360                      | -                           | -                         | -                         | -                                   | -                      | 3,360            |
| Other receivables                                                   | 78                         | 157                        | 705                         | 3,134                     | -                         | 1,271                               | -                      | 5,345            |
| <b>Total financial assets</b>                                       | <b>26,687</b>              | <b>3,517</b>               | <b>705</b>                  | <b>3,134</b>              | <b>-</b>                  | <b>1,271</b>                        | <b>-</b>               | <b>35,314</b>    |
| <b>Financial liabilities</b>                                        |                            |                            |                             |                           |                           |                                     |                        |                  |
| Payables and other liabilities                                      | 315                        | -                          | 12,831                      | -                         | -                         | 1,722                               | -                      | 14,868           |
| Borrowings                                                          |                            |                            |                             |                           |                           |                                     |                        |                  |
| - Revolving credit                                                  | 100,000                    | -                          | -                           | -                         | -                         | 75                                  | -                      | 100,075          |
| - Commercial papers                                                 | 110,000                    | -                          | -                           | -                         | -                         | (80)                                | -                      | 109,920          |
| - Senior notes                                                      | -                          | -                          | -                           | 200,000                   | -                         | 1,863                               | -                      | 201,863          |
| Multi-currency Additional Tier 1 capital securities                 | -                          | -                          | 400,000                     | 400,000                   | -                         | 6,431                               | -                      | 806,431          |
| Subordinated obligations                                            | -                          | -                          | -                           | -                         | 1,600,000                 | 1,624                               | -                      | 1,601,624        |
| Lease liabilities                                                   | 73                         | 147                        | 676                         | 3,353                     | -                         | -                                   | -                      | 4,249            |
| <b>Total financial liabilities</b>                                  | <b>210,388</b>             | <b>147</b>                 | <b>413,507</b>              | <b>603,353</b>            | <b>1,600,000</b>          | <b>11,635</b>                       | <b>-</b>               | <b>2,839,030</b> |
| <b>Net interest sensitivity gap</b>                                 | <b>(183,701)</b>           | <b>3,370</b>               | <b>(412,802)</b>            | <b>(600,219)</b>          | <b>(1,600,000)</b>        |                                     |                        |                  |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 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 Company 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 Bank Negara Malaysia's New Liquidity Framework and depositor's concentration ratios. The Group and the Company 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 (include non-financial instruments) based on the remaining contractual maturity:

| 2023                                                                   | The Group                 |                                |                            |                            |                             |                          |                                   | Total<br>RM'000    |
|------------------------------------------------------------------------|---------------------------|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------|--------------------|
|                                                                        | Up to<br>1 week<br>RM'000 | 1 week to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 6<br>months<br>RM'000 | 6 to 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | No specific<br>maturity<br>RM'000 |                    |
| <b>Assets</b>                                                          |                           |                                |                            |                            |                             |                          |                                   |                    |
| Cash and short-term funds                                              | 7,528,294                 | 2,084,906                      | 68,499                     | 80,000                     | -                           | -                        | 86,733                            | 9,848,432          |
| Deposits and placements with banks and other financial institutions    | -                         | 138,214                        | 581,304                    | 155,326                    | 204,668                     | -                        | 62                                | 1,079,574          |
| Financial assets at fair value through profit or loss                  | 103,473                   | 1,590,438                      | 29,757                     | 524,421                    | 843,899                     | 21,693,835               | 7,108,069                         | 31,893,892         |
| Financial investments at fair value through other comprehensive income | 311,632                   | 1,454,998                      | 1,720,433                  | 329,827                    | 1,907,888                   | 29,902,357               | 97,650                            | 35,724,785         |
| Financial investments at amortised cost                                | 787,556                   | 387                            | 72,782                     | 118,541                    | 876,173                     | 30,476,864               | -                                 | 32,332,303         |
| Derivative financial instruments                                       | 70,674                    | 188,651                        | 593,041                    | 186,680                    | 146,457                     | 1,050,111                | -                                 | 2,235,614          |
| Loans, advances and financing                                          | 14,677,964                | 7,321,276                      | 7,192,416                  | 2,685,273                  | 1,303,877                   | 147,386,609              | -                                 | 180,567,415        |
| Clients' and brokers' balances                                         | 140,476                   | -                              | -                          | -                          | 478,348                     | -                        | -                                 | 618,824            |
| Other receivables                                                      | 1,283,843                 | 15,032                         | 29,590                     | 38,878                     | 94,946                      | 3,965                    | 1,211,495                         | 2,677,749          |
| Statutory deposits with Central Banks                                  | -                         | -                              | -                          | -                          | -                           | -                        | 3,449,270                         | 3,449,270          |
| Tax recoverable                                                        | -                         | -                              | -                          | -                          | 4,289                       | -                        | 618                               | 4,907              |
| Investment in associated companies                                     | -                         | -                              | -                          | -                          | -                           | -                        | 10,050,740                        | 10,050,740         |
| Deferred tax assets                                                    | -                         | -                              | -                          | -                          | 24,331                      | -                        | 83,543                            | 107,874            |
| Property and equipment                                                 | -                         | -                              | -                          | -                          | -                           | -                        | 1,214,879                         | 1,214,879          |
| Investment properties                                                  | -                         | -                              | -                          | -                          | -                           | -                        | 471,630                           | 471,630            |
| Goodwill arising on consolidation                                      | -                         | -                              | -                          | -                          | -                           | -                        | 2,410,644                         | 2,410,644          |
| Intangible assets                                                      | -                         | -                              | -                          | -                          | -                           | -                        | 387,918                           | 387,918            |
| Right-of-use assets                                                    | -                         | 78                             | 157                        | 235                        | 470                         | 2,195                    | 186,205                           | 189,340            |
| <b>Total assets</b>                                                    | <b>24,905,912</b>         | <b>12,793,980</b>              | <b>10,287,979</b>          | <b>4,119,181</b>           | <b>5,885,346</b>            | <b>230,515,936</b>       | <b>26,759,456</b>                 | <b>315,265,790</b> |

# Notes to the Financial Statements

for the financial year ended 30 June 2023

## 51 FINANCIAL INSTRUMENTS (continued)

### (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

| 2023                                                              | The Group                 |                                |                            |                            |                             |                          |                                   | Total<br>RM'000    |
|-------------------------------------------------------------------|---------------------------|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------|--------------------|
|                                                                   | Up to<br>1 week<br>RM'000 | 1 week to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 6<br>months<br>RM'000 | 6 to 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | No specific<br>maturity<br>RM'000 |                    |
| <b>Liabilities</b>                                                |                           |                                |                            |                            |                             |                          |                                   |                    |
| Deposits from customers                                           | 85,227,674                | 31,984,927                     | 42,306,469                 | 24,444,141                 | 19,954,278                  | 7,549,954                | -                                 | 211,467,443        |
| 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 | 3,853,244                 | 1,551,423                      | 5,230,031                  | 142,636                    | 174,244                     | 1,500,482                | -                                 | 12,452,060         |
| Obligations on securities sold under repurchase agreements        | 1,175,840                 | 1,505,098                      | 4,718,645                  | -                          | -                           | -                        | -                                 | 7,399,583          |
| Bills and acceptances payable                                     | 314                       | 4,000                          | 29,963                     | 30,168                     | -                           | -                        | 146,986                           | 211,431            |
| Derivative financial instruments                                  | 226,949                   | 174,828                        | 473,226                    | 137,454                    | 139,652                     | 1,295,322                | -                                 | 2,447,431          |
| Clients' and brokers' balances                                    | 145,393                   | -                              | -                          | -                          | -                           | -                        | -                                 | 145,393            |
| Payables and other liabilities                                    | 5,673,051                 | 1,415,059                      | 161,855                    | 8,206                      | 4,686,763                   | 20,462                   | 89,060                            | 12,054,456         |
| Recourse obligations on loans/financing sold to Cagamas Berhad    | -                         | -                              | 15,203                     | 6,977                      | -                           | 2,950,040                | -                                 | 2,972,220          |
| Provision for claims                                              | -                         | -                              | -                          | -                          | 414,347                     | -                        | -                                 | 414,347            |
| Provision for taxation                                            | -                         | -                              | -                          | -                          | 7,744                       | -                        | 50,397                            | 58,141             |
| Borrowings                                                        | -                         | -                              | -                          | 1,936                      | -                           | 200,000                  | -                                 | 201,936            |
| Multi-currency Additional Tier 1 capital securities               | -                         | -                              | 4,862                      | 15,891                     | 394,617                     | 1,304,260                | -                                 | 1,719,630          |
| Subordinated obligations                                          | -                         | -                              | 4,652                      | 4,775                      | 998,136                     | 1,199,087                | -                                 | 2,206,650          |
| Lease liabilities                                                 | 237                       | 4,032                          | 8,453                      | 12,303                     | 23,914                      | 143,072                  | -                                 | 192,011            |
| Insurance funds                                                   | -                         | 6,911                          | 65                         | 440                        | 7,530,463                   | 11,905,032               | -                                 | 19,442,911         |
| <b>Total liabilities</b>                                          | <b>96,426,939</b>         | <b>36,975,213</b>              | <b>53,817,499</b>          | <b>25,713,910</b>          | <b>34,348,441</b>           | <b>28,067,711</b>        | <b>286,443</b>                    | <b>275,636,156</b> |
| Total equity                                                      | -                         | -                              | -                          | -                          | -                           | -                        | 39,629,634                        | 39,629,634         |
| <b>Total liabilities and equity</b>                               | <b>96,426,939</b>         | <b>36,975,213</b>              | <b>53,817,499</b>          | <b>25,713,910</b>          | <b>34,348,441</b>           | <b>28,067,711</b>        | <b>39,916,077</b>                 | <b>315,265,790</b> |
| <b>Net liquidity gap</b>                                          | <b>(71,523,027)</b>       | <b>(24,181,233)</b>            | <b>(43,529,520)</b>        | <b>(21,594,729)</b>        | <b>(28,463,095)</b>         | <b>202,448,225</b>       |                                   |                    |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

| 2022                                                                   | The Group                 |                                |                            |                            |                             |                          |                                   | Total<br>RM'000    |
|------------------------------------------------------------------------|---------------------------|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------|--------------------|
|                                                                        | Up to<br>1 week<br>RM'000 | 1 week to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 6<br>months<br>RM'000 | 6 to 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | No specific<br>maturity<br>RM'000 |                    |
| <b>Assets</b>                                                          |                           |                                |                            |                            |                             |                          |                                   |                    |
| Cash and short-term funds                                              | 5,306,682                 | 3,881,384                      | 291,195                    | -                          | -                           | -                        | 126,633                           | 9,605,894          |
| Deposits and placements with banks and other financial institutions    | -                         | 100,021                        | 831,311                    | 366,214                    | 3,139                       | -                        | 61                                | 1,300,746          |
| Financial assets at fair value through profit or loss                  | 316,574                   | 1,110,143                      | 1,110,675                  | 388,372                    | 244,068                     | 18,598,072               | 7,702,725                         | 29,470,629         |
| Financial investments at fair value through other comprehensive income | 399,843                   | 522,737                        | 1,011,973                  | 134,190                    | 616,442                     | 24,684,372               | 83,386                            | 27,452,943         |
| Financial investments at amortised cost                                | 96,866                    | 4,352,807                      | 251,194                    | 255,838                    | 1,014,103                   | 27,638,049               | -                                 | 33,608,857         |
| Derivative financial instruments                                       | 46,061                    | 164,821                        | 433,512                    | 138,025                    | 123,545                     | 996,205                  | -                                 | 1,902,169          |
| Loans, advances and financing                                          | 13,501,595                | 8,377,197                      | 5,183,381                  | 2,808,015                  | 1,036,259                   | 136,270,856              | -                                 | 167,177,303        |
| Clients' and brokers' balances                                         | 316,276                   | -                              | -                          | -                          | 405,905                     | -                        | -                                 | 722,181            |
| Other receivables                                                      | 1,344,550                 | 13,623                         | 17,632                     | 23,109                     | 49,043                      | 6,275                    | 977,268                           | 2,431,500          |
| Statutory deposits with Central Banks                                  | -                         | -                              | -                          | -                          | -                           | -                        | 520,650                           | 520,650            |
| Tax recoverable                                                        | -                         | -                              | -                          | -                          | 5,742                       | -                        | 520                               | 6,262              |
| Investment in associated companies                                     | -                         | -                              | -                          | -                          | -                           | -                        | 7,660,825                         | 7,660,825          |
| Deferred tax assets                                                    | -                         | -                              | -                          | -                          | 56,596                      | -                        | 308,335                           | 364,931            |
| Property and equipment                                                 | -                         | -                              | -                          | -                          | -                           | -                        | 1,274,380                         | 1,274,380          |
| Investment properties                                                  | -                         | -                              | -                          | -                          | -                           | -                        | 471,610                           | 471,610            |
| Goodwill arising on consolidation                                      | -                         | -                              | -                          | -                          | -                           | -                        | 2,410,644                         | 2,410,644          |
| Intangible assets                                                      | -                         | -                              | -                          | -                          | -                           | -                        | 324,938                           | 324,938            |
| Right-of-use assets                                                    | -                         | 78                             | 157                        | 235                        | 470                         | 3,135                    | 210,280                           | 214,355            |
| <b>Total assets</b>                                                    | <b>21,328,447</b>         | <b>18,522,811</b>              | <b>9,131,030</b>           | <b>4,113,998</b>           | <b>3,555,312</b>            | <b>208,196,964</b>       | <b>22,072,255</b>                 | <b>286,920,817</b> |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 51 FINANCIAL INSTRUMENTS (continued)

## (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

| 2022                                                              | The Group                 |                                |                            |                            |                             |                          |                                   | Total<br>RM'000    |
|-------------------------------------------------------------------|---------------------------|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------|--------------------|
|                                                                   | Up to<br>1 week<br>RM'000 | 1 week to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 6<br>months<br>RM'000 | 6 to 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | No specific<br>maturity<br>RM'000 |                    |
| <b>Liabilities</b>                                                |                           |                                |                            |                            |                             |                          |                                   |                    |
| Deposits from customers                                           | 85,184,711                | 29,884,970                     | 35,877,471                 | 18,088,407                 | 20,068,312                  | 8,279,050                | -                                 | 197,382,921        |
| Investment accounts of customers                                  | 232,455                   | 744,106                        | 1,463,800                  | 105,564                    | 122,483                     | -                        | -                                 | 2,668,408          |
| Deposits and placements of banks and other financial institutions | 3,030,676                 | 1,872,390                      | 1,210,850                  | 419,733                    | 116,236                     | 1,579,600                | -                                 | 8,229,485          |
| Obligations on securities sold under repurchase agreements        | 96,323                    | 1,022,185                      | 2,664,629                  | -                          | -                           | 188,167                  | -                                 | 3,971,304          |
| Bills and acceptances payable                                     | 143                       | 2,901                          | 15,461                     | 11,382                     | 8                           | -                        | 211,466                           | 241,361            |
| Derivative financial instruments                                  | 44,133                    | 81,964                         | 139,983                    | 126,527                    | 65,384                      | 1,307,015                | -                                 | 1,765,006          |
| Clients' and brokers' balances                                    | 306,901                   | -                              | -                          | -                          | -                           | -                        | -                                 | 306,901            |
| Payables and other liabilities                                    | 5,456,674                 | 1,775,319                      | 130,674                    | 8,822                      | 4,520,956                   | 20,167                   | 88,402                            | 12,001,014         |
| Recourse obligations on loans/financing sold to Cagamas Berhad    | -                         | -                              | 372,882                    | 601,042                    | -                           | 650,012                  | -                                 | 1,623,936          |
| Provision for claims                                              | -                         | -                              | -                          | -                          | 338,005                     | -                        | -                                 | 338,005            |
| Provision for taxation                                            | -                         | -                              | -                          | -                          | 22,188                      | -                        | 308,913                           | 331,101            |
| Borrowings                                                        | -                         | 209,996                        | -                          | -                          | -                           | 201,935                  | -                                 | 411,931            |
| Multi-currency Additional Tier 1 capital securities               | -                         | -                              | 4,859                      | 810,360                    | -                           | 900,630                  | -                                 | 1,715,849          |
| Subordinated obligations                                          | -                         | -                              | 4,652                      | 2,492                      | 499,970                     | 1,699,969                | -                                 | 2,207,083          |
| Lease liabilities                                                 | 316                       | 3,971                          | 8,368                      | 12,305                     | 24,034                      | 163,605                  | -                                 | 212,599            |
| Insurance funds                                                   | -                         | 78                             | 183                        | 15,154                     | 6,209,038                   | 11,299,736               | -                                 | 17,524,189         |
| <b>Total liabilities</b>                                          | <b>94,352,332</b>         | <b>35,597,880</b>              | <b>41,893,812</b>          | <b>20,201,788</b>          | <b>31,986,614</b>           | <b>26,289,886</b>        | <b>608,781</b>                    | <b>250,931,093</b> |
| Total equity                                                      | -                         | -                              | -                          | -                          | -                           | -                        | 35,989,724                        | 35,989,724         |
| <b>Total liabilities and equity</b>                               | <b>94,352,332</b>         | <b>35,597,880</b>              | <b>41,893,812</b>          | <b>20,201,788</b>          | <b>31,986,614</b>           | <b>26,289,886</b>        | <b>36,598,505</b>                 | <b>286,920,817</b> |
| <b>Net liquidity gap</b>                                          | <b>(73,023,885)</b>       | <b>(17,075,069)</b>            | <b>(32,762,782)</b>        | <b>(16,087,790)</b>        | <b>(28,431,302)</b>         | <b>181,907,078</b>       |                                   |                    |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

| 2023                                                                | The Company               |                                |                            |                            |                             |                          |                                   | Total<br>RM'000   |
|---------------------------------------------------------------------|---------------------------|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------|-------------------|
|                                                                     | Up to<br>1 week<br>RM'000 | 1 week to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 6<br>months<br>RM'000 | 6 to 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | No specific<br>maturity<br>RM'000 |                   |
| <b>Assets</b>                                                       |                           |                                |                            |                            |                             |                          |                                   |                   |
| Cash and short-term funds                                           | 8,246                     | 57,000                         | -                          | -                          | -                           | -                        | -                                 | 65,246            |
| Deposits and placements with banks and other financial institutions | -                         | -                              | 67,860                     | -                          | -                           | -                        | -                                 | 67,860            |
| Other receivables                                                   | -                         | 2                              | 330                        | -                          | -                           | 1,918                    | -                                 | 2,250             |
| Tax recoverable                                                     | -                         | -                              | -                          | -                          | -                           | -                        | 464                               | 464               |
| Investment in subsidiary companies                                  | -                         | -                              | 4,862                      | 2,167                      | 1,500,000                   | -                        | 17,051,847                        | 18,558,876        |
| Deferred tax assets                                                 | -                         | -                              | -                          | -                          | -                           | -                        | 203                               | 203               |
| Property and equipment                                              | -                         | -                              | -                          | -                          | -                           | -                        | 5,341                             | 5,341             |
| Intangible assets                                                   | -                         | -                              | -                          | -                          | -                           | -                        | 137                               | 137               |
| Right-of-use assets                                                 | -                         | 78                             | 157                        | 235                        | 470                         | 2,195                    | -                                 | 3,135             |
| <b>Total assets</b>                                                 | <b>8,246</b>              | <b>57,080</b>                  | <b>73,209</b>              | <b>2,402</b>               | <b>1,500,470</b>            | <b>4,113</b>             | <b>17,057,992</b>                 | <b>18,703,512</b> |
| <b>Liabilities</b>                                                  |                           |                                |                            |                            |                             |                          |                                   |                   |
| Payables and other liabilities                                      | -                         | -                              | 346                        | 1,017                      | 11,262                      | 2,150                    | -                                 | 14,775            |
| Borrowings                                                          |                           |                                |                            |                            |                             |                          |                                   |                   |
| - Senior notes                                                      | -                         | -                              | -                          | 1,919                      | -                           | 200,000                  | -                                 | 201,919           |
| Multi-currency Additional Tier 1 capital securities                 | -                         | -                              | -                          | 4,851                      | 400,000                     | -                        | -                                 | 404,851           |
| Subordinated obligations                                            | -                         | -                              | -                          | 1,859                      | 1,100,000                   | -                        | -                                 | 1,101,859         |
| Lease liabilities                                                   | -                         | 77                             | 155                        | 235                        | 479                         | 2,407                    | -                                 | 3,353             |
| <b>Total liabilities</b>                                            | <b>-</b>                  | <b>77</b>                      | <b>501</b>                 | <b>9,881</b>               | <b>1,511,741</b>            | <b>204,557</b>           | <b>-</b>                          | <b>1,726,757</b>  |
| Total equity                                                        | -                         | -                              | -                          | -                          | -                           | -                        | 16,976,755                        | 16,976,755        |
| Total liabilities and equity                                        | -                         | 77                             | 501                        | 9,881                      | 1,511,741                   | 204,557                  | 16,976,755                        | 18,703,512        |
| <b>Net liquidity gap</b>                                            | <b>8,246</b>              | <b>57,003</b>                  | <b>72,708</b>              | <b>(7,479)</b>             | <b>(11,271)</b>             | <b>(200,444)</b>         |                                   |                   |



## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 51 FINANCIAL INSTRUMENTSV (continued)

## (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

| 2022                                                                | The Company               |                                |                            |                            |                             |                          |                                   | Total<br>RM'000   |
|---------------------------------------------------------------------|---------------------------|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------|-------------------|
|                                                                     | Up to<br>1 week<br>RM'000 | 1 week to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 6<br>months<br>RM'000 | 6 to 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | No specific<br>maturity<br>RM'000 |                   |
| <b>Assets</b>                                                       |                           |                                |                            |                            |                             |                          |                                   |                   |
| Cash and short-term funds                                           | 1,715                     | 24,894                         | -                          | -                          | -                           | -                        | -                                 | 26,609            |
| Deposits and placements with banks and other financial institutions | -                         | -                              | 3,360                      | -                          | -                           | -                        | -                                 | 3,360             |
| Other receivables                                                   | -                         | -                              | 1                          | -                          | -                           | 2,634                    | -                                 | 2,635             |
| Tax recoverable                                                     | -                         | -                              | -                          | -                          | -                           | -                        | 492                               | 492               |
| Investment in subsidiary companies                                  | -                         | -                              | 4,863                      | 404,232                    | -                           | -                        | 19,050,333                        | 19,459,428        |
| Deferred tax assets                                                 | -                         | -                              | -                          | -                          | -                           | -                        | 229                               | 229               |
| Property and equipment                                              | -                         | -                              | -                          | -                          | -                           | -                        | 4,803                             | 4,803             |
| Intangible asset                                                    | -                         | -                              | -                          | -                          | -                           | -                        | 76                                | 76                |
| Right-of-use assets                                                 | -                         | 78                             | 157                        | 235                        | 470                         | 3,135                    | -                                 | 4,075             |
| <b>Total assets</b>                                                 | <b>1,715</b>              | <b>24,972</b>                  | <b>8,381</b>               | <b>404,467</b>             | <b>470</b>                  | <b>5,769</b>             | <b>19,055,933</b>                 | <b>19,501,707</b> |
| <b>Liabilities</b>                                                  |                           |                                |                            |                            |                             |                          |                                   |                   |
| Payables and other liabilities                                      | -                         | 315                            | -                          | 995                        | 11,836                      | 1,722                    | -                                 | 14,868            |
| Borrowings                                                          |                           |                                |                            |                            |                             |                          |                                   |                   |
| - Revolving credits                                                 | -                         | 100,075                        | -                          | -                          | -                           | -                        | -                                 | 100,075           |
| - Commercial papers                                                 | -                         | 109,920                        | -                          | -                          | -                           | -                        | -                                 | 109,920           |
| - Senior notes                                                      | -                         | -                              | -                          | -                          | -                           | 201,863                  | -                                 | 201,863           |
| Multi-currency Additional Tier 1 capital securities                 | -                         | -                              | -                          | 401,732                    | -                           | 404,699                  | -                                 | 806,431           |
| Subordinated obligations                                            | -                         | -                              | -                          | -                          | -                           | 1,601,624                | -                                 | 1,601,624         |
| Lease liabilities                                                   | -                         | 73                             | 147                        | 223                        | 454                         | 3,352                    | -                                 | 4,249             |
| <b>Total liabilities</b>                                            | <b>-</b>                  | <b>210,383</b>                 | <b>147</b>                 | <b>402,950</b>             | <b>12,290</b>               | <b>2,213,260</b>         | <b>-</b>                          | <b>2,839,030</b>  |
| <b>Total equity</b>                                                 | <b>-</b>                  | <b>-</b>                       | <b>-</b>                   | <b>-</b>                   | <b>-</b>                    | <b>-</b>                 | <b>16,662,677</b>                 | <b>16,662,677</b> |
| <b>Total liabilities and equity</b>                                 | <b>-</b>                  | <b>210,383</b>                 | <b>147</b>                 | <b>402,950</b>             | <b>12,290</b>               | <b>2,213,260</b>         | <b>16,662,677</b>                 | <b>19,501,707</b> |
| <b>Net liquidity gap</b>                                            | <b>1,715</b>              | <b>(185,411)</b>               | <b>8,234</b>               | <b>1,517</b>               | <b>(11,820)</b>             | <b>(2,207,491)</b>       |                                   |                   |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 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.

| 2023                                                              | The Group                  |                            |                             |                           |                           |                    |
|-------------------------------------------------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|--------------------|
|                                                                   | Up to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Total<br>RM'000    |
| <b>Financial liabilities</b>                                      |                            |                            |                             |                           |                           |                    |
| Deposits from customers                                           | 62,263,412                 | 48,149,310                 | 55,088,291                  | 48,259,124                | 1,684,848                 | 215,444,985        |
| Investment accounts of customer                                   | 444,931                    | 919,787                    | 968,025                     | -                         | -                         | 2,332,743          |
| Deposits and placements of banks and other financial institutions | 6,563,298                  | 4,205,625                  | 358,644                     | 1,099,967                 | 397,054                   | 12,624,588         |
| 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            |
| Derivative financial instruments                                  |                            |                            |                             |                           |                           |                    |
| - Gross settled derivatives                                       |                            |                            |                             |                           |                           |                    |
| - Inflow                                                          | (13,279,406)               | (14,965,434)               | (4,955,367)                 | (3,972,926)               | (118,311)                 | (37,291,444)       |
| - Outflow                                                         | 13,692,376                 | 15,616,309                 | 5,229,804                   | 4,284,947                 | 131,787                   | 38,955,223         |
| - Net settled derivatives                                         | 43,863                     | 68,989                     | 347,538                     | 626,874                   | 109,254                   | 1,196,518          |
| Clients' and brokers' balances                                    | 145,393                    | -                          | -                           | -                         | -                         | 145,393            |
| Payables and other liabilities                                    | 6,900,160                  | 145,242                    | 4,668,314                   | 17,476                    | 3,347                     | 11,734,539         |
| Recourse obligations on loans/financing sold to Cagamas Berhad    | -                          | 27,256                     | 90,684                      | 3,101,511                 | -                         | 3,219,451          |
| Provision for claims                                              | -                          | -                          | 414,347                     | -                         | -                         | 414,347            |
| Borrowings                                                        | -                          | 2,827                      | 2,890                       | 202,842                   | -                         | 208,559            |
| Multi-currency Additional Tier 1 capital securities               | -                          | 19,237                     | 878,039                     | 1,485,976                 | -                         | 2,383,252          |
| Subordinated obligations                                          | -                          | 7,860                      | 2,229,664                   | 827,115                   | 580,049                   | 3,644,688          |
| Lease liabilities                                                 | 4,957                      | 10,953                     | 40,632                      | 124,442                   | 35,361                    | 216,345            |
| Insurance funds                                                   | 6,911                      | 65                         | 7,618,218                   | 3,998,633                 | 18,601,080                | 30,224,907         |
| <b>Total financial liabilities</b>                                | <b>79,615,198</b>          | <b>58,933,248</b>          | <b>72,991,810</b>           | <b>60,055,981</b>         | <b>21,424,469</b>         | <b>293,020,706</b> |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 51 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)

| 2022                                                              | The Group                  |                            |                             |                           |                           | Total<br>RM'000    |
|-------------------------------------------------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|--------------------|
|                                                                   | Up to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                    |
| <b>Financial liabilities</b>                                      |                            |                            |                             |                           |                           |                    |
| Deposits from customers                                           | 61,373,701                 | 40,597,258                 | 48,187,735                  | 47,439,915                | 2,834,423                 | 200,433,032        |
| Investment accounts of customer                                   | 518,105                    | 1,125,721                  | 1,076,127                   | -                         | -                         | 2,719,953          |
| Deposits and placements of banks and other financial institutions | 5,034,430                  | 1,162,632                  | 592,906                     | 1,062,663                 | 516,938                   | 8,369,569          |
| Obligations on securities sold under repurchase agreements        | 1,119,639                  | 2,670,623                  | -                           | -                         | -                         | 3,790,262          |
| Bills and acceptances payable                                     | 211,666                    | -                          | -                           | -                         | -                         | 211,666            |
| Derivative financial instruments                                  |                            |                            |                             |                           |                           |                    |
| - Gross settled derivatives                                       |                            |                            |                             |                           |                           |                    |
| - Inflow                                                          | (9,451,882)                | (5,239,105)                | (4,635,703)                 | (2,728,214)               | (113,232)                 | (22,168,136)       |
| - Outflow                                                         | 9,568,214                  | 5,357,199                  | 4,768,773                   | 2,877,443                 | 118,371                   | 22,690,000         |
| - Net settled derivatives                                         | 112                        | 53,384                     | 280,761                     | 865,118                   | 92,752                    | 1,292,127          |
| Clients' and brokers' balances                                    | 306,901                    | -                          | -                           | -                         | -                         | 306,901            |
| Payables and other liabilities                                    | 7,055,631                  | 103,191                    | 4,482,648                   | 15,289                    | 5,072                     | 11,661,831         |
| Recourse obligations on loans/financing sold to Cagamas Berhad    | 10,498                     | 376,820                    | 626,213                     | 691,934                   | -                         | 1,705,465          |
| Provision for claims                                              | -                          | -                          | 338,005                     | -                         | -                         | 338,005            |
| Borrowings                                                        | 528                        | 3,839                      | 7,330                       | 423,776                   | -                         | 435,473            |
| Multi-currency Additional Tier 1 capital securities               | -                          | 19,237                     | 879,864                     | 1,092,300                 | -                         | 1,991,401          |
| Subordinated obligations                                          | -                          | 7,860                      | 1,131,958                   | 802,594                   | 609,867                   | 2,552,279          |
| Lease liabilities                                                 | 4,928                      | 11,071                     | 41,256                      | 133,349                   | 50,265                    | 240,869            |
| Insurance funds                                                   | 78                         | 199                        | 6,309,946                   | 3,908,640                 | 17,030,343                | 27,249,206         |
| <b>Total financial liabilities</b>                                | <b>75,752,549</b>          | <b>46,249,929</b>          | <b>64,087,819</b>           | <b>56,584,807</b>         | <b>21,144,799</b>         | <b>263,819,903</b> |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 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 Company                |                            |                             |                           |                           |                 |
|-----------------------------------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-----------------|
|                                                     | Up to 1<br>month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Total<br>RM'000 |
| <b>2023</b>                                         |                            |                            |                             |                           |                           |                 |
| <b>Financial liabilities</b>                        |                            |                            |                             |                           |                           |                 |
| Payables and other liabilities                      | -                          | -                          | 12,625                      | 2,150                     | -                         | 14,775          |
| Borrowings                                          |                            |                            |                             |                           |                           |                 |
| - Senior notes                                      | -                          | 2,827                      | 2,873                       | 202,842                   | -                         | 208,542         |
| Multi-currency Additional Tier 1 capital securities | -                          | 9,719                      | 409,614                     | -                         | -                         | 419,333         |
| Subordinated obligations                            | -                          | -                          | 1,147,430                   | -                         | -                         | 1,147,430       |
| Total financial liabilities                         | -                          | 12,546                     | 1,572,542                   | 204,992                   | -                         | 1,790,080       |
| <b>2022</b>                                         |                            |                            |                             |                           |                           |                 |
| <b>Financial liabilities</b>                        |                            |                            |                             |                           |                           |                 |
| Payables and other liabilities                      | 315                        | -                          | 12,831                      | -                         | 1,721                     | 14,867          |
| Borrowings                                          |                            |                            |                             |                           |                           |                 |
| - Revolving credit                                  | 302                        | 600                        | 2,644                       | 101,249                   | -                         | 104,795         |
| - Commercial papers                                 | 226                        | 412                        | 1,813                       | 113,912                   | -                         | 116,363         |
| - Senior notes                                      | -                          | 2,827                      | 2,873                       | 208,542                   | -                         | 214,242         |
| Multi-currency Additional Tier 1 capital securities | -                          | 9,719                      | 420,107                     | 419,333                   | -                         | 849,159         |
| Subordinated obligations                            | -                          | -                          | 571,882                     | 1,147,430                 | -                         | 1,719,312       |
| Total financial liabilities                         | 843                        | 13,558                     | 1,012,150                   | 1,990,466                 | 1,721                     | 3,018,738       |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's commitments and contingencies:

|                                                                                                   | The Group                     |                          | Total<br>RM'000   |
|---------------------------------------------------------------------------------------------------|-------------------------------|--------------------------|-------------------|
|                                                                                                   | Less than<br>1 year<br>RM'000 | Over<br>1 year<br>RM'000 |                   |
| <b>2023</b>                                                                                       |                               |                          |                   |
| Direct credit substitutes                                                                         | 153,828                       | 71,687                   | 225,515           |
| Any commitment that are unconditionally cancelled at anytime<br>by the Group without prior notice | 917,463                       | -                        | 917,463           |
| Short-term self liquidating trade related contingencies                                           | 820,362                       | -                        | 820,362           |
| Obligations under underwriting agreement                                                          | -                             | -                        | -                 |
| Irrevocable commitments to extend credit                                                          | 26,457,159                    | 17,073,556               | 43,530,715        |
| Unutilised credit card lines                                                                      | 6,902,344                     | -                        | 6,902,344         |
| <b>Total commitments and contingencies</b>                                                        | <b>35,251,156</b>             | <b>17,145,243</b>        | <b>52,396,399</b> |
| <b>2022</b>                                                                                       |                               |                          |                   |
| Direct credit substitutes                                                                         | 137,903                       | 200                      | 138,103           |
| Any commitment that are unconditionally cancelled at anytime<br>by the Group without prior notice | 919,747                       | -                        | 919,747           |
| Short-term self liquidating trade related contingencies                                           | 607,327                       | -                        | 607,327           |
| Obligations under underwriting agreement                                                          | 7,140                         | -                        | 7,140             |
| Irrevocable commitments to extend credit                                                          | 23,913,907                    | 17,538,803               | 41,452,710        |
| Unutilised credit card lines                                                                      | 7,090,121                     | -                        | 7,090,121         |
| <b>Total commitments and contingencies</b>                                                        | <b>32,676,145</b>             | <b>17,539,003</b>        | <b>50,215,148</b> |

Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group. The Group expect that not all of the contingent liabilities and undrawn loan commitments will be drawn before expiry.

#### (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 Company 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.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 51 FINANCIAL INSTRUMENTS (continued)

## (d) Credit risk (continued)

## (i) Maximum exposure to credit risk (continued)

The table below shows the maximum exposure to credit risk for the Group and the Company that are subject to impairment:

|                                                                                                    | The Group          |                | The Company    |                |
|----------------------------------------------------------------------------------------------------|--------------------|----------------|----------------|----------------|
|                                                                                                    | 2023<br>RM'000     | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>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) | <b>9,409,365</b>   | 9,530,886      | <b>133,106</b> | 29,969         |
| Financial assets and investments portfolios (exclude shares and unit trust investments)            |                    |                |                |                |
| - Financial investments at FVOCI                                                                   | <b>35,627,135</b>  | 27,369,557     | -              | -              |
| - Financial investments at amortised cost                                                          | <b>32,332,302</b>  | 33,608,856     | -              | -              |
| Loans, advances and financing                                                                      | <b>180,567,415</b> | 167,177,303    | -              | -              |
| Clients' and brokers' balances                                                                     | <b>618,824</b>     | 722,181        | -              | -              |
| Other receivables                                                                                  | <b>2,452,511</b>   | 2,214,173      | <b>1,996</b>   | 1,271          |
|                                                                                                    | <b>261,007,552</b> | 240,622,956    | <b>135,102</b> | 31,240         |
| Credit risk exposure relating to off-balance sheet assets:                                         |                    |                |                |                |
| Commitments and contingencies                                                                      | <b>52,396,399</b>  | 50,215,148     | -              | -              |
| Total maximum credit risk exposure                                                                 | <b>313,403,951</b> | 290,838,104    | <b>135,102</b> | 31,240         |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (d) Credit risk (continued)

##### (i) Maximum exposure to credit risk (continued)

The table below shows the credit exposure of the Group and the Company that are not subject to impairment:

|                           | The Group      |                |
|---------------------------|----------------|----------------|
|                           | 2023<br>RM'000 | 2022<br>RM'000 |
| Financial assets at FVTPL | 23,405,095     | 21,518,805     |
| Derivative assets         | 2,235,614      | 1,902,169      |
|                           | 25,640,709     | 23,420,974     |

##### (ii) Collaterals

The main type of collaterals obtained by the Group 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 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 loans, advances and financing for which no allowances is recognised because of collateral amounted to RM90.3 million (2022: RM94.5 million) for the Group.

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 is 87.25% (2022: 87.23%). 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 for the Group is 72.11% (2022: 76.11%).

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (d) Credit risk (continued)

##### (iii) Credit exposure by stage

Financial assets of the Group and the Company are classified into three stages as below:

| Stages                                          | Description                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Stage 1: 12 months ECL<br>- 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<br>- 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<br>- 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 0.

##### (iv) Credit quality

The Group assess credit quality of loans and advances 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 is under closer monitoring.                                       |
| No rating       | Obligors which are currently not assigned with a 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.                                                                                                                     |



## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (d) Credit risk (continued)

##### (iv) Credit quality (continued)

The credit quality of financial instruments other than loans, advances and financing are determined based on the ratings of counterparties as defined equivalent rating of other international rating agencies as defined below.

|                      |                                                                                                                                                               |
|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 expose to default risk.                                                                    |
| Un-graded            | Refers to financial assets which are currently not assigned with ratings due to unavailability of rating models.                                              |
| Credit impaired      | Refers to the asset that is being impaired.                                                                                                                   |

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

| The Group<br>2023                                                                                   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
|-----------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-----------------|
| Short-term funds and placements with banks and other financial institutions (exclude cash in hand): |                   |                   |                   |                 |
| Sovereign                                                                                           | 4,396,228         | -                 | -                 | 4,396,228       |
| Investment grade                                                                                    | 4,811,189         | -                 | -                 | 4,811,189       |
| Non-Investment grade                                                                                | 202,171           | -                 | -                 | 202,171         |
| Gross carrying amount                                                                               | 9,409,588         | -                 | -                 | 9,409,588       |
| Expected credit losses                                                                              | (223)             | -                 | -                 | (223)           |
| Net carrying amount                                                                                 | 9,409,365         | -                 | -                 | 9,409,365       |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 51 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<br>2023                        | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
|------------------------------------------|-------------------|-------------------|-------------------|-----------------|
| Financial investments at FVOCI:          |                   |                   |                   |                 |
| Sovereign                                | 23,021,315        | -                 | -                 | 23,021,315      |
| Investment grade                         | 12,469,305        | -                 | -                 | 12,469,305      |
| Non-investment grade                     | 107,580           | -                 | -                 | 107,580         |
| Un-graded                                | 28,935            | -                 | -                 | 28,935          |
| Gross carrying amount                    | 35,627,135        | -                 | -                 | 35,627,135      |
| Expected credit losses                   | (2,014)           | -                 | -                 | (2,014)         |
| Net carrying amount                      | 35,625,121        | -                 | -                 | 35,625,121      |
| Financial investments at amortised cost: |                   |                   |                   |                 |
| Sovereign                                | 30,591,209        | -                 | -                 | 30,591,209      |
| Investment grade                         | 1,741,111         | -                 | -                 | 1,741,111       |
| Gross carrying amount                    | 32,332,320        | -                 | -                 | 32,332,320      |
| Expected credit losses                   | (18)              | -                 | -                 | (18)            |
| Net carrying amount                      | 32,332,302        | -                 | -                 | 32,332,302      |
| Loans, advances and financing:           |                   |                   |                   |                 |
| Good                                     | 150,605,536       | 117,253           | -                 | 150,722,789     |
| Adequate                                 | 23,418,533        | 1,285,854         | -                 | 24,704,387      |
| Marginal                                 | -                 | 5,310,466         | -                 | 5,310,466       |
| Un-graded                                | 557,834           | 4,131             | -                 | 561,965         |
| Credit impaired                          | -                 | -                 | 1,042,010         | 1,042,010       |
| Gross carrying amount                    | 174,581,903       | 6,717,704         | 1,042,010         | 182,341,617     |
| Expected credit losses                   | (966,580)         | (381,778)         | (411,144)         | (1,759,502)     |
| Others*                                  | (14,700)          | -                 | -                 | (14,700)        |
| Net carrying amount                      | 173,600,623       | 6,335,926         | 630,866           | 180,567,415     |

\* Included fair value changes arising from fair value hedges.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 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<br>2022                                                                                         | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
|-----------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-----------------|
| Short-term funds and placements with banks<br>and other financial institutions (exclude cash<br>in hand): |                   |                   |                   |                 |
| Sovereign                                                                                                 | 4,117,655         | -                 | -                 | 4,117,655       |
| Investment grade                                                                                          | 3,403,967         | -                 | -                 | 3,403,967       |
| Non-investment grade                                                                                      | 542,006           | -                 | -                 | 542,006         |
| Un-graded                                                                                                 | 1,467,607         | -                 | -                 | 1,467,607       |
| Gross carrying amount                                                                                     | 9,531,235         | -                 | -                 | 9,531,235       |
| Expected credit losses                                                                                    | (349)             | -                 | -                 | (349)           |
| Net carrying amount                                                                                       | 9,530,886         | -                 | -                 | 9,530,886       |
| Financial investments at FVOCI:                                                                           |                   |                   |                   |                 |
| Sovereign                                                                                                 | 18,760,424        | -                 | -                 | 18,760,424      |
| Investment grade                                                                                          | 7,905,917         | -                 | -                 | 7,905,917       |
| Non-investment grade                                                                                      | 48,777            | -                 | -                 | 48,777          |
| Un-graded                                                                                                 | 654,439           | -                 | -                 | 654,439         |
| Gross carrying amount                                                                                     | 27,369,557        | -                 | -                 | 27,369,557      |
| Expected credit losses                                                                                    | (1,729)           | -                 | -                 | (1,729)         |
| Net carrying amount                                                                                       | 27,367,828        | -                 | -                 | 27,367,828      |
| Financial investments at amortised cost:                                                                  |                   |                   |                   |                 |
| Sovereign                                                                                                 | 31,817,634        | -                 | -                 | 31,817,634      |
| Investment grade                                                                                          | 540,848           | -                 | -                 | 540,848         |
| Un-graded                                                                                                 | 1,250,442         | -                 | -                 | 1,250,442       |
| Gross carrying amount                                                                                     | 33,608,924        | -                 | -                 | 33,608,924      |
| Expected credit losses                                                                                    | (68)              | -                 | -                 | (68)            |
| Net carrying amount                                                                                       | 33,608,856        | -                 | -                 | 33,608,856      |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 51 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<br>2022              | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
|--------------------------------|-------------------|-------------------|-------------------|-----------------|
| Loans, advances and financing: |                   |                   |                   |                 |
| Good                           | 130,880,036       | 193,547           | -                 | 131,073,583     |
| Adequate                       | 20,109,077        | 1,767,203         | -                 | 21,876,280      |
| Marginal                       | -                 | 14,525,676        | -                 | 14,525,676      |
| Un-graded                      | 619,321           | 9,316             | -                 | 628,637         |
| Credit impaired                | -                 | -                 | 819,878           | 819,878         |
| Gross carrying amount          | 151,608,434       | 16,495,742        | 819,878           | 168,924,054     |
| Expected credit losses         | (977,229)         | (423,913)         | (335,647)         | (1,736,789)     |
| Others*                        | (9,962)           | -                 | -                 | (9,962)         |
| Net carrying amount            | 150,621,243       | 16,071,829        | 484,231           | 167,177,303     |

\* Included fair value changes arising from fair value hedges.

## (v) Collateral and other credit enhancements obtained

|            | The Group      |                |
|------------|----------------|----------------|
|            | 2023<br>RM'000 | 2022<br>RM'000 |
| Properties | 377,172        | 352,321        |

Reposessed properties are made available-for-sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group generally does not occupy the premises reposessed for its business use.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 51 FINANCIAL INSTRUMENTS (continued)

## (d) Credit risk (continued)

(vi) Credit risk exposure analysed by industry analysis for the financial assets are set out below:

| 2023                                                  | The Group                                                                          |                                  |                                       |                                                |                                      |                                       |                          |                                         |                                    |                                                     |                                                      |                                                            |
|-------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------|---------------------------------------|------------------------------------------------|--------------------------------------|---------------------------------------|--------------------------|-----------------------------------------|------------------------------------|-----------------------------------------------------|------------------------------------------------------|------------------------------------------------------------|
|                                                       | Short-term funds and placements with banks and other financial institutions RM'000 | Financial assets at FVTPL RM'000 | Financial investments at FVOCI RM'000 | Financial investments at amortised cost RM'000 | Loans, advances and financing RM'000 | Clients' and brokers' balances RM'000 | Other receivables RM'000 | Derivative financial instruments RM'000 | Total credit risk exposures RM'000 | Credit related commitments and contingencies RM'000 | Undrawn loan commitments and other facilities RM'000 | Guarantees, endorsements and other contingent items RM'000 |
| Agriculture                                           | -                                                                                  | 56,049                           | 41,232                                | -                                              | 2,787,470                            | -                                     | -                        | -                                       | 2,884,751                          | -                                                   | 1,266,113                                            | 491                                                        |
| Mining and quarrying                                  | -                                                                                  | -                                | -                                     | -                                              | 120,761                              | -                                     | -                        | -                                       | 120,761                            | -                                                   | 89,612                                               | -                                                          |
| Manufacturing                                         | -                                                                                  | 14,136                           | -                                     | -                                              | 15,342,174                           | -                                     | -                        | -                                       | 15,356,310                         | -                                                   | 9,720,440                                            | 411,096                                                    |
| Electricity, gas and water                            | -                                                                                  | 1,773,889                        | 2,490,005                             | 5,024                                          | 738,051                              | -                                     | -                        | -                                       | 5,006,969                          | -                                                   | 306,418                                              | 6,651                                                      |
| Construction                                          | -                                                                                  | 427,183                          | 374,187                               | 158,951                                        | 6,358,806                            | -                                     | 846                      | -                                       | 7,319,973                          | 1,000                                               | 4,025,838                                            | 187,063                                                    |
| Wholesale and retail                                  | -                                                                                  | -                                | 33,156                                | -                                              | 16,176,215                           | -                                     | 1                        | -                                       | 16,209,372                         | -                                                   | 7,911,734                                            | 223,573                                                    |
| Transport, storage and communications                 | -                                                                                  | 269,685                          | 361,003                               | -                                              | 5,706,490                            | -                                     | -                        | -                                       | 6,337,178                          | -                                                   | 1,118,925                                            | 2,643                                                      |
| Finance, insurance, real estate and business services | 5,013,137                                                                          | 13,178,812                       | 13,739,141                            | 2,074,867                                      | 16,558,914                           | 478,348                               | 2,407,926                | 2,235,614                               | 55,686,759                         | -                                                   | 2,995,420                                            | 159,543                                                    |
| Government and government agencies                    | 4,396,228                                                                          | 7,663,881                        | 18,550,622                            | 30,093,460                                     | -                                    | -                                     | 2,155                    | -                                       | 60,706,346                         | -                                                   | -                                                    | 50,857                                                     |
| Education, health and others                          | -                                                                                  | -                                | -                                     | -                                              | 1,538,040                            | -                                     | 80                       | -                                       | 1,538,120                          | -                                                   | 393,439                                              | -                                                          |
| Household                                             | -                                                                                  | 21,460                           | -                                     | -                                              | 114,611,927                          | -                                     | -                        | -                                       | 114,633,387                        | -                                                   | 22,603,337                                           | 2,960                                                      |
| Purchase of securities                                | -                                                                                  | -                                | -                                     | -                                              | 303,705                              | 140,476                               | -                        | -                                       | 444,181                            | 917,463                                             | -                                                    | -                                                          |
| Others                                                | -                                                                                  | -                                | 37,789                                | -                                              | 324,862                              | -                                     | 41,503                   | -                                       | 404,154                            | -                                                   | 1,783                                                | -                                                          |
|                                                       | 9,409,365                                                                          | 23,405,095                       | 35,627,135                            | 32,332,302                                     | 180,567,415                          | 618,824                               | 2,452,511                | 2,235,614                               | 286,648,261                        | 918,463                                             | 50,433,059                                           | 1,044,877                                                  |

# Notes to the Financial Statements

for the financial year ended 30 June 2023

## 51 FINANCIAL INSTRUMENTS (continued)

### (d) Credit risk (continued)

#### (vi) Credit risk exposure analysed by industry analysis for the financial assets are set out below: (continued)

| 2022                                                  | The Group                                                                          |                                  |                                       |                                                |                                      |                                       |                          |                                         |                                    |                                                     |                                                      |                                                            |
|-------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------|---------------------------------------|------------------------------------------------|--------------------------------------|---------------------------------------|--------------------------|-----------------------------------------|------------------------------------|-----------------------------------------------------|------------------------------------------------------|------------------------------------------------------------|
|                                                       | Short-term funds and placements with banks and other financial institutions RM'000 | Financial assets at FVTPL RM'000 | Financial investments at FVOCI RM'000 | Financial investments at amortised cost RM'000 | Loans, advances and financing RM'000 | Clients' and brokers' balances RM'000 | Other receivables RM'000 | Derivative financial instruments RM'000 | Total credit risk exposures RM'000 | Credit related commitments and contingencies RM'000 | Undrawn loan commitments and other facilities RM'000 | Guarantees, endorsements and other contingent items RM'000 |
| Agriculture                                           | -                                                                                  | 77,534                           | 41,252                                | -                                              | 3,184,597                            | -                                     | -                        | -                                       | 3,303,383                          | -                                                   | 1,104,840                                            | 6,625                                                      |
| Mining and quarrying                                  | -                                                                                  | -                                | -                                     | -                                              | 131,719                              | -                                     | -                        | -                                       | 131,719                            | -                                                   | 77,169                                               | -                                                          |
| Manufacturing                                         | -                                                                                  | -                                | -                                     | -                                              | 14,120,195                           | -                                     | -                        | -                                       | 14,120,195                         | -                                                   | 7,817,397                                            | 315,298                                                    |
| Electricity, gas and water                            | -                                                                                  | 1,600,466                        | 1,980,042                             | 431,237                                        | 720,058                              | -                                     | 30                       | -                                       | 4,731,833                          | -                                                   | 246,455                                              | 10,224                                                     |
| Construction                                          | -                                                                                  | 372,397                          | 324,038                               | 160,904                                        | 4,954,202                            | -                                     | 1,133                    | -                                       | 5,812,674                          | 1,000                                               | 3,507,501                                            | 30,853                                                     |
| Wholesale and retail                                  | -                                                                                  | -                                | 31,847                                | -                                              | 15,666,440                           | -                                     | -                        | -                                       | 15,698,287                         | -                                                   | 7,003,440                                            | 251,317                                                    |
| Transport, storage and communications                 | -                                                                                  | 245,225                          | 262,386                               | -                                              | 5,271,899                            | -                                     | 499                      | -                                       | 5,780,009                          | -                                                   | 1,390,757                                            | 2,406                                                      |
| Finance, insurance, real estate and business services | 7,678,739                                                                          | 12,781,549                       | 9,500,839                             | 1,161,324                                      | 14,148,360                           | 405,905                               | 2,174,990                | 1,902,169                               | 49,753,875                         | -                                                   | 3,199,487                                            | 72,841                                                     |
| Government and government agencies                    | 1,852,147                                                                          | 6,442,075                        | 15,156,543                            | 31,855,391                                     | -                                    | -                                     | 1,553                    | -                                       | 55,287,709                         | -                                                   | -                                                    | 46,795                                                     |
| Education, health and others                          | -                                                                                  | -                                | -                                     | -                                              | 1,714,066                            | -                                     | -                        | -                                       | 1,714,066                          | -                                                   | 524,211                                              | 3,843                                                      |
| Household                                             | -                                                                                  | 19,559                           | -                                     | -                                              | 106,595,832                          | -                                     | -                        | -                                       | 106,615,391                        | -                                                   | 23,669,416                                           | 3,004                                                      |
| Purchase of securities                                | -                                                                                  | -                                | -                                     | -                                              | 329,172                              | 316,276                               | -                        | -                                       | 645,448                            | 919,747                                             | -                                                    | -                                                          |
| Others                                                | -                                                                                  | -                                | 72,610                                | -                                              | 340,763                              | -                                     | 35,968                   | -                                       | 449,341                            | 7,140                                               | 2,158                                                | 1,224                                                      |
|                                                       | 9,530,886                                                                          | 21,518,805                       | 27,369,557                            | 33,608,856                                     | 167,177,303                          | 722,181                               | 2,214,173                | 1,902,169                               | 264,043,930                        | 927,887                                             | 48,542,831                                           | 744,430                                                    |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (d) Credit risk (continued)

##### (vi) Credit risk exposure analysed by industry analysis for the financial assets are set out below: (continued)

|                                                       | The Company                                                                           |                             |                                        |                                       |
|-------------------------------------------------------|---------------------------------------------------------------------------------------|-----------------------------|----------------------------------------|---------------------------------------|
|                                                       | Short-term funds and placements with banks and other financial institutions<br>RM'000 | Other receivables<br>RM'000 | Amount due from subsidiaries<br>RM'000 | Total credit risk exposures<br>RM'000 |
| <b>2023</b>                                           |                                                                                       |                             |                                        |                                       |
| Finance, insurance, real estate and business services | 133,106                                                                               | 1,996                       | -                                      | 135,102                               |
| <b>2022</b>                                           |                                                                                       |                             |                                        |                                       |
| Finance, insurance, real estate and business services | 29,969                                                                                | 1,271                       | -                                      | 31,240                                |

##### (vii) Write-off policy

The Group 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 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 may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will be written back as bad debts recovered in the income statements.

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.

##### (viii) 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 within impairment in the income statements with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 51 FINANCIAL INSTRUMENTS (continued)

## (d) Credit risk (continued)

## (viii) Modification of contractual cash flows (continued)

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 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 are Nil (2022: RM3,546.8 million).

## (ix) Sensitivity analysis

The Group 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 and banking system credit 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.

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant:

## (a) Retail

|                     | The Group<br>Changes |             |
|---------------------|----------------------|-------------|
|                     | 2023                 | 2022        |
| Private consumption | +/- 100 bps          | +/- 100 bps |
| House price index   | +/- 100 bps          | +/- 100 bps |
| Unemployment rate   | +/- 200 bps          | +/- 200 bps |

|                                                              | The Group      |                |
|--------------------------------------------------------------|----------------|----------------|
|                                                              | 2023<br>RM'000 | 2022<br>RM'000 |
| Total effect of ECL on the positive changes in key variables | (3,793)        | (4,561)        |
| Total effect of ECL on the negative changes in key variables | 229            | 566            |



## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 51 FINANCIAL INSTRUMENTS (continued)

#### (d) Credit risk (continued)

#### (ix) Sensitivity analysis (continued)

##### (b) Non-retail

|                        | The Group<br>Changes |             |
|------------------------|----------------------|-------------|
|                        | 2023                 | 2022        |
| Banking system credit  | +/- 100 bps          | +/- 100 bps |
| Gross domestic product | +/- 100 bps          | +/- 100 bps |

|                                                              | The Group      |                |
|--------------------------------------------------------------|----------------|----------------|
|                                                              | 2023<br>RM'000 | 2022<br>RM'000 |
| Total effect of ECL on the positive changes in key variables | (4,263)        | (5,510)        |
| Total effect of ECL on the negative changes in key variables | 3,784          | 3,445          |

#### (iix) Overlays and adjustments for expected credit losses

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL for the year ended and as at 30 June 2023.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are 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 pandemic 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 postmodel adjustments continues to remain outside the MFRS 9 ECL Model. The ECL overlays amounted to RM574.2 million (2022: RM628.5 million) at the Group.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 52 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the statement 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 Company measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

#### Valuation techniques

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices 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 instrument are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain corporate bonds, government bonds and derivatives.

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

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 52 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<br>2023                                         | Fair Value        |                   |                   |                 |
|-----------------------------------------------------------|-------------------|-------------------|-------------------|-----------------|
|                                                           | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
| <b><i>Recurring fair value measurements</i></b>           |                   |                   |                   |                 |
| <b><u>Financial assets</u></b>                            |                   |                   |                   |                 |
| Financial assets at FVTPL                                 |                   |                   |                   |                 |
| - Money market instruments                                | -                 | 16,937,097        | -                 | 16,937,097      |
| - Quoted securities                                       | 6,464,089         | -                 | -                 | 6,464,089       |
| - Unquoted securities                                     | -                 | 8,099,336         | 393,370           | 8,492,706       |
| Financial investments at FVOCI                            |                   |                   |                   |                 |
| - Money market instruments                                | -                 | 20,993,658        | -                 | 20,993,658      |
| - Quoted securities                                       | 4,436,851         | -                 | -                 | 4,436,851       |
| - Unquoted securities                                     | -                 | 10,196,626        | 97,650            | 10,294,276      |
| Derivative financial instruments                          | 26,174            | 2,135,086         | 74,354            | 2,235,614       |
|                                                           | 10,927,114        | 58,361,803        | 565,374           | 69,854,291      |
| <b><u>Financial liabilities</u></b>                       |                   |                   |                   |                 |
| Derivative financial instruments                          | 874               | 2,374,718         | 71,839            | 2,447,431       |
| Financial liabilities designated at fair value            |                   |                   |                   |                 |
| - Structured deposits linked to interest rate derivatives | -                 | 3,564,330         | -                 | 3,564,330       |
|                                                           | 874               | 5,939,048         | 71,839            | 6,011,761       |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 52 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<br>2022                                         | Fair Value        |                   |                   |                 |
|-----------------------------------------------------------|-------------------|-------------------|-------------------|-----------------|
|                                                           | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
| <b><i>Recurring fair value measurements</i></b>           |                   |                   |                   |                 |
| <b><u>Financial assets</u></b>                            |                   |                   |                   |                 |
| Financial assets at FVTPL                                 |                   |                   |                   |                 |
| - Money market instruments                                | -                 | 14,498,064        | -                 | 14,498,064      |
| - Quoted securities                                       | 7,226,794         | -                 | -                 | 7,226,794       |
| - Unquoted securities                                     | -                 | 7,363,108         | 382,663           | 7,745,771       |
| Financial investments at FVOCI                            |                   |                   |                   |                 |
| - Money market instruments                                | -                 | 16,024,171        | -                 | 16,024,171      |
| - Quoted securities                                       | 2,890,212         | -                 | -                 | 2,890,212       |
| - Unquoted securities                                     | -                 | 8,455,174         | 83,386            | 8,538,560       |
| Derivative financial instruments                          | 9,909             | 1,787,458         | 104,802           | 1,902,169       |
|                                                           | 10,126,915        | 48,127,975        | 570,851           | 58,825,741      |
| <b><u>Financial liabilities</u></b>                       |                   |                   |                   |                 |
| Derivative financial instruments                          | 104               | 1,661,392         | 103,510           | 1,765,006       |
| Financial liabilities designated at fair value            |                   |                   |                   |                 |
| - Structured deposits linked to interest rate derivatives | -                 | 2,065,393         | -                 | 2,065,393       |
|                                                           | 104               | 3,726,785         | 103,510           | 3,830,399       |

The Group recognise 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).

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 52 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, as below:

|                                                                                                         | The Group                        |                                       |                                         |                                         |
|---------------------------------------------------------------------------------------------------------|----------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
|                                                                                                         | Financial Assets                 |                                       |                                         | Financial Liability                     |
|                                                                                                         | Financial assets at FVTPL RM'000 | Financial investments at FVOCI RM'000 | Derivative financial instruments RM'000 | Derivative financial instruments RM'000 |
| <b>2023</b>                                                                                             |                                  |                                       |                                         |                                         |
| As at 1 July                                                                                            | 382,663                          | 83,386                                | 104,802                                 | 103,510                                 |
| Fair value changes recognised in statements of income                                                   | 10,707                           | -                                     | 18,418                                  | 18,418                                  |
| Net fair value changes recognised in other comprehensive income                                         | -                                | 14,264                                | -                                       | -                                       |
| Purchases                                                                                               | -                                | -                                     | 57,400                                  | 56,257                                  |
| Disposal                                                                                                | -                                | -                                     | -                                       | -                                       |
| Settlements                                                                                             | -                                | -                                     | (106,266)                               | (106,346)                               |
| As at 30 June                                                                                           | 393,370                          | 97,650                                | 74,354                                  | 71,839                                  |
| Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2023 | 10,707                           | -                                     | 18,418                                  | 18,418                                  |
| Total gain recognised in other comprehensive income relating to assets held on 30 June 2023             | -                                | 14,264                                | -                                       | -                                       |
| <b>2022</b>                                                                                             |                                  |                                       |                                         |                                         |
| As at 1 July                                                                                            | 374,729                          | 69,094                                | 76,913                                  | 76,913                                  |
| Fair value changes recognised in statements of income                                                   | 7,934                            | -                                     | 28,076                                  | 28,076                                  |
| Net fair value changes recognised in other comprehensive income                                         | -                                | 14,292                                | -                                       | -                                       |
| Purchases                                                                                               | -                                | -                                     | 2,155                                   | 863                                     |
| Disposal                                                                                                | -                                | -                                     | -                                       | -                                       |
| Settlements                                                                                             | -                                | -                                     | (2,342)                                 | (2,342)                                 |
| As at 30 June                                                                                           | 382,663                          | 83,386                                | 104,802                                 | 103,510                                 |
| Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2022 | 7,934                            | -                                     | 28,076                                  | 28,076                                  |
| Total gain recognised in other comprehensive income relating to assets held on 30 June 2022             | -                                | 14,292                                | -                                       | -                                       |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 52 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)

| 2023<br>Description                         | The Group                      |                                     | Valuation<br>technique(s) | Unobservable<br>input                             | Range<br>(weighted<br>average) | Inter-relationship between<br>significant unobservable<br>inputs and fair value<br>measurement                           |
|---------------------------------------------|--------------------------------|-------------------------------------|---------------------------|---------------------------------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------|
|                                             | Fair value<br>assets<br>RM'000 | Fair value<br>liabilities<br>RM'000 |                           |                                                   |                                |                                                                                                                          |
| <b>Financial assets at<br/>FVTPL</b>        |                                |                                     |                           |                                                   |                                |                                                                                                                          |
| Unquoted shares                             | 393,370                        | -                                   | Net tangible<br>assets    | Net tangible<br>assets                            | Not<br>applicable              | Higher net tangible assets<br>results in higher fair value                                                               |
| <b>Financial investments<br/>at FVOCI</b>   |                                |                                     |                           |                                                   |                                |                                                                                                                          |
| Unquoted shares                             | 97,650                         | -                                   | Net tangible<br>assets    | Net tangible<br>assets                            | Not<br>applicable              | Higher net tangible assets<br>results in higher fair value                                                               |
| <b>Derivative financial<br/>instruments</b> |                                |                                     |                           |                                                   |                                |                                                                                                                          |
| Equity derivatives                          | 74,354                         | (71,839)                            | Monte Carlo<br>Simulation | Equity<br>volatility                              | 6%<br>to 47%                   | Higher volatility, would<br>generally result in higher fair<br>valuation for long volatility<br>positions and vice versa |
|                                             |                                |                                     | Monte Carlo<br>Simulation | Equity/FX<br>Correlation<br>between<br>underlyers | -30%<br>to -13%                | An increase in correlation,<br>would generally result<br>in a higher fair value<br>measurement and vice versa            |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 52 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) (continued)

|                                  | The Group  |             |                        |                                          |                |                                                                                                                 |
|----------------------------------|------------|-------------|------------------------|------------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------|
| 2022                             | Fair value | Fair value  |                        |                                          | Range          | Inter-relationship between                                                                                      |
| Description                      | assets     | liabilities | Valuation              | Unobservable                             | (weighted      | significant unobservable                                                                                        |
|                                  | RM'000     | RM'000      | technique(s)           | input                                    | average)       | inputs and fair value                                                                                           |
|                                  |            |             |                        |                                          |                | measurement                                                                                                     |
| Financial assets at FVTPL        |            |             |                        |                                          |                |                                                                                                                 |
| Unquoted shares                  | 382,663    | -           | Net tangible assets    | Net tangible assets                      | Not applicable | Higher net tangible assets results in higher fair value                                                         |
| Financial investments at FVOCI   |            |             |                        |                                          |                |                                                                                                                 |
| Unquoted shares                  | 83,386     | -           | Net tangible assets    | Net tangible assets                      | Not applicable | Higher net tangible assets results in higher fair value                                                         |
| Derivative financial instruments |            |             |                        |                                          |                |                                                                                                                 |
| Equity derivatives               | 104,802    | (103,510)   | Monte Carlo Simulation | Equity volatility                        | 7% to 121%     | Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa |
|                                  |            |             | Monte Carlo Simulation | Equity/FX Correlation between underlyers | -16% to 16%    | An increase in correlation, would generally result in a higher fair value measurement and vice versa            |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

## (a) Determination of fair value and fair value hierarchy (continued)

## Sensitivity analysis for level 3

|                                  |                       | The Group                                     |                                                                                |                              |
|----------------------------------|-----------------------|-----------------------------------------------|--------------------------------------------------------------------------------|------------------------------|
|                                  |                       | Sensitivity of significant unobservable input | Effect of reasonable possible alternative assumptions to: Statements of Income |                              |
|                                  |                       |                                               | Favourable/Unfavourable changes                                                |                              |
|                                  |                       | Type of unobservable input                    | Financial assets RM'000                                                        | Financial liabilities RM'000 |
| 2023                             |                       |                                               |                                                                                |                              |
| Derivative financial instruments |                       |                                               |                                                                                |                              |
| - Equity derivatives             | Equity volatility     | +10%                                          | (22)                                                                           | 22                           |
|                                  |                       | -10%                                          | 19                                                                             | (19)                         |
|                                  | Equity/FX Correlation | +10%                                          | (1)                                                                            | 1                            |
|                                  |                       | -10%                                          | (181)                                                                          | 181                          |
| Total*                           |                       |                                               | (185)                                                                          | 185                          |
| 2022                             |                       |                                               |                                                                                |                              |
| Derivative financial instruments |                       |                                               |                                                                                |                              |
| - Equity derivatives             | Equity volatility     | +10%                                          | 271                                                                            | (271)                        |
|                                  |                       | -10%                                          | (355)                                                                          | 355                          |
|                                  | Equity/FX Correlation | +10%                                          | 35                                                                             | (35)                         |
|                                  |                       | -10%                                          | 121                                                                            | (121)                        |
| Total*                           |                       |                                               | 72                                                                             | (72)                         |

\* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.



## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 52 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 amount and fair value of those financial instruments of the Group and the Company 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 amount are reasonable approximation of their fair values:

|                                                      | The Group                            |                              |                                      |                              |
|------------------------------------------------------|--------------------------------------|------------------------------|--------------------------------------|------------------------------|
|                                                      | Carrying<br>amount<br>2023<br>RM'000 | Fair value<br>2023<br>RM'000 | Carrying<br>amount<br>2022<br>RM'000 | Fair value<br>2022<br>RM'000 |
|                                                      |                                      |                              |                                      |                              |
| <b><u>Financial assets</u></b>                       |                                      |                              |                                      |                              |
| Financial investments at amortised cost              |                                      |                              |                                      |                              |
| - Money market instruments                           | 31,666,461                           | 32,296,492                   | 29,626,784                           | 29,951,834                   |
| - Quoted securities                                  | 19,117                               | 18,668                       | 62,174                               | 61,526                       |
| - Unquoted securities                                | 646,725                              | 654,508                      | 3,919,899                            | 3,925,377                    |
| Loans, advances and financing                        | 180,567,415                          | 181,451,666                  | 167,177,303                          | 168,100,543                  |
|                                                      | <b>212,899,718</b>                   | <b>214,421,334</b>           | 200,786,160                          | 202,039,280                  |
| <b><u>Financial liabilities</u></b>                  |                                      |                              |                                      |                              |
| Deposits from customers                              | 207,903,113                          | 208,171,116                  | 195,317,528                          | 195,073,675                  |
| Recourse obligations on loans sold to Cagamas Berhad | 2,972,220                            | 2,976,763                    | 1,623,936                            | 1,808,376                    |
| Borrowings                                           | 201,936                              | 196,761                      | 411,931                              | 403,565                      |
| Subordinated obligations                             | 2,206,650                            | 2,211,139                    | 2,207,083                            | 2,199,738                    |
| Multi-currency Additional Tier 1 capital securities  | 1,719,630                            | 1,711,610                    | 1,715,849                            | 1,719,554                    |
|                                                      | <b>215,003,549</b>                   | <b>215,267,389</b>           | 201,276,327                          | 201,204,908                  |
|                                                      |                                      |                              |                                      |                              |
|                                                      | The Company                          |                              |                                      |                              |
|                                                      | Carrying<br>amount<br>2023<br>RM'000 | Fair value<br>2023<br>RM'000 | Carrying<br>amount<br>2022<br>RM'000 | Fair value<br>2022<br>RM'000 |
|                                                      |                                      |                              |                                      |                              |
| <b><u>Financial liabilities</u></b>                  |                                      |                              |                                      |                              |
| Borrowings                                           | 201,919                              | 196,744                      | 411,858                              | 403,492                      |
| Subordinated obligations                             | 1,101,859                            | 1,103,527                    | 1,601,624                            | 1,588,675                    |
| Multi-currency Additional Tier 1 capital securities  | 404,851                              | 403,341                      | 806,431                              | 806,898                      |
|                                                      | <b>1,708,629</b>                     | <b>1,703,612</b>             | 2,819,913                            | 2,799,065                    |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 52 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 Company's assets and liabilities not measured at fair value but for which fair value is disclosed:

| The Group                                            | Carrying<br>amount<br>RM'000 | Fair value        |                    |                   |
|------------------------------------------------------|------------------------------|-------------------|--------------------|-------------------|
|                                                      |                              | Level 1<br>RM'000 | Level 2<br>RM'000  | Level 3<br>RM'000 |
| <b>2023</b>                                          |                              |                   |                    |                   |
| <b><u>Financial assets</u></b>                       |                              |                   |                    |                   |
| Financial investments at amortised cost              |                              |                   |                    |                   |
| - Money market instruments                           | 31,666,461                   | -                 | 32,296,492         | -                 |
| - Quoted securities                                  | 19,117                       | -                 | 18,668             | -                 |
| - Unquoted securities                                | 646,725                      | -                 | 654,508            | -                 |
| Loans, advances and financing                        | 180,567,415                  | -                 | 181,451,666        | -                 |
|                                                      | <b>212,899,718</b>           | -                 | <b>214,421,334</b> | -                 |
| <b><u>Financial liabilities</u></b>                  |                              |                   |                    |                   |
| Deposits from customers                              | 207,903,113                  | -                 | 208,171,116        | -                 |
| Recourse obligations on loans sold to Cagamas Berhad | 2,972,220                    | -                 | 2,976,763          | -                 |
| Borrowings                                           | 201,936                      | -                 | 196,761            | -                 |
| Subordinated obligations                             | 2,206,650                    | -                 | 2,211,139          | -                 |
| Multi-currency Additional Tier 1 capital securities  | 1,719,630                    | -                 | 1,711,610          | -                 |
|                                                      | <b>215,003,549</b>           | -                 | <b>215,267,389</b> | -                 |
| <b>2022</b>                                          |                              |                   |                    |                   |
| <b><u>Financial assets</u></b>                       |                              |                   |                    |                   |
| Financial investments at amortised cost              |                              |                   |                    |                   |
| - Money market instruments                           | 29,626,852                   | -                 | 29,951,834         | -                 |
| - Quoted securities                                  | 62,174                       | -                 | 61,526             | -                 |
| - Unquoted securities                                | 3,919,899                    | -                 | 3,925,377          | -                 |
| Loans, advances and financing                        | 167,177,303                  | -                 | 168,100,543        | -                 |
|                                                      | <b>200,786,228</b>           | -                 | <b>202,039,280</b> | -                 |
| <b><u>Financial liabilities</u></b>                  |                              |                   |                    |                   |
| Deposits from customers                              | 195,317,528                  | -                 | 195,073,675        | -                 |
| Recourse obligations on loans sold to Cagamas Berhad | 1,623,936                    | -                 | 1,808,376          | -                 |
| Borrowings                                           | 411,931                      | -                 | 403,565            | -                 |
| Subordinated obligations                             | 2,207,083                    | -                 | 2,199,738          | -                 |
| Multi-currency Additional Tier 1 capital securities  | 1,715,849                    | -                 | 1,719,555          | -                 |
|                                                      | <b>201,276,327</b>           | -                 | <b>201,204,909</b> | -                 |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 52 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 Company's assets and liabilities not measured at fair value but for which fair value is disclosed: (continued)

| The Company                                         | Carrying<br>amount<br>RM'000 | Fair value        |                   |                   |
|-----------------------------------------------------|------------------------------|-------------------|-------------------|-------------------|
|                                                     |                              | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 |
| <b>2023</b>                                         |                              |                   |                   |                   |
| <b><u>Financial liabilities</u></b>                 |                              |                   |                   |                   |
| Borrowings                                          | 201,919                      | -                 | 196,744           | -                 |
| Subordinated obligations                            | 1,101,859                    | -                 | 1,103,527         | -                 |
| Multi-currency Additional Tier 1 capital securities | 404,851                      | -                 | 403,341           | -                 |
|                                                     | <b>1,708,629</b>             | <b>-</b>          | <b>1,703,612</b>  | <b>-</b>          |
| <b>2022</b>                                         |                              |                   |                   |                   |
| <b><u>Financial liabilities</u></b>                 |                              |                   |                   |                   |
| Borrowings                                          | 411,858                      | -                 | 403,492           | -                 |
| Subordinated obligations                            | 1,601,624                    | -                 | 1,588,675         | -                 |
| Multi-currency Additional Tier 1 capital securities | 806,431                      | -                 | 806,898           | -                 |
|                                                     | <b>2,819,913</b>             | <b>-</b>          | <b>2,799,065</b>  | <b>-</b>          |

#### (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 Company establishes the fair value by using valuation techniques.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### (c) Fair value methodologies and assumptions (continued)

##### 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 and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities 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 obligations 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, senior notes and capital securities

The fair value of subordinated obligations, senior notes and capital securities are based on quoted market prices where available.

##### 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.

##### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

All other borrowing costs are recognised in statements of income in the period in which they are incurred.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### (c) Fair value methodologies and assumptions (continued)

##### 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 Company would receive or pay to transfer the contracts at the statements of financial position date.

### 53 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<br>2023                                                | Gross amount<br>recognised<br>in the<br>statements of<br>financial<br>position<br>RM'000 | Gross amount<br>offset in the<br>statements of<br>financial<br>position<br>RM'000 | Net amount<br>presented<br>in the<br>statements<br>of financial<br>position<br>RM'000 | Related amount not set off in<br>the statements of financial<br>position |                                                      | Net amount<br>RM'000 |
|------------------------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------------------------|----------------------|
|                                                                  |                                                                                          |                                                                                   |                                                                                       | Values<br>of the<br>financial<br>instruments<br>RM'000                   | Cash<br>collateral<br>received/<br>pledged<br>RM'000 |                      |
| <b>Financial assets</b>                                          |                                                                                          |                                                                                   |                                                                                       |                                                                          |                                                      |                      |
| Clients' and brokers' balances                                   | 888,349                                                                                  | (269,525)                                                                         | 618,824                                                                               | -                                                                        | -                                                    | 618,824              |
| Derivative financial<br>instruments                              | 2,235,614                                                                                | -                                                                                 | 2,235,614                                                                             | (879,311)                                                                | (97,281)                                             | 1,259,022            |
| Total                                                            | 3,123,963                                                                                | (269,525)                                                                         | 2,854,438                                                                             | (879,311)                                                                | (97,281)                                             | 1,877,846            |
| <b>Financial liabilities</b>                                     |                                                                                          |                                                                                   |                                                                                       |                                                                          |                                                      |                      |
| Clients' and brokers' balances                                   | 276,060                                                                                  | (130,667)                                                                         | 145,393                                                                               | -                                                                        | -                                                    | 145,393              |
| Derivative financial<br>instruments                              | 2,447,431                                                                                | -                                                                                 | 2,447,431                                                                             | (879,311)                                                                | (914,162)                                            | 653,958              |
| Obligations on securities<br>sold under repurchase<br>agreements | 7,399,583                                                                                | -                                                                                 | 7,399,583                                                                             | (7,399,583)                                                              | -                                                    | -                    |
| Payables and other liabilities                                   | 12,193,314                                                                               | (138,858)                                                                         | 12,054,456                                                                            | -                                                                        | -                                                    | 12,054,456           |
| Total                                                            | 22,316,388                                                                               | (269,525)                                                                         | 22,046,863                                                                            | (8,278,894)                                                              | (914,162)                                            | 12,853,807           |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**53 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<br>2022                                                | Gross amount<br>recognised<br>in the<br>statements of<br>financial<br>position<br>RM'000 | Gross amount<br>offset in the<br>statements of<br>financial<br>position<br>RM'000 | Net amount<br>presented<br>in the<br>statements<br>of financial<br>position<br>RM'000 | Related amount not set off in<br>the statements of financial<br>position |                                                      | Net amount<br>RM'000 |
|------------------------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------------------------|----------------------|
|                                                                  |                                                                                          |                                                                                   |                                                                                       | Values<br>of the<br>financial<br>instruments<br>RM'000                   | Cash<br>collateral<br>received/<br>pledged<br>RM'000 |                      |
| <b>Financial assets</b>                                          |                                                                                          |                                                                                   |                                                                                       |                                                                          |                                                      |                      |
| Clients' and brokers' balances                                   | 935,610                                                                                  | (213,429)                                                                         | 722,181                                                                               | -                                                                        | -                                                    | 722,181              |
| Derivative financial<br>instruments                              | 1,902,169                                                                                | -                                                                                 | 1,902,169                                                                             | (918,459)                                                                | (164,363)                                            | 819,347              |
| Total                                                            | 2,837,779                                                                                | (213,429)                                                                         | 2,624,350                                                                             | (918,459)                                                                | (164,363)                                            | 1,541,528            |
| <b>Financial liabilities</b>                                     |                                                                                          |                                                                                   |                                                                                       |                                                                          |                                                      |                      |
| Clients' and brokers' balances                                   | 398,485                                                                                  | (91,584)                                                                          | 306,901                                                                               | -                                                                        | -                                                    | 306,901              |
| Derivative financial<br>instruments                              | 1,765,006                                                                                | -                                                                                 | 1,765,006                                                                             | (918,459)                                                                | (570,298)                                            | 276,249              |
| Obligations on securities<br>sold under repurchase<br>agreements | 3,971,304                                                                                | -                                                                                 | 3,971,304                                                                             | (2,755,310)                                                              | -                                                    | 1,215,994            |
| Payables and other liabilities                                   | 12,122,859                                                                               | (121,845)                                                                         | 12,001,014                                                                            | -                                                                        | -                                                    | 12,001,014           |
| Total                                                            | 18,257,654                                                                               | (213,429)                                                                         | 18,044,225                                                                            | (3,673,769)                                                              | (570,298)                                            | 13,800,158           |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 54 EQUITY COMPENSATION BENEFITS

#### Executive Share Scheme

The Group established and implemented the following Executive Share Schemes.

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

#### **ESS 2013 established using the shares of the Company - The Company and its subsidiary company Hong Leong Assurance Berhad**

The ESS 2013 of up to ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company comprises the Executive Share Option Scheme 2013/2023 ("ESOS 2013") and the Executive Share Grant Scheme 2013 ("ESGS 2013").

The ESS 2013 had expired on 11 March 2023.

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 Company in a general meeting. 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 Company which are still subsisting shall not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company at any one time.
4. 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 Company preceding the Date of Offer as defined by the ESS 2013 Bye-Laws.
5. The options granted to an option holder under the ESOS 2013 is exercisable by the option holder during his employment or directorship with the Group and upon meeting the vesting conditions of each ESOS 2013 plan subject to any maximum limit as may be determined by the Board under the ESS 2013 Bye-Laws.
6. 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 Group and subject to any other terms and conditions as may be determined by the Board.
7. 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.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 54 EQUITY COMPENSATION BENEFITS (continued)

#### Executive Share Scheme (continued)

##### (a) Executive Share Scheme 2013 (“ESS 2013”) (continued)

#### **ESS 2013 established using the shares of the Company - The Company and its subsidiary company Hong Leong Assurance Berhad (continued)**

The ESOS 2013 options granted have performance and/or service based vesting conditions. Generally, the share options granted can be classified into 2 categories:

- An award that is conditional upon achieving agreed key performance indicators and milestones; and/or
- An award for the recognition of material and positive accomplishments towards building a strong and sustainable underlying business value, preserving and enhancing the quality of assets and for shareholders wealth creation.

##### (i) ESOS 2013

The ESOS 2013 which was approved by the shareholders of the Company on 30 October 2012, was established on 12 March 2013 and had expired on 11 March 2023.

On 18 September 2012, the Company announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS 2013.

The ESOS 2013 would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

Arising from the completion of the Company’s Rights Issue on 7 December 2015, the exercise price for the share options granted on 2 April 2015 under the ESS 2013 was adjusted from RM16.88 to RM16.61 and additional share options of 189,819 were allotted to the option holders, in accordance with the provisions of the ESS 2013 Bye-Laws.

##### (ii) ESGS 2013

The ESGS 2013 which was approved by the shareholders of the Company on 29 October 2013, was established on 28 February 2014 and would end on 11 March 2023.

On 6 September 2013, the Company announced that Bursa Malaysia Securities Berhad had resolved to approve-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the ESGS 2013.

The ESGS 2013 would provide the Company with the flexibility to reward the eligible executives of the Group for their contribution with awards of the Company’s shares without any consideration payable by the eligible executives.

The unvested grant shares consisting of 156,402 ordinary shares granted under ESGS 2013 had been transferred to the new ESS 2022 due to the expiry of the ESS 2013 during the financial year.



## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 54 EQUITY COMPENSATION BENEFITS (continued)

#### Executive Share Scheme (continued)

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

In light of the expiry of the EES 2013 on 11 March 2023, the company had on 28 April 2022 established in the ESS 2022, which comprise a new executive share option scheme ("ESOS 2022") and a new executive share grants scheme ("ESGS 2022") for the eligible executives and/or directors of the Group (such executives and directors "Eligible Executives"). The ESS 2022 shall be in force until terminated by the Board of Directors of the Company.

#### **ESS 2022 established using the shares of the Company - The Company and its subsidiary company Hong Leong Assurance Berhad**

The ESS 2022, which is governed by the ESS 2022 Bye-Laws, entails the making of one or more of the following offers to the Eligible Executives:

- (i) option(s) under the executive share option scheme ("ESOS 2022") which entitle an Eligible Executive who has accepted the offer ("Option Holder(s)") to acquire ordinary shares in HLFG ("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 executive share grant scheme ("ESGS 2022") 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 Option Holder(s) and Grant Holder(s) are collectively referred to as the "Holder(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 Company 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.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**54 EQUITY COMPENSATION BENEFITS (continued)****Executive Share Scheme (continued)**

A trust has been set up for the Executive Share Scheme and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Group upon such terms and conditions as the Group and the trustee may agree to purchase the Company'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 Executive Share Scheme holdings are recorded as "Treasury Shares for ESS" in the shareholders' equity on the statements of financial position. The cost of operating the Executive Share Scheme is charged to the statements of income.

The number and cost of the ordinary shares held by the Trustee are as follows:

|                             | The Group                                     |                |                                               |                |
|-----------------------------|-----------------------------------------------|----------------|-----------------------------------------------|----------------|
|                             | 2023                                          |                | 2022                                          |                |
|                             | Number<br>of trust<br>shares held<br>unit'000 | Cost<br>RM'000 | Number<br>of trust<br>shares held<br>unit'000 | Cost<br>RM'000 |
| As at 1 July                | 13,572                                        | 236,039        | 13,728                                        | 238,970        |
| Purchase of treasury shares | -                                             | -              | -                                             | -              |
| Exercise of grant shares    | (157)                                         | (2,931)        | (156)                                         | (2,931)        |
| As at 30 June               | 13,415                                        | 233,108        | 13,572                                        | 236,039        |

|                          | The Company                                   |                |                                               |                |
|--------------------------|-----------------------------------------------|----------------|-----------------------------------------------|----------------|
|                          | 2023                                          |                | 2022                                          |                |
|                          | Number<br>of trust<br>shares held<br>unit'000 | Cost<br>RM'000 | Number<br>of trust<br>shares held<br>unit'000 | Cost<br>RM'000 |
| As at 1 July             | 9,480                                         | 177,656        | 9,636                                         | 180,587        |
| Exercise of grant shares | (157)                                         | (2,931)        | (156)                                         | (2,931)        |
| As at 30 June            | 9,323                                         | 174,725        | 9,480                                         | 177,656        |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 54 EQUITY COMPENSATION BENEFITS (continued)

#### Executive Share Scheme (continued)

**Executive Share Scheme (“ESS”) established using the shares of the Company - The Company and its subsidiary company Hong Leong Assurance Berhad (continued)**

#### ESOS

The options granted under the scheme are as follows:

| The Group   |                             |                               |                       |                                  |                                             |                                             |
|-------------|-----------------------------|-------------------------------|-----------------------|----------------------------------|---------------------------------------------|---------------------------------------------|
| Grant date  | As at<br>1 July<br>unit'000 | Option<br>granted<br>unit'000 | Exercised<br>unit'000 | Ceased/<br>Forfeited<br>unit'000 | Outstanding<br>as at<br>30 June<br>unit'000 | Exercisable<br>as at<br>30 June<br>unit'000 |
| <b>2023</b> |                             |                               |                       |                                  |                                             |                                             |
| 15-Dec-17   | -                           | -                             | -                     | -                                | -                                           | -                                           |
| <b>2022</b> |                             |                               |                       |                                  |                                             |                                             |
| 15-Dec-17   | 12,425                      | -                             | -                     | (12,425)                         | -                                           | -                                           |

| The Company |                             |                               |                       |                                  |                                             |                                             |
|-------------|-----------------------------|-------------------------------|-----------------------|----------------------------------|---------------------------------------------|---------------------------------------------|
| Grant date  | As at<br>1 July<br>unit'000 | Option<br>granted<br>unit'000 | Exercised<br>unit'000 | Ceased/<br>Forfeited<br>unit'000 | Outstanding<br>as at<br>30 June<br>unit'000 | Exercisable<br>as at<br>30 June<br>unit'000 |
| <b>2023</b> |                             |                               |                       |                                  |                                             |                                             |
| 15-Dec-17   | -                           | -                             | -                     | -                                | -                                           | -                                           |
| <b>2022</b> |                             |                               |                       |                                  |                                             |                                             |
| 15-Dec-17   | 7,000                       | -                             | -                     | (7,000)                          | -                                           | -                                           |

#### Adjustments on exercise price due to Rights Issue

The fair value of share options granted was estimated using the Black-scholes model, taking into account the terms and conditions upon which the options are granted and is inclusive of incremental fair value arising from adjusted exercise price. The expected volatility reflects the assumption that the historical volatility was indicative of future trends, which may not necessarily be the actual outcome.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

## 54 EQUITY COMPENSATION BENEFITS (continued)

## Executive Share Scheme (continued)

**Executive Share Scheme (“ESS”) established using the shares of the Company - The Company and its subsidiary company Hong Leong Assurance Berhad (continued)**

## ESGS

The ordinary shares granted under the scheme are as follows:

| The Group   |                             |                               |                       |                                  |                                             |                                             |
|-------------|-----------------------------|-------------------------------|-----------------------|----------------------------------|---------------------------------------------|---------------------------------------------|
| Grant date  | As at<br>1 July<br>unit'000 | Option<br>granted<br>unit'000 | Exercised<br>unit'000 | Ceased/<br>Forfeited<br>unit'000 | Outstanding<br>as at<br>30 June<br>unit'000 | Exercisable<br>as at<br>30 June<br>unit'000 |
| <b>2023</b> |                             |                               |                       |                                  |                                             |                                             |
| 3-Nov-21    | 313                         | -                             | (157)                 | -                                | 156                                         | -                                           |
| <b>2022</b> |                             |                               |                       |                                  |                                             |                                             |
| 3-Nov-21    | -                           | 469                           | (156)                 | -                                | 313                                         | -                                           |

| The Company |                             |                               |                       |                                  |                                             |                                             |
|-------------|-----------------------------|-------------------------------|-----------------------|----------------------------------|---------------------------------------------|---------------------------------------------|
| Grant date  | As at<br>1 July<br>unit'000 | Option<br>granted<br>unit'000 | Exercised<br>unit'000 | Ceased/<br>Forfeited<br>unit'000 | Outstanding<br>as at<br>30 June<br>unit'000 | Exercisable<br>as at<br>30 June<br>unit'000 |
| <b>2023</b> |                             |                               |                       |                                  |                                             |                                             |
| 3-Nov-21    | 313                         | -                             | (157)                 | -                                | 156                                         | -                                           |
| <b>2022</b> |                             |                               |                       |                                  |                                             |                                             |
| 3-Nov-21    | -                           | 469                           | (156)                 | -                                | 313                                         | -                                           |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 54 EQUITY COMPENSATION BENEFITS (continued)

#### Executive Share Scheme (continued)

#### **Executive Share Scheme ("ESS") established using the shares of subsidiary of the Company - Hong Leong Bank Berhad ("HLB")**

There are two share issuance schemes implemented by the HLB.

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

The ESS 2013 of up to ten percent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of HLB 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 HLB in the annual general meeting held on 23 October 2013 and 25 October 2012. The Board of HLB, 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 HLB which are still subsisting shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of HLB 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 HLB's Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESS; or a combination of both new shares and existing shares.

##### (i) ESOS 2013

The ESOS 2013 which was approved by the shareholders of HLB on 25 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

On 18 September 2012, HLB announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of HLB to be issued pursuant to the exercise of options under the ESOS 2013.

The ESOS 2013 would provide an opportunity for eligible executives who had contributed to the growth and development of the HLB Group to participate in the equity of HLB.

# Notes to the Financial Statements

for the financial year ended 30 June 2023

## 54 EQUITY COMPENSATION BENEFITS (continued)

### Executive Share Scheme (continued)

#### **Executive Share Scheme (“ESS”) established using the shares of subsidiary of the Company - Hong Leong Bank Berhad (“HLB”) (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 weighted average market price of the shares of HLB preceding the Date of Offer as defined by the ESS Bye-Laws, and shall in no event be less than the par value of the shares of HLB.
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 subject to any maximum limit as may be determined by the HLB’s Board under the Bye-Laws of the ESS.

During the financial year, Nil (2022: Nil) share options have been granted under the ESOS 2013 with Nil (2022: Nil) options remain outstanding.

##### (ii) ESGS 2013

The ESGS 2013 which was approved by the shareholders of HLB on 23 October 2013, was established on 28 February 2014 and would end on 11 March 2023.

On 10 September 2013, HLB announced that Bursa Malaysia Securities Berhad had resolved to approve in principle the listing of new ordinary shares of HLB to be issued pursuant to the ESGS 2013.

The ESGS 2013 would provide HLB with the flexibility to reward the eligible executives of the HLB Group for their contribution with awards of HLB’s shares without any consideration payable by the eligible executives.

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 HLB’s Board.

During the financial year ended 30 June 2023, total of 543,079 ordinary shares were vested and transferred pursuant to the HLB’s ESGS, 106 ordinary shares forfeited with 430,786 ordinary shares remain outstanding.

The unvested grant shares consisting of 430,785 ordinary shares granted under ESGS 2013 had been transferred to the new ESS 2022 due to the expiry of the ESS 2013 during the financial year.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 54 EQUITY COMPENSATION BENEFITS (continued)

#### Executive Share Scheme (continued)

##### Executive Share Scheme ("ESS") established using the shares of subsidiary of the Company - Hong Leong Bank Berhad ("HLB") (continued)

#### (b) 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:

- (1) 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
- (2) 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 HLB to have the flexibility, at the absolute discretion of the board, to enable the satisfaction of the Options and/or Grants through the following:

- (1) transfer of existing Shares (other than treasury Shares); and/or
- (2) cash settlement pursuant to the Bye-Laws.

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.

### 55 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 10 November 2022, Hong Leong Capital Berhad ("HLCB") announced that the liquidator of HLG Capital Markets Sdn Bhd ("HLGCM") had convened the final meeting to conclude the member's voluntary winding-up of HLGCM. The Returns by Liquidator Relating to Final Meeting of HLGCM were lodged with the Companies Commission of Malaysia and the Official Receiver on 10 November 2022 ("Lodgement Date"), and on the expiration of 3 months after the Lodgement Date, HLGCM was dissolved on 10 February 2023.
- (b) On 17 January 2023, Hong Leong Bank Berhad announced that it had placed EB Nominees (Tempatan) Sendirian Berhad ("EB Nominees (Tempatan)"), its wholly-owned subsidiary, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. EB Nominees (Tempatan) is currently dormant and there are no future plans to activate the company.
- (c) On 3 May 2023, HLCB announced that the liquidator of SSSB Jaya (1987) Sdn Bhd ("SSSB Jaya"), an indirect wholly-owned subsidiary of HLCB, had convened the final meeting to conclude the creditors' voluntary winding-up of SSSB Jaya. The Returns by Liquidator Relating to Final Meeting of SSSB Jaya were lodged with the Companies Commission of Malaysia and the Official Receiver on 3 May 2023 ("Lodgement Date"), and on the expiration of 3 months after the Lodgement Date, SSSB Jaya was dissolved on 3 August 2023.

### 56 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.

## Notes to the Financial Statements

for the financial year ended 30 June 2023

**57 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME**

|                                                                        | The Group               |                           |                                |
|------------------------------------------------------------------------|-------------------------|---------------------------|--------------------------------|
|                                                                        | Before<br>tax<br>RM'000 | Tax<br>benefits<br>RM'000 | Net of tax<br>amount<br>RM'000 |
| <b>2023</b>                                                            |                         |                           |                                |
| Financial investments at fair value through other comprehensive income |                         |                           |                                |
| - net fair value changes and changes in expected credit losses         | <b>441,097</b>          | <b>(93,068)</b>           | <b>348,029</b>                 |
| Cash flow hedge                                                        |                         |                           |                                |
| - net fair value gain/(loss)                                           | <b>362</b>              | <b>(83)</b>               | <b>279</b>                     |
| <b>2022</b>                                                            |                         |                           |                                |
| Financial investments at fair value through other comprehensive income |                         |                           |                                |
| - net fair value changes and changes in expected credit losses         | (1,178,201)             | 261,084                   | (917,117)                      |
| Cash flow hedge                                                        |                         |                           |                                |
| - net fair value gain/(loss)                                           | 7,574                   | (1,816)                   | 5,758                          |

**58 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 have designated hedge relationships where hedged items and/or hedging instruments has reference to IBORs. The Group's risk exposure that is directly affected by the IBOR reform through its fair value hedges predominantly comprises exposures to KLIBOR and USD LIBOR. These fair value hedges are designated using interest rate swaps, for changes attributable to the respective current benchmark interest rates, which are MYR KLIBOR, Secured Overnight Financing Rate ("SOFR") and Singapore Overnight Rate Average ("SORA").

As part of the reforms noted above:

- In 2021, BNM introduced the Malaysia Overnight Rate ("MYOR") as the new alternative reference rate, which will run in parallel with the existing KLIBOR, providing the market with the flexibility to choose either MYOR or KLIBOR as the reference rate for pricing of financial instruments. On 1 January 2023, BNM had discontinued the publication of the 2- and 12-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts. The remaining one-, three- and six-month KLIBOR tenors, which continue to reflect an active underlying market, continued to be published. The Financial Markets Committee ("FMC") will engage the International Swaps and Derivatives Association ("ISDA") to ensure continuity of KLIBOR derivative contracts in the event of a temporary or permanent discontinuation of KLIBOR publication.



## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 58 IBOR REFORM (continued)

As part of the reforms noted above: (continued)

- 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 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 Company continue to monitor market developments in relation to the transition and their impact on the Group's financial assets and liabilities to ensure that there are no unexpected consequences or disruptions from the transition.

The Group 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:

| 2023                              | The Group Notional Amount |                       |
|-----------------------------------|---------------------------|-----------------------|
|                                   | Assets<br>RM'000          | Liabilities<br>RM'000 |
| (a) Derivative assets/liabilities |                           |                       |
| (i) Interest rate swaps           |                           |                       |
| - KLIBOR                          | 58,884,165                | 62,589,844            |
| (ii) Cross currency swaps         |                           |                       |
| - USD LIBOR                       | 1,590,860                 | 2,346,479             |
| (iii) Option                      |                           |                       |
| - KLIBOR                          | 4,297,008                 | 821,860               |
| 2022                              | The Group Notional Amount |                       |
|                                   | Assets<br>RM'000          | Liabilities<br>RM'000 |
| (a) Derivative assets/liabilities |                           |                       |
| (i) Interest rate swaps           |                           |                       |
| - USD LIBOR                       | 66,083                    | 198,248               |
| - KLIBOR                          | 40,313,762                | 45,961,580            |
|                                   | 40,379,845                | 46,159,828            |
| (ii) Cross currency swaps         |                           |                       |
| - USD LIBOR                       | 1,959,061                 | 3,050,298             |
| (iii) Option                      |                           |                       |
| - KLIBOR                          | 2,458,510                 | 100,000               |

## Notes to the Financial Statements

for the financial year ended 30 June 2023

### 59 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Company 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 Company'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 macro economic 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 51(d) to the financial statements.

#### (b) Life policyholders' fund

Material judgement is required in determining the liabilities and in the choice of assumptions.

Assumptions in use are based on the past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals.

Assumption are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

### 60 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 20 September 2023.

## Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, Tan Kong Khoon and Ho Heng Chuan, being two of the Directors of Hong Leong Financial Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 120 to 310 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2023 and financial performance of the Group and the Company for the year then ended 30 June 2023, 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**

Director

**HO HENG CHUAN**

Director

Kuala Lumpur  
20 September 2023

## Statutory Declaration

Pursuant to Section 251(1) of the Companies Act, 2016

I, Teh Tiong Khim, the Officer primarily responsible for the financial management of Hong Leong Financial Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 120 to 310 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 Teh Tiong Khim at )  
Kuala Lumpur in Wilayah Persekutuan on )  
20 September 2023 )

**TEH TIONG KHIM**

MIA No. CA 13898

Before me,

Pesuruhjaya Sumpah  
Commissioner for Oaths

# Independent Auditors' Report

to the members of Hong Leong Financial Group Berhad

Registration No. 196801000439 (8024-W) (Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Hong Leong Financial Group Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company 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 Company, which comprise the statements of financial position as at 30 June 2023 of the Group and of the Company, 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 Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 120 to 310.

### 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 Company 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 Company. 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 Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

### 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 Company 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 Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditors' Report

to the members of Hong Leong Financial Group Berhad  
Registration No. 196801000439 (8024-W) (Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><u>Impairment of loans, advances and financing for the Group</u></p> <p>Refer to Note O of the summary of significant accounting policies and Notes 7, 39 and 59 to the financial statements.</p> <p>We focused on this area due to the significant size of the carrying value of loans, advances and financing.</p> <p>The expected credit losses ("ECL") impairment model under MFRS 9 "Financial Instruments" requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.</p> <p>This is also an area of focus as it involves making significant judgements in applying the accounting requirements for measuring ECL, which include the following:</p> <ul style="list-style-type: none"> <li>• Building and selecting the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgements is applied in determining the appropriate construct of model;</li> <li>• Identification of loans, advances and financing that have experienced a significant increase in credit risk; and</li> <li>• Assumptions used in the ECL models, which are expected future cash flows, forwardlooking macroeconomic factors, probability weighted multiple scenarios and ECL overlay adjustments made, given the economic uncertainty that may impact the ECL.</li> </ul> | <p>We understood and tested the design and operating effectiveness of the controls relating to:</p> <ul style="list-style-type: none"> <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> <li>• Governance over the impairment processes, including model development, model approval and model validation, model monitoring and overlay;</li> <li>• 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</li> <li>• Calculation, review and approval of the ECL computation.</li> </ul> <p><u>Individual assessment</u></p> <p>Where the loans, advances and financing are individually assessed, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Examined a sample of loans, advances and financing with focus on loans, financing and advances identified by the Group as having lower credit quality, rescheduled and restructured, borrowers in high risk industries and borrowers affected by recent adverse market developments and formed our judgement as to whether there was a significant increase in credit risk or objective evidence of impairment; and</li> <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 in the impairment loss calculation, challenging the assumptions and comparing estimates to external evidence where available. We also re-performed the calculations of discounted cash flows.</li> </ul> |

## Independent Auditors' Report

to the members of Hong Leong Financial Group Berhad

Registration No. 196801000439 (8024-W) (Incorporated in Malaysia)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

| Key audit matter | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                  | <p><u>Collective assessment</u></p> <p>To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the Group, we have:</p> <ul style="list-style-type: none"> <li>• 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 to determine the key assumptions used in respective ECL models;</li> <li>• Assessed and considered the reasonableness of forward-looking forecasts assumptions;</li> <li>• Assessed the reasonableness and tested the calculation of model overlay adjustments to the ECL;</li> <li>• Checked the accuracy of data inputs used in ECL models and checked the calculation of ECL amount on a sampling basis; and</li> <li>• Involved our financial risk modelling experts and IT specialists in areas such as reviewing the appropriateness of the ECL models and data reliability.</li> </ul> <p>Based on the procedures performed, we did not find any material exceptions to the Group's assessment on impairment of loans, advances and financing as at 30 June 2023.</p> |

We have determined that there are no key audit matters to report for the Company.

#### Information other than the financial statements and auditors' report thereon

The Directors of the Company 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 Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company 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 Company, 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 Company 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.

## Independent Auditors' Report

to the members of Hong Leong Financial Group Berhad  
Registration No. 196801000439 (8024-W) (Incorporated in Malaysia)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

#### Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company'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 Company 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 Company 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 Company, 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 of the Company'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 Company'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 Company 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 Company to cease to continue as a going concern.

## Independent Auditors' Report

to the members of Hong Leong Financial Group Berhad

Registration No. 196801000439 (8024-W) (Incorporated in Malaysia)

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### 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 Company, including the disclosures, and whether the financial statements of the Group and of the Company 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 Company 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 11 to the financial statements.

### OTHER MATTERS

This report is made solely to the members of the Company, 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

20 September 2023

#### ONG CHING CHUAN

02907/11/2023 J

Chartered Accountant



# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Fifty-Fourth Annual General Meeting ("AGM") of Hong Leong Financial Group Berhad ("Company") will be held at Wau Bulan 2, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Tuesday, 31 October 2023 at 10.30 a.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 RM941,750 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 RM200,000 from the 54<sup>th</sup> AGM to the 55<sup>th</sup> AGM of the Company. **(Resolution 1)**
3. To re-elect the following Directors pursuant to the Company's Constitution:
  - (a) YBhg Tan Sri Quek Leng Chan **(Resolution 2)**
  - (b) Ms Chong Chye Neo **(Resolution 3)**
4. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

## SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as resolutions:

5. **Ordinary Resolution**
  - **Authority to Directors to Allot Shares**
  - **Waiver of Pre-Emptive Rights over New Ordinary Shares ("Shares") or Other Convertible Securities in the Company under Section 85(1) of the Companies Act 2016 ("Act") read together with Clause 50 of the Constitution of the Company**

**"THAT** subject to the Act, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ["MMLR"], the Company'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 Company, grant rights to subscribe for Shares in the Company, convert any security into Shares in the Company, 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 Company 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 Company;

**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 Company, the shareholders of the Company 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 Company 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 Company."

**(Resolution 5)**

6. **Ordinary Resolution**
  - **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM"), GuoLine Capital Assets Limited ("GCA") and Persons Connected with them**

**"THAT** approval be and is hereby given for the Company and/or its subsidiaries (excluding Hong Leong Bank Berhad and Hong Leong Capital Berhad and their respective 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 (C) of the Company's Circular to Shareholders dated 2 October 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 Hong Leong

## Notice of Annual General Meeting

Group than those generally available to and/or from the public and are not, in the Company'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 Company 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 Company 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 Company 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. Ordinary Resolution

#### - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust ("Tower REIT")

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries (excluding Hong Leong Bank Berhad and Hong Leong Capital Berhad and their respective 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(B) of the Company's Circular to Shareholders dated 2 October 2023 with Tower REIT 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 Tower REIT than those generally available to and/or from the public and are not, in the Company'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 Company 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 Company 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 Company 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 7)**

### 8. 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  
2 October 2023

## Notice of Annual General Meeting

### 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 23 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 Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
3. Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.
4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at [cossec-hlfg@hongleong.com.my](mailto:cossec-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.

## Notice of Annual General Meeting

### EXPLANATORY NOTES

#### 1. Resolution 1 on Director Fees and Other Benefits

- Director Fees of RM941,750 are inclusive of Board Committee Fees of RM215,000 and Meeting Allowance of RM126,750.
- Directors' Other Benefits refer to Directors' & Officers' Liability Insurance coverage based on premium paid/payable, and Directors' training benefits of up to RM110,000 as well as Chairman's car benefits of up to RM90,000.

#### 2. Resolutions 2 and 3 on Re-election of Directors

The Board, on the recommendation of the Nomination Committee ("NC") of the Company, supports the re-election of the retiring Directors. The NC had reviewed the results of the Board Annual Assessment conducted for the financial year ended 30 June 2023 and noted that the retiring Directors have effectively discharged their duties and responsibilities. The NC had also conducted assessments on the fitness and propriety of YBhg Tan Sri Quek Leng Chan and Ms Chong Chye Neo including the review of their Fit and Proper ("F&P") Declarations and results of their background checks, and was satisfied that they met the F&P criteria as set out in the F&P Policy of the Company. In addition, the NC had assessed the declaration made by Ms Chong Chye Neo confirming that she 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 profiles and details of the retiring Directors are set out in the Board of Directors' Profile section of the Company'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 Company to allot ordinary shares ("Shares") of the Company from time to time and expand the mandate to grant rights to subscribe for Shares in the Company, convert any security into Shares in the Company, 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 any 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 Company 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 Company.

As at the date of this Notice, no new Shares in the Company were issued and allotted pursuant to the general mandate given to the Directors at the last AGM held on 31 October 2022 and which will lapse at the conclusion of the 54<sup>th</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 Company, shareholders have pre-emptive rights to be offered any new Shares in the Company 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 Company 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 rights over all new Shares, options over or grant of new Shares or any other convertible securities in the Company 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. Resolutions 6 and 7 on Recurrent Related Party Transactions of a Revenue or Trading Nature**

The proposed Ordinary Resolutions, if passed, will empower the Company and its subsidiaries (excluding Hong Leong Bank Berhad and Hong Leong Capital Berhad and their respective subsidiaries) (“HLFG Group”) to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLFG 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 related parties than those generally available to the public and are not, in the Company’s opinion detrimental to the minority shareholders of the Company (“Proposed Shareholders’ Mandate”).

Detailed information on the Proposed Shareholders’ Mandate is set out in the Circular to Shareholders dated 2 October 2023 which is available on the Company’s corporate website (<http://www.hlfg.com.my/agm2023>).

# Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

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- **Details of individuals who are standing for election as Directors**

No individual is seeking election as a Director at the forthcoming Fifty-Fourth Annual General Meeting of the Company.

- **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 Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 3 of the Notice of Fifty-Fourth Annual General Meeting.

## Other Information

### 1. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company 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 6 SEPTEMBER 2023

|                               |   |                            |
|-------------------------------|---|----------------------------|
| Total number of issued shares | : | 1,147,516,890              |
| Class of shares               | : | Ordinary shares            |
| Voting rights                 | : | 1 vote for each share held |

#### Distribution Schedule of Shareholders as at 6 September 2023

| Size of Holdings                        | No. of Shareholders | %      | No. of Shares | %      |
|-----------------------------------------|---------------------|--------|---------------|--------|
| Less than 100                           | 311                 | 7.53   | 6,590         | 0.00   |
| 100 – 1,000                             | 1,152               | 27.91  | 620,866       | 0.05   |
| 1,001 – 10,000                          | 1,684               | 40.79  | 6,423,452     | 0.56   |
| 10,001 – 100,000                        | 741                 | 17.95  | 23,124,489    | 2.02   |
| 100,001 – less than 5% of issued shares | 238                 | 5.77   | 230,241,397   | 20.06  |
| 5% and above of issued shares           | 2                   | 0.05   | 887,100,096   | 77.31  |
|                                         | 4,128               | 100.00 | 1,147,516,890 | 100.00 |

#### List of Thirty Largest Shareholders as at 6 September 2023

| Name of Shareholders                                                                   | No. of Shares | %     |
|----------------------------------------------------------------------------------------|---------------|-------|
| 1. Hong Leong Company (Malaysia) Berhad                                                | 595,982,955   | 51.94 |
| 2. Guoco Group Limited                                                                 | 291,117,141   | 25.37 |
| 3. Kumpulan Wang Persaraan (Diperbadankan)                                             | 24,946,612    | 2.17  |
| 4. Citigroup Nominees (Tempatan) Sdn Bhd<br>- Employees Provident Fund Board           | 22,049,310    | 1.92  |
| 5. Citigroup Nominees (Tempatan) Sdn Bhd<br>- Employees Provident Fund Board (Nomura)  | 12,259,800    | 1.07  |
| 6. Citigroup Nominees (Tempatan) Sdn Bhd<br>- Exempt AN for AIA Bhd.                   | 11,960,082    | 1.04  |
| 7. RHB Trustees Berhad<br>- Exempt AN for Hong Leong Financial Group Berhad (HLFG-ESS) | 9,323,192     | 0.81  |
| 8. Soft Portfolio Sdn. Bhd.                                                            | 6,602,130     | 0.58  |
| 9. YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman                                   | 5,544,000     | 0.48  |
| 10. YBhg Tan Sri Quek Leng Chan                                                        | 5,438,664     | 0.47  |

## Other Information

## 2. ANALYSIS OF SHAREHOLDINGS AS AT 6 SEPTEMBER 2023 (continued)

## List of Thirty Largest Shareholders as at 6 September 2023 (continued)

| Name of Shareholders |                                                                                                        | No. of Shares | %     |
|----------------------|--------------------------------------------------------------------------------------------------------|---------------|-------|
| 11.                  | Cartaban Nominees (Asing) Sdn Bhd<br>- Exempt AN for State Street Bank & Trust Company (West CLT OD67) | 5,270,500     | 0.46  |
| 12.                  | Chua Holdings Sdn Bhd                                                                                  | 4,967,949     | 0.43  |
| 13.                  | Hong Bee Hardware Company, Sdn. Berhad                                                                 | 4,530,506     | 0.40  |
| 14.                  | Citigroup Nominees (Asing) Sdn Bhd<br>- Exempt AN for Bank of Singapore Limited (Foreign)              | 4,423,359     | 0.39  |
| 15.                  | Citigroup Nominees (Tempatan) Sdn Bhd<br>- Employees Provident Fund Board (Aberdeen)                   | 4,127,500     | 0.36  |
| 16.                  | Citigroup Nominees (Asing) Sdn Bhd<br>- Exempt AN for Citibank New York (Norges Bank 14)               | 4,115,341     | 0.36  |
| 17.                  | RHB Trustees Berhad<br>- Exempt AN for Hong Leong Financial Group Berhad (HLA-ESS)                     | 4,091,900     | 0.36  |
| 18.                  | HSBC Nominees (Asing) Sdn Bhd<br>- JPMCB NA for Vanguard Emerging Markets Stock Index Fund             | 3,213,341     | 0.28  |
| 19.                  | Citigroup Nominees (Asing) Sdn Bhd<br>- CBNY for Norges Bank (FI 17)                                   | 3,033,622     | 0.26  |
| 20.                  | HSBC Nominees (Asing) Sdn Bhd<br>- JPMCB NA for Vanguard Total International Stock Index Fund          | 2,738,932     | 0.24  |
| 21.                  | Pertubuhan Keselamatan Sosial                                                                          | 2,600,000     | 0.23  |
| 22.                  | Pertubuhan Keselamatan Sosial                                                                          | 2,432,100     | 0.21  |
| 23.                  | Kheng Lim Holdings Sdn Bhd                                                                             | 2,269,492     | 0.20  |
| 24.                  | Cartaban Nominees (Tempatan) Sdn Bhd<br>- PAMB for Prulink Equity Fund                                 | 2,171,850     | 0.19  |
| 25.                  | Choong Yee How                                                                                         | 2,000,000     | 0.17  |
| 26.                  | CIMB Group Nominees (Tempatan) Sdn Bhd<br>- CIMB Commerce Trustee Berhad - Kenanga Growth Fund         | 1,938,800     | 0.17  |
| 27.                  | Citigroup Nominees (Asing) Sdn Bhd<br>- CB Spore GW for Government of Singapore (GIC C)                | 1,805,266     | 0.16  |
| 28.                  | Cartaban Nominees (Asing) Sdn Bhd<br>- BNYM SA/NV for People's Bank of China (SICL Asia EM)            | 1,644,934     | 0.14  |
| 29.                  | UOB Kay Hian Nominees (Asing) Sdn Bhd<br>- Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)            | 1,554,127     | 0.14  |
| 30.                  | DB (Malaysia) Nominee (Asing) Sdn Bhd<br>- Exempt AN for Deutsche Bank AG Singapore (Asing WM CLT)     | 1,526,000     | 0.13  |
|                      |                                                                                                        | 1,045,679,405 | 91.13 |



## Other Information

**2. ANALYSIS OF SHAREHOLDINGS AS AT 6 SEPTEMBER 2023 (continued)****Substantial Shareholders**

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 6 September 2023 are as follows:

| Name of Shareholders                      | Direct Interest |       | Indirect Interest |                    |
|-------------------------------------------|-----------------|-------|-------------------|--------------------|
|                                           | No. of shares   | %     | No. of shares     | %                  |
| Hong Leong Company (Malaysia) Berhad      | 595,982,955     | 51.94 | -                 | -                  |
| Tan Sri Quek Leng Chan                    | 5,438,664       | 0.47  | 893,702,226       | 77.88 <sup>A</sup> |
| HL Holdings Sdn Bhd                       | -               | -     | 595,982,955       | 51.94 <sup>B</sup> |
| Kwek Holdings Pte Ltd                     | -               | -     | 891,630,602       | 77.70 <sup>A</sup> |
| Kwek Leng Beng                            | 1,315,841       | 0.11  | 891,630,602       | 77.70 <sup>A</sup> |
| Hong Realty (Private) Limited             | -               | -     | 891,630,602       | 77.70 <sup>A</sup> |
| Hong Leong Investment Holdings Pte Ltd    | -               | -     | 891,630,602       | 77.70 <sup>A</sup> |
| Davos Investment Holdings Private Limited | -               | -     | 891,630,602       | 77.70 <sup>A</sup> |
| Kwek Leng Kee                             | -               | -     | 891,630,602       | 77.70 <sup>A</sup> |
| Guoco Group Limited                       | 291,117,141     | 25.37 | -                 | -                  |
| GuoLine Overseas Limited                  | -               | -     | 291,117,141       | 25.37 <sup>C</sup> |
| GuoLine Capital Assets Limited            | -               | -     | 291,117,141       | 25.37 <sup>C</sup> |

Notes:

- <sup>A</sup> Held through Hong Leong Company (Malaysia) Berhad ("HLCM") and company(ies) in which the substantial shareholder has interest
- <sup>B</sup> Held through HLCM
- <sup>C</sup> Held through Guoco Group Limited

**3. DIRECTORS' INTERESTS AS AT 6 SEPTEMBER 2023**

Subsequent to the financial year end, there is no change, as at 6 September 2023, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares or convertible bonds of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 113 to 114 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 except for the change set out below:

| Indirect Interest                      | No. of shares              | %     |
|----------------------------------------|----------------------------|-------|
| <b>YBhg Tan Sri Quek Leng Chan in:</b> |                            |       |
| Hong Leong Industries Berhad           | 242,833,303 <sup>(1)</sup> | 76.01 |
|                                        | 54,667 <sup>*</sup>        | 0.02  |

Notes:

<sup>(1)</sup> Inclusive of shares vested

<sup>\*</sup> No. of ordinary shares/ordinary shares to be received arising from vesting of shares

## Other Information

## LIST OF PROPERTIES HELD AS AT 30 JUNE 2023

|    | Location                                                                                         | Tenure                                   | Description of property held | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|--------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 1  | No. 1, Light Street<br>Georgetown<br>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<br>Medan Kampung Relau<br>Bayan Point<br>11900 Pulau Pinang          | Freehold                                 | Branch Premises              | 9,968              | 24                  | 1,962                   | 26/06/1997          |
| 3  | No. 42, Jalan Pending<br>93450 Kuching<br>Sarawak                                                | Leasehold<br>- 859 years<br>(31/12/2779) | Branch Premises              | 4,425              | 41                  | 1,177                   | 27/12/1983          |
| 4  | No. 133, 135 & 137<br>Jalan Kampong Nyabor<br>96000 Sibul, Sarawak                               | Freehold                                 | Branch Premises              | 4,871              | 31                  | 2,745                   | 28/12/1992          |
| 5  | Jungle land at Sungai Limut Rajang<br>Sarawak Occupation Ticket<br>612 of 1931                   | Leasehold<br>- 99 years<br>(31/12/2026)  | Jungle land                  | 1,217,938          | n/a                 | 1                       | 31/12/1938          |
| 6  | No. 25 & 27, Jalan Tun Ismail<br>25000 Kuantan<br>Pahang Darul Makmur                            | Freehold                                 | Branch Premises              | 1,600              | 32                  | 1,028                   | 29/06/1996          |
| 7  | No. 69, 70 & 71,<br>Jalan Dato' Bandar Tunggal<br>70000 Seremban<br>Negeri Sembilan Darul Khusus | Freehold                                 | Branch Premises              | 6,000              | Pre-war             | 1,350                   | 27/12/1994          |
| 8  | No. 26, Lorong Rahim Kajai 14<br>Taman Tun Dr Ismail<br>60000 Kuala Lumpur                       | Freehold                                 | Branch Premises              | 3,750              | 37                  | 469                     | 30/12/1986          |
| 9  | No. 120-122, Jalan Mersing<br>86000 Kluang<br>Johor Darul Takzim                                 | Leasehold<br>- 99 years<br>(22/08/2063)  | Branch Premises              | 3,355              | 57                  | 462                     | 31/05/1990          |
| 10 | No. 100, Jalan Gurney<br>72100 Bahau<br>Negeri Sembilan Darul Khusus                             | Freehold                                 | Branch Premises              | 5,107              | 37                  | 1,890                   | 25/06/1992          |
| 11 | No. 12, 14 & 16<br>Jalan Wong Ah Fook<br>80000 Johor Bahru<br>Johor Darul Takzim                 | Freehold                                 | Branch Premises              | 4,174              | 32                  | 3,328                   | 25/06/1992          |
| 12 | No. 63 & 65, Jalan SS 23/15<br>47400 Petaling Jaya<br>Selangor Darul Ehsan                       | Freehold                                 | Vacant                       | 4,760              | 28                  | 3,024                   | 28/04/1997          |
| 13 | No. 24, Medan Taming 2<br>Taman Taming Jaya<br>43300 Balakong<br>Selangor Darul Ehsan            | Freehold                                 | Branch Premises              | 3,037              | 27                  | 895                     | 28/04/1997          |

## Other Information

|    | Location                                                                                     | Tenure                                  | Description of property held | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|----------------------------------------------------------------------------------------------|-----------------------------------------|------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 14 | No. 1, Jalan Takal 15/21 Seksyen 15<br>40000 Shah Alam<br>Selangor Darul Ehsan               | Leasehold<br>- 99 years<br>(29/06/2086) | Branch Premises              | 2,625              | 36                  | 1,022                   | 26/06/1997          |
| 15 | Lots 3594 & 3595<br>Jalan Baru Pak Sabah<br>23000 Dungun<br>Terengganu Darul Iman            | Leasehold<br>- 84 years<br>(02/02/2079) | Branch Premises              | 3,199              | 29                  | 172                     | 26/06/1997          |
| 16 | Lot 3073 & 3074<br>Jalan Abang Galau<br>97000 Bintulu, Sarawak                               | Leasehold<br>- 60 years<br>(12/02/2056) | Branch Premises              | 2,582              | 26                  | 830                     | 26/06/1997          |
| 17 | Lot 34, Putra Industrial Park<br>47000 Sungai Buloh<br>Selangor Darul Ehsan                  | Freehold                                | Warehouse                    | 96,219             | 27                  | 2,506                   | 26/01/1995          |
| 18 | No. 1540, Jalan Sultan Badlishah<br>05000 Alor Setar<br>Kedah Darul Aman                     | Leasehold<br>- 60 years<br>(19/07/2030) | Vacant                       | 10,619             | 48                  | 12                      | 30/06/1977          |
| 19 | No. 9A & 9B, Jalan Kampong Baru<br>08000 Sungai Petani<br>Kedah Darul Aman                   | Freehold                                | Branch Premises              | 9,320              | 30                  | 688                     | 01/01/1994          |
| 20 | No. 45, Jalan Burma<br>10500 Pulau Pinang                                                    | Freehold                                | Vacant                       | 14,277             | 45                  | 1,658                   | 24/11/1978          |
| 21 | No. 55-57, Jalan Yang Kalsom<br>30250 Ipoh<br>Perak Darul Ridzuan                            | Freehold                                | Vacant                       | 11,720             | 44                  | 862                     | 01/10/1984          |
| 22 | No. 27, Jalan Dewangsa<br>31000 Batu Gajah<br>Perak Darul Ridzuan                            | Leasehold<br>- 79 years<br>(26/02/2078) | Branch Premises              | 4,694              | 28                  | 216                     | 24/11/1995          |
| 23 | No. 75, Jalan Sultan Idris Shah<br>30000 Ipoh<br>Perak Darul Ridzuan                         | Freehold                                | Branch Premises              | 1,900              | 26                  | 567                     | 15/06/1998          |
| 24 | No. 80 & 82, Jalan Othman 1/14<br>46000 Petaling Jaya<br>Selangor Darul Ehsan                | Leasehold<br>- 90 years<br>(15/06/2089) | Branch Premises              | 9,062              | 33                  | 749                     | 01/06/1994          |
| 25 | No. 19, Jalan 54, Desa Jaya<br>52100 Kepong<br>Selangor Darul Ehsan                          | Leasehold<br>- 99 years<br>(08/03/2081) | Branch Premises              | 5,859              | 41                  | 296                     | 29/11/1985          |
| 26 | Lot 111, Jalan Mega Mendung<br>Kompleks Bandar<br>Off Jalan Klang Lama<br>58200 Kuala Lumpur | Leasehold<br>- 99 years<br>(11/10/2076) | Vacant                       | 4,978              | 43                  | 347                     | 31/07/1988          |
| 27 | No. 161, Jalan Imbi<br>55100 Kuala Lumpur                                                    | Freehold                                | Vacant                       | 2,454              | 27                  | 2,660                   | 14/02/1996          |

## Other Information

|    | Location                                                                                                            | Tenure                                   | Description of property held | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|---------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 28 | No. 8A-D, Jalan Station<br>80000 Johor Bahru<br>Johor Darul Takzim                                                  | Freehold                                 | Vacant                       | 12,854             | 30                  | 284                     | 22/10/1977          |
| 29 | No. 109, Main Road<br>83700 Yong Peng<br>Johor Darul Takzim                                                         | Freehold                                 | Branch Premises              | 2,740              | 35                  | 197                     | 01/09/1988          |
| 30 | No. 1, Bentong Heights<br>28700 Bentong<br>Pahang Darul Makmur                                                      | Freehold                                 | Branch Premises              | 5,432              | 55                  | 27                      | 30/06/1977          |
| 31 | No. 36, Main Road Tanah Rata<br>39000 Cameron Highland<br>Pahang Darul Makmur                                       | Leasehold<br>- 99 years<br>(24/11/2039)  | Branch Premises              | 1,728              | 83                  | 66                      | 30/08/1982          |
| 32 | W-1-0, W-2-0 & W-1-1<br>Subang Square Business Centre<br>Jalan SS15/4G<br>47500 Subang Jaya<br>Selangor Darul Ehsan | Freehold                                 | Branch Premises              | 4,545              | 24                  | 1,008                   | 18/12/1999          |
| 33 | No. 2828-G-02 & 2828-1-02<br>Jalan Bagan Luar<br>12000 Butterworth<br>Pulau Pinang                                  | Freehold                                 | Vacant                       | 12,173             | 24                  | 1,917                   | 18/12/1999          |
| 34 | Plot No 20, Jalan Bidor Raya<br>35500 Bidor<br>Perak Darul Ridzuan                                                  | Freehold                                 | Branch Premises              | 3,243              | 24                  | 433                     | 23/11/1999          |
| 35 | No. 1, Persiaran Greentown 2<br>Greentown Business Centre<br>30450 Ipoh<br>Perak Darul Ridzuan                      | Leasehold<br>- 99 years<br>(21/11/2094)  | Branch Premises              | 7,870              | 23                  | 1,286                   | 23/11/1999          |
| 36 | Lots 39 & 40<br>Kompleks Munshi Abdullah<br>75100 Melaka                                                            | Leasehold<br>- 99 years<br>(24/02/2084)  | Branch Premises              | 5,988              | 24                  | 997                     | 31/05/1991          |
| 37 | No. 1 & 2 Jalan Raya<br>09800 Serdang<br>Kedah Darul Aman                                                           | Freehold                                 | Branch Premises              | 5,840              | 22                  | 332                     | 20/09/2000          |
| 38 | No. 133 & 135, Jalan Gopeng<br>31900 Kampar<br>Perak Darul Ridzuan                                                  | Freehold                                 | Branch Premises              | 4,700              | 22                  | 307                     | 13/12/2000          |
| 39 | No. 65-67, Jalan Tun HS Lee<br>50000 Kuala Lumpur                                                                   | Freehold                                 | HLB's CSR Community Center   | 2,223              | 27                  | 4,617                   | 14/10/1996          |
| 40 | No. 64, Jalan Tun Mustapha<br>87007 Labuan                                                                          | Leasehold<br>- 999 years<br>(28/12/2881) | Branch Premises              | 1,370              | 32                  | 353                     | 30/05/1991          |

## Other Information

|    | Location                                                                                              | Tenure                                  | Description of property held | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|-------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 41 | No. 159, Jalan Imbi<br>55100 Kuala Lumpur                                                             | Freehold                                | Vacant                       | 1,688              | 18                  | 2,511                   | 25/11/2005          |
| 42 | No. 163, Jalan Imbi<br>55100 Kuala Lumpur                                                             | Freehold                                | Vacant                       | 1,688              | 18                  | 2,588                   | 25/10/2005          |
| 43 | No. 114 & 116, Jalan Cerdas<br>Taman Connaught<br>56000 Kuala Lumpur                                  | Leasehold<br>- 99 years<br>(16/10/2078) | Branch<br>Premises           | 12,200             | 17                  | 3,235                   | 07/06/2006          |
| 44 | Lot A08-A09, Jalan SS 6/5A<br>Dataran Glomac<br>Pusat Bandar Kelana Jaya<br>47301 Petaling Jaya       | Freehold                                | Branch<br>Premises           | 9,800              | 17                  | 2,463                   | 06/07/2006          |
| 45 | No. 2 Jalan Puteri 2/4<br>Bandar Puteri<br>47100 Puchong<br>Selangor Darul Ehsan                      | Freehold                                | Branch<br>Premises           | 11,850             | 16                  | 4,854                   | 28/06/2007          |
| 46 | Tower A, PJ City Development<br>46100 Petaling Jaya<br>Selangor Darul Ehsan                           | Leasehold<br>- 99 years<br>(14/08/2094) | Branch<br>Premises           | 194,489            | 15                  | 66,671                  | 21/07/2008          |
| 47 | OUG<br>No.2, Lorong 2/137C<br>Off Jalan Kelang Lama<br>58200 Kuala Lumpur                             | Leasehold<br>- 99 years<br>(year 2088)  | Branch<br>Premises           | 17,300             | 13                  | 4,304                   | 01/04/2011          |
| 48 | KEP<br>Lot No 77C & 77D<br>Lot No.58529 Jalan Kepong<br>52100 Kuala Lumpur                            | Leasehold<br>- 99 years<br>(07/01/2101) | Branch<br>Premises           | 30,613             | 13                  | 7,636                   | 01/05/2011          |
| 49 | No. 122, Kapit By-Pass<br>96807 Kapit<br>Sarawak                                                      | Leasehold<br>- 60 years<br>(29/04/2045) | Branch<br>Premises           | 1,200              | 30                  | 162                     | 30/04/1985          |
| 50 | No. 12A, Block B<br>Level 2, Fraser's Hill Condominium<br>49000 Bukit Fraser's<br>Pahang Darul Makmur | Leasehold<br>- 99 years<br>(23/05/2082) | 1 unit<br>apartment          | 1,792              | 36                  | 82                      | 24/05/1983          |
| 51 | No. 9, Jalan Cheng Lock<br>50000 Kuala Lumpur<br>Wilayah Persekutuan                                  | Freehold                                | Vacant                       | 2,199              | 50                  | 247                     | 18/09/1972          |
| 52 | No. 3, Jalan Bandar Satu<br>Pusat Bandar Puchong<br>47100 Puchong<br>Selangor Darul Ehsan             | Freehold                                | Branch<br>Premises           | 4,687              | 28                  | 1,582                   | 03/04/1997          |
| 53 | No. 32 & 34, Jalan 21/19<br>Sea Park<br>46300 Petaling Jaya<br>Selangor Darul Ehsan                   | Freehold                                | Vacant                       | 3,080              | 60                  | 2,062                   | 19/08/1997          |

## Other Information

|    | Location                                                                                                                                    | Tenure                                  | Description of property held | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 54 | No. 26 & 27, Jalan Kenari 1<br>Bandar Puchong Jaya<br>47100 Puchong<br>Selangor Darul Ehsan                                                 | Freehold                                | Branch Premises              | 3,600              | 27                  | 1,264                   | 22/01/1999          |
| 55 | No. 2, Jalan PJU 5/8<br>Dataran Sunway, Kota Damansara<br>47810 Petaling Jaya<br>Selangor Darul Ehsan                                       | Leasehold<br>- 99 years<br>(23/11/2100) | Branch Premises              | 12,892             | 19                  | 3,076                   | 12/02/2005          |
| 56 | No. J09-6 and J02-06<br>Paradise Lagoon Holiday Apartment<br>Batu 3 1/2, Jalan Pantai<br>70100 Port Dickson<br>Negeri Sembilan Darul Khusus | Leasehold<br>- 99 years<br>(06/07/2087) | 2 units apartment            | 2,088              | 27                  | 153                     | 21/04/1994          |
| 57 | No. S-3, Kompleks Negeri<br>Jalan Dr. Krishnan<br>70000 Seremban<br>Negeri Sembilan Darul Khusus                                            | Leasehold<br>- 99 years<br>(30/01/2078) | Vacant                       | 1,680              | 39                  | 206                     | 29/06/1981          |
| 58 | No. 105 & 107, Jalan Melaka Raya 24<br>Taman Melaka Raya<br>75000 Melaka                                                                    | Leasehold<br>- 99 years<br>(20/03/2094) | Vacant                       | 3,132              | 27                  | 411                     | 17/04/1998          |
| 59 | No. 67 & 69, Jalan Merdeka<br>75000 Taman Merdeka Raya<br>Melaka                                                                            | Leasehold<br>- 99 years<br>(07/07/2093) | Branch Premises              | 3,080              | 28                  | 579                     | 15/08/1999          |
| 60 | No. 35, 37 & 39, Jalan Johor Satu<br>Taman Desa Cemerlang<br>81800 Ulu Tiram<br>Johor Darul Takzim                                          | Freehold                                | Branch Premises              | 13,965             | 20                  | 1,763                   | 12/02/2003          |
| 61 | No. 21, Jalan Permas 10/1<br>Bandar Baru Permas Jaya<br>81750 Masai<br>Johor Darul Takzim                                                   | Freehold                                | Branch Premises              | 2,624              | 26                  | 862                     | 05/04/1999          |
| 62 | No. B-278 & B-280, Jalan Beserah<br>25300 Kuantan<br>Pahang Darul Makmur                                                                    | Freehold                                | Branch Premises              | 3,208              | 22                  | 1,250                   | 04/08/1999          |
| 63 | No. 31, 33, 35 & 37, Jalan Usahaniaga 1<br>Taman Niagajaya<br>14000 Bukit Mertajam<br>Seberang Perai Tengah, Penang                         | Freehold                                | Branch Premises              | 15,844             | 20                  | 1,076                   | 10/07/2003          |
| 64 | Lot 171, Jalan Council<br>95000 Bandar Sri Aman<br>Sarawak                                                                                  | Leasehold<br>- 60 years<br>(20/06/2050) | Branch Premises              | 1,740              | 27                  | 108                     | 21/06/1990          |
| 65 | Lot No. 2013, Jalan Pisang Barat<br>93150 Kuching<br>Sarawak                                                                                | Leasehold<br>- 99 years<br>(31/12/2038) | Storage                      | 1,390              | 30                  | -                       | 23/09/1992          |

## Other Information

|    | Location                                                                                                                    | Tenure                                   | Description of property held        | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|-----------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-------------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 66 | No: 3/G14, 3/G15 & 3/G16, Block 3<br>Lorong Api-Api 2<br>Api-Api Centre<br>88000 Kota Kinabalu, Sabah                       | Leasehold<br>- 99 years<br>(31/12/2086)  | Branch<br>Premises                  | 4,141              | 28                  | 1,407                   | 04/02/1997          |
| 67 | No. 177, Limbok Hill<br>70000 Seremban<br>Negeri Sembilan Darul Khusus                                                      | Freehold                                 | Single-storey<br>Detached<br>House  | 6,730              | 50                  | 9                       | 16/08/1972          |
| 68 | No. 11, Jalan Emas 2<br>Taman Emas Cheras<br>43200 Cheras, Selangor                                                         | Freehold                                 | Vacant                              | 5,804              | 30                  | -                       | 25/05/1993          |
| 69 | No. 53 & 55, Jalan Sultan Ismail<br>50250 Kuala Lumpur                                                                      | Freehold                                 | Branch<br>Premises                  | 9,600              | 26                  | 17,384                  | 01/06/2015          |
| 70 | No. 300, Jalan Jelutong<br>11600 Pulau Pinang                                                                               | Freehold                                 | Branch<br>Premises                  | 16,652             | 21                  | 12,535                  | 23/06/2015          |
| 71 | Lot 1, Block 35<br>Fajar Commercial Complex<br>Jalan Lembaga<br>91000 Tawau, Sabah                                          | Leasehold<br>- 998 years<br>(31/12/2895) | Branch<br>Premises                  | 13,880             | 51                  | 4,569                   | 17/08/2015          |
| 72 | Menara Hong Leong<br>No. 6, Jalan Damanlela<br>Bukit Damansara<br>50490 Kuala Lumpur                                        | Freehold                                 | Head Office<br>/ Branch<br>Premises | 668,331            | 8                   | 536,098                 | 03/07/2015          |
| 73 | 01-01, 01-02, 01-03, 01-05, Blok D<br>Komersil Southkey Mozek<br>Persiaran Southkey 1<br>80150 Kota Southkey<br>Johor Bahru | Leasehold<br>- 99 years<br>(21/02/2100)  | Branch<br>Premises                  | 18,317             | 5                   | 13,944                  | 16/11/2018          |
| 74 | No. 8, Jalan 3/5-C<br>Taman Setapak Indah Jaya<br>Off Jalan Genting Klang<br>53300 Kuala Lumpur                             | Leasehold<br>- 99 years<br>(28/08/2086)  | Branch<br>Premises                  | 6,908              | 5                   | 1,976                   | 13/09/2018          |
| 75 | No. Hakmilik 1205, No Lot 4057<br>Muikim 06<br>Daerah Seberang Perai Tengah<br>Pulau Pinang                                 | Freehold                                 | Vacant                              | 65,340             | 2                   | 10,342                  | 25/02/2021          |
| 76 | Lot 942 Jalan Parry<br>98000 Miri<br>Sarawak                                                                                | Leasehold<br>- 60 Years<br>(06/04/2057)  | Branch<br>Premises                  | 5,496              | 26                  | 711                     | 31/01/1997          |
| 77 | Lot 1, 2 & 3, Block 18<br>Bandar Indah, Mile 4<br>North Road, Bandar Indah<br>Sandakan, Sabah                               | Freehold                                 | Branch<br>Premises                  | 6,760              | 23                  | 2,630                   | 08/11/2001          |

## Other Information

|    | Location                                                                                                | Tenure                                  | Description of property held | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|---------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 78 | No 3 Persiaran Greentown 4<br>Greentown Business Centre<br>30450 Ipoh                                   | Leasehold<br>- 99 Years<br>(21/11/2094) | Branch<br>Premises           | 8,846              | 28                  | 385                     | 04/12/1995          |
| 79 | Bangunan HLA<br>7 Jalan Yayasan<br>86000 Kluang                                                         | Leasehold<br>- 99 Years<br>(23/03/2084) | Branch<br>Premises           | 6,019              | 34                  | 334                     | 30/12/1989          |
| 80 | Wisma Hong Leong<br>18 Jalan Perak<br>50450 Kuala Lumpur                                                | Freehold                                | Office<br>Premises           | 333,594            | 22                  | 260,000                 | 13/11/2001          |
| 81 | Unit 2.1.2, 1A, Stonor Condominium<br>Off Jalan Conlay<br>50450 Kuala Lumpur                            | Leasehold<br>- 99 Years<br>(17/07/2083) | Condominium                  | 1,904              | 30                  | 435                     | 30/06/1993          |
| 82 | Unit 1.1.5, 1A Stonor Condominium<br>Off Jalan Conlay<br>50450 Kuala Lumpur                             | Leasehold<br>- 99 Years<br>(17/07/2083) | Condominium                  | 1,815              | 30                  | 414                     | 30/06/1993          |
| 83 | 14-23 Darul Aman<br>Jalan Tun Ismail<br>25000 Kuantan<br>Pahang Darul Makmur                            | Freehold                                | Branch<br>Premises           | 5,610              | 30                  | 442                     | 21/02/1993          |
| 84 | No 1 Persiaran Greentown 4<br>Pusat Perdagangan Greentown<br>30450 Ipoh<br>Perak Darul Ridzuan          | Leasehold<br>- 99 Years<br>(21/11/2094) | Branch<br>Premises           | 5,246              | 28                  | 403                     | 04/12/1995          |
| 85 | Block B, PJ City<br>Jalan 219 Seksyen 51A<br>46100 Petaling Jaya<br>Selangor Darul Ehsan                | Leasehold<br>- 99 Years<br>(12/12/2107) | Office<br>Premises           | 202,194            | 15                  | 53,872                  | 29/04/2008          |
| 86 | 31 & 32 Jalan Kundang<br>Taman Bukit Pasir<br>83000 Batu Pahat<br>Johor                                 | Freehold                                | Branch<br>Premises           | 8,932              | 31                  | 1,398                   | 31/12/2013          |
| 87 | Menara Raja Laut<br>No. 288 Jalan Raja Laut<br>50350 Kuala Lumpur<br>Wilayah Persekutuan                | Freehold                                | Office<br>Premises           | 839,574            | 30                  | 209,000                 | 06/04/2015          |
| 88 | No 2682 Jalan Aston<br>14000 Bukit Mertajam<br>Pulau Pinang                                             | Freehold                                | Branch<br>Premises           | 10,160             | 5                   | 2,589                   | 14/03/2018          |
| 89 | 51-53, Persiaran Greenhill<br>30450 Ipoh<br>Perak Darul Ridzuan                                         | Freehold &<br>Leasehold<br>- 999 years  | Branch<br>Premises           | 4,793              | 29                  | 1,674                   | 31/12/1993          |
| 90 | Unit 1-10, 8 <sup>th</sup> Floor<br>Island Place Tower, Island Place<br>No 510 King's Road<br>Hong Kong | Leasehold<br>- 55 Years<br>(30/06/2047) | Office<br>Premises           | 20,000             | 28                  | 52,196                  | 20/02/2010          |



# FORM OF PROXY

I/We \_\_\_\_\_

NRIC/Passport/Company No. \_\_\_\_\_

of \_\_\_\_\_

being a member of HONG LEONG FINANCIAL GROUP BERHAD (the "Company"), 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 Fifty-Fourth Annual General Meeting of the Company to be held at Wau Bulan 2, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Tuesday, 31 October 2023 at 10.30 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below with an "X":

| RESOLUTIONS                                                                                                                                                                                                                                                              | FOR | AGAINST |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------|
| 1. To approve the payment of Director Fees and Directors' Other Benefits                                                                                                                                                                                                 |     |         |
| 2. To re-elect YBhg Tan Sri Quek Leng Chan as a Director                                                                                                                                                                                                                 |     |         |
| 3. To re-elect Ms Chong Chye Neo as a Director                                                                                                                                                                                                                           |     |         |
| 4. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration                                                                                                                                          |     |         |
| <b>SPECIAL BUSINESS</b>                                                                                                                                                                                                                                                  |     |         |
| 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 the 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 |     |         |
| 7. To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust                                                                   |     |         |

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2023

\_\_\_\_\_  
Number of shares held

\_\_\_\_\_  
Signature(s) of Member

\_\_\_\_\_  
CDS Account No.

## Notes:

- For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 23 October 2023 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- 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.
- 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.
- A proxy may but need not be a member of the Company.
- 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 Company 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 Company 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.
- 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 Company 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.
- In the event two (2) or more proxies are appointed, please fill in the ensuing section:

| Name of Proxies | % of shareholdings to be represented |
|-----------------|--------------------------------------|
|                 |                                      |
|                 |                                      |

- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice will be put to a vote by way of a poll.

Fold this flap for sealing

Then fold here

**The Group Company Secretary**

**HONG LEONG FINANCIAL GROUP BERHAD**

Registration No. 196801000439 (8024-W)

Level 30, Menara Hong Leong  
No. 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Malaysia



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## **Hong Leong Financial Group Berhad**

Registration No. 196801000439 (8024-W)

Level 30, Menara Hong Leong  
No. 6, Jalan Damanlela, Bukit Damansara  
50490 Kuala Lumpur  
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