HONG LEONG INVESTMENT BANK BERHAD

Registration No. 197001000928 (10209-W)
(Incorporated in Malaysia)

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

HONG LEONG INVESTMENT BANK BERHAD

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FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

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BASEL II PILLAR 3 DISCLOSURES FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

1. INTRODUCTION

The capital adequacy ratios of Hong Leong Investment Bank Berhad ("HLIBB" or "the Bank") and its subsidiaries ("the Group") are computed in accordance with the Bank Negara Malaysia's ("BNM") Risk-Weighted Capital Adequacy Framework ("RWCAF") - Basel II issued on 18 December 2023.

The Group places great importance to Basel II and view Basel II as a group-wide initiative that will ensure that the Group continues to meet international best practices for the credit, market and operational risk management practices. By adopting Basel II, the Group will be able to enhance and embed sound risk management practices within the Group and be equipped with the right risk management discipline, practices, processes and systems.

The following information concerning the Group's risk exposures, risk management practices and capital adequacy is disclosed as accompanying information to the annual report and does not form part of the audited accounts.

2. SCOPE OF APPLICATION

The capital adequacy ratios of the Group consist of capital base and risk-weighted assets derived from consolidated balances of the Bank and its subsidiary companies.

The capital adequacy ratios of the Bank and the Group are computed in accordance with BNM's RWCAF - Basel II. The Bank and the Group have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

The Group's capital requirements are generally based on the principles of consolidation adopted in the preparation of its annual financial statements, as discussed in Note 2A to the Financial Statements for financial year ended 30 June 2023 and differs from that used for regulatory capital purposes.

During the course of the year, the Bank and its subsidiaries did not experience any restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

3. CAPITAL STRUCTURE AND ADEQUACY

The Group monitors the capital adequacy position of the Bank and its subsidiaries to ensure compliance with requirements of BNM and to take prompt actions to address projected capital deficiency. The capital position is reviewed on a monthly basis by undertaking stress tests and taking into account the levels and trend of material risks. The sufficiency of capital is assessed against the various risks in the balance sheet as well as future capital requirements based on the Group's expansion plans.

The Group has also formalised an overall capital management framework, which seeks to ensure that there is an adequate balance between Tier I and Tier II capital. The Group is also following very closely the global developments on capital management.

The following table sets forth details on the capital resources, capital adequacy ratios and risk-weighted assets for the Group and the Bank as at 31 December 2023. BNM's revised RWCAF - Basel II sets out the minimum capital adequacy ratios for the banking institutions and the methodology for calculating these ratios. As at 31 December 2023, the Group's and the Bank's Tier I and the total capital adequacy ratios were higher than BNM's minimum requirements.

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

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

31 December 2023

	The Group	The Bank
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") ratio	**36.523%**	**36.506%**
Tier I capital ratio	**36.523%**	**36.506%**
Total capital ratio	**46.690%**	**46.683%**
After deducting proposed dividends: (1)		
CET I capital ratio	**36.523%**	**36.506%**
Tier I capital ratio	**36.523%**	**36.506%**
Total capital ratio	**46.690%**	**46.683%**

Note:
(1) Proposed dividends of RM Nil (30.06.2023: RM28,710,000).

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

	The Group RM'000	The Bank RM'000
CET1 capital		
Paid-up ordinary share capital	**252,950**	**252,950**
Retained profits	**251,949**	**251,607**
Other reserves	**(2,521)**	**(2,521)**
Less: goodwill and intangible assets	**(33,924)**	**(33,924)**
Less: deferred tax assets	**(89,521)**	**(89,521)**
Less: Investment in subsidiaries	**-**	**(200)**
Total CET1 capital	**378,933**	**378,391**
Tier 1 capital	**378,933**	**378,391**
Tier-2 capital		
General Provisions (2)	**5,490**	**5,489**
Subordinated Notes	**100,000**	**100,000**
Total Tier 2 capital	**105,490**	**105,489**
Total capital	**484,423**	**483,880**

Note:
(2) Pursuant to BNM's policy document on Financial Reporting, general provision refers to loss allowance, measured at an amount equal to 12-month and lifetime expected credit losses and regulatory reserve, to the extent they are ascribed to non-credit impaired exposures, determined under standardised approach for credit risk.

Breakdown of risk-weighted assets in the various risk weights:

	The Group RM'000	The Bank RM'000
Credit risk	**439,197**	**439,115**
Market risk	**294,914**	**294,501**
Operational risk	**303,420**	**302,915**
	1,037,531	**1,036,531**

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

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

30 June 2023

	The Group	The Bank
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") ratio	38.507%	38.498%
Tier I capital ratio	38.507%	38.498%
Total capital ratio	48.789%	48.792%
After deducting proposed dividends:		
CET I capital ratio	35.731%	35.719%
Tier I capital ratio	35.731%	35.719%
Total capital ratio	46.013%	46.013%

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

	The Group RM'000	The Bank RM'000
CET1 capital		
Paid-up ordinary share capital	252,950	252,950
Share premium		
Retained profits	280,659	280,317
Other reserves	(4,486)	(4,486)
Less: goodwill and intangible assets	(33,936)	(33,936)
Less: deferred tax assets	(96,878)	(96,878)
Less: Investment in subsidiaries	-	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	-	-
Total CET1 capital	398,309	397,767
Tier 1 capital	398,309	397,767
Tier-2 capital		
General Provisions [(1)]	6,360	6,356
Subordinated Notes	100,000	100,000
Total Tier 2 capital	106,360	106,356
Total capital	504,669	504,123

Note:
[(1)] Excludes collective assessment allowance attributable to loans and advances classified as impaired.

Breakdown of risk-weighted assets in the various risk weights:

	The Group RM'000	The Bank RM'000
Credit risk	508,798	508,514
Market risk	185,425	185,018
Operational risk	340,168	339,681
	1,034,391	1,033,213

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(b) The breakdown of risk-weighted assets ("RWA") by exposure is as follows:

The Group **31 December 2023** **Exposure Class**	**Gross Exposures RM'000**	**Net Exposures RM'000**	**Risk-Weighted Assets RM'000**	**Capital Requirements RM'000**
(i) Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns & Central Banks	1,806,106	1,806,106	-	-
Public Sector Entities	287,690	287,689	24,602	1,968
Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDBs")	465,315	465,317	92,195	7,376
Corporates	887,945	842,566	226,555	18,124
Regulatory Retail	308,712	71,028	14	1
Other Assets	189,671	189,671	31,377	2,510
Total On-Balance Sheet Exposures	3,945,439	3,662,377	374,743	29,979
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	7,669	7,669	7,669	614
Derivative Financial Instruments	179,244	179,244	56,785	4,543
Total Off-Balance Sheet Exposures	186,913	186,913	64,454	5,157
Total On and Off-Balance Sheet Exposures	4,132,352	3,849,290	439,197	35,136
(ii) Market Risk	Long Position	Short Position		
Interest Rate Risk	8,297,865	8,110,535	252,460	20,197
Equity Risk	3,524	-	14,024	1,122
Foreign Exchange Risk	2,606	1,087	2,606	208
Options Risk	100,000	-	25,824	2,066
	8,403,995	8,111,622	294,914	23,593
(iii) Operational Risk			303,420	24,274
Total RWA and Capital Requirements			1,037,531	83,003

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(b) The breakdown of risk-weighted assets ("RWA") by exposure is as follows (continued):

The Group **30 June 2023** **Exposure Class**	**Gross Exposures RM'000**	**Net Exposures RM'000**	**Risk-Weighted Assets RM'000**	**Capital Requirements RM'000**
(i) Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns & Central Banks	1,814,838	1,814,838	-	-
Public Sector Entities	320,024	320,024	15,238	1,219
Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDBs")	595,471	595,471	128,117	10,249
Corporates	922,970	877,587	277,710	22,217
Regulatory Retail	333,538	75,023	204	16
Other Assets	60,135	60,135	39,034	3,123
Total On-Balance Sheet Exposures	4,046,976	3,743,078	460,303	36,824
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	1,000	1,000	1,000	80
Derivative Financial Instruments	188,331	188,331	47,495	3,800
Total Off-Balance Sheet Exposures	189,331	189,331	48,495	3,880
Total On and Off-Balance Sheet Exposures	4,236,307	3,932,409	508,798	40,704
(ii) Market Risk	Long Position	Short Position		
Interest Rate Risk	8,022,747	7,753,229	152,298	12,184
Equity Risk	3,571	-	7,835	627
Foreign Exchange Risk	1,074	25,265	25,265	2,021
Options Risk	200	-	27	2
	8,027,592	7,778,494	185,425	14,834
(iii) Operational Risk			340,168	27,213
Total RWA and Capital Requirements			1,034,391	82,751

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(b) The breakdown of risk-weighted assets ("RWA") by exposure is as follows (continued):

The Bank **31 December 2023** **Exposure Class**	**Gross Exposures RM'000**	**Net Exposures RM'000**	**Risk-Weighted Assets RM'000**	**Capital Requirements RM'000**
(i) Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns & Central Banks	1,806,106	1,806,106	-	-
Public Sector Entities	287,687	287,687	24,601	1,968
Banks, DFI & MDBs	464,908	464,909	92,114	7,369
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-
Corporates	887,945	842,566	226,555	18,124
Regulatory Retail	308,712	71,028	14	1
Other Assets	189,671	189,671	31,377	2,510
Total On-Balance Sheet Exposures	3,945,029	3,661,967	374,661	29,972
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	7,669	7,669	7,669	614
Derivative Financial Instruments	179,244	179,244	56,785	4,543
Total Off-Balance Sheet Exposures	186,913	186,913	64,454	5,157
Total On and Off-Balance Sheet Exposures	4,131,942	3,848,880	439,115	35,129
(ii) Market Risk	Long Position	Short Position		
Interest Rate Risk	8,297,865	8,110,535	252,460	20,197
Equity Risk	3,317	-	13,611	1,089
Foreign Exchange Risk	2,606	1,087	2,606	208
Options Risk	100,000	-	25,824	2,066
	8,403,788	8,111,622	294,501	23,560
(iii) Operational Risk			302,915	24,233
Total RWA and Capital Requirements			1,036,531	82,922

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(b) The breakdown of risk-weighted assets ("RWA") by exposure is as follows (continued):

The Bank 30 June 2023 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns & Central Banks	1,814,838	1,814,838	-	-
Public Sector Entities	320,021	320,021	15,237	1,219
Banks, DFI & MDBs	594,055	594,055	127,834	10,227
Corporates	922,970	877,587	277,710	22,217
Regulatory Retail	333,538	75,023	204	16
Other Assets	60,135	60,135	39,034	3,123
Total On-Balance Sheet Exposures	4,045,557	3,741,659	460,019	36,802
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	1,000	1,000	1,000	80
Derivative Financial Instruments	188,331	188,331	47,495	3,800
Total Off-Balance Sheet Exposures	189,331	189,331	48,495	3,880
Total On and Off-Balance Sheet Exposures	4,234,888	3,930,990	508,514	40,682
(ii) Market Risk	Long Position	Short Position		
Interest Rate Risk	8,022,747	7,753,229	152,299	12,184
Equity Risk	3,367	-	7,427	594
Foreign Exchange Risk	1,074	25,265	25,265	2,021
Options Risk	200	-	27	2
	8,027,388	7,778,494	185,018	14,801
(iii) Operational Risk			339,681	27,174
Total RWA and Capital Requirements			1,033,213	82,657

4. RISK MANAGEMENT

Overview

The Group believes that an integrated risk management framework is key to ensuring the overall financial soundness and stability of the Group's business operations. Key components of our enterprise wide risk management framework include:

(i) A structured risk governance model, incorporating strong Board and senior management oversight.
(ii) Sound capital management processes.
(iii) Comprehensive assessment of material risks.
(iv) A rigorous system of check and balance reviews.
(v) Regular monitoring and reporting.
(vi) Independent reviews by the internal and external auditors.

Risk governance structure

The Board has overall responsibility for providing leadership, overseeing risk appetite and ensuring that a robust risk and compliance culture prevails. The Board is assisted by the following Board and management committees:

(i) Board, Audit and Risk Management Committee ("BARMC").
(ii) Assets and Liabilities Management Committee ("ALMCO").
(iii) Management Credit and Underwriting Committee ("MCUC").

The BARMC is responsible for the following:

(i) Reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval.
(ii) Reviewing and assessing adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
(iii) Ensuring infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of risk taking activities.
(iv) Reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

The Risk Management Department is responsible for assisting the BARMC, ALMCO, MCUC and the Board in ensuring that the risk management activities are carried out as per their directives. Amongst others, Risk Management Department is responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and valuation of risks. The Risk Management Department consists of three main units namely Market and Liquidity Risk, Operational Risk and Credit Risk Management.

4. RISK MANAGEMENT (CONTINUED)

Risk governance structure (continued)

The Group Internal Audit function complements the Risk Management Department in the management of risk by:

(i) Ensuring that the risk policies prepared by the Risk Management Department are enforced through its regular audit cycle.
(ii) Performing independent reviews to assess the risk control environment developed by the Risk Management Department.
(iii) Performing independent reviews to assess the risk grading system and the credit process.
(iv) Forming independent opinions on risk controls being formulated by the Risk Management Department.

Eight broad principles of risk management

(i) Align risk appetite and strategy

Risk appetite is the degree of risk that the Group is willing to accept in pursuit of its goals. Risk appetite is set first in evaluating strategic alternatives, then in setting objectives aligned with the selected strategy and in developing mechanisms to manage the related risks.

(ii) Link growth, risk and return

Framework provides an enhanced ability to identify and assess risks and establish acceptable levels of risk relative to growth and return objectives.

(iii) Enhance risk response decisions

The Group strives to identify and select among alternative risk responses - risk avoidance, reduction, sharing and acceptance based on generally accepted practices and methodologies.

(iv) Minimise operational surprises and losses

The Group continually enhances its capability to identify potential events, assess risk and establish responses, thereby reducing the occurrence of surprises and related costs or losses.

(v) Identify and manage cross-risks

Every product faces a myriad of risks. The Group not only manages the individual risks, but also manages interrelated impacts.

(vi) Provide integrated responses to multiple risks

Business processes carry many inherent risks and the Group continually finds solutions for managing the risks.

4. RISK MANAGEMENT (continued)

Eight broad principles of risk management (continued)

(vii) Seize opportunities

The Group considers potential events, using risk management as offensive initiatives rather than just risks (defensive), and by considering a full range of events, the Group gains an understanding of how certain events represent opportunities.

(viii) Rationalise capital

More robust information on total risk allows the Group to more effectively assess overall capital needs and improve capital allocation.

Risk management framework

The Group's risk management framework outlines the overall structure, aspirations, values and risk management strategies, and is a structured approach in balancing risks and returns.

Appropriate methodologies and measures have been developed in our risk management approaches to manage uncertainties such that the deviations from the intended strategic objectives are monitored and kept within tolerable levels.

Risk management culture

The risk management culture of the Group encompasses the following:

(i) Developing strategies

Documentation that is approved by the Board which expresses the Group's risk management strategies and appetite.

(ii) Adopting skills

The capabilities and resources required for implementing the risk management function.

(iii) Cultivating shared values

The universal risk management culture that the Group expects and promotes throughout the business units.

4. RISK MANAGEMENT (continued)

Risk management approach

The risk management approach is summarised as follows:

(i) Strategy

Risk management policies are integrated with business and strategies, in line with Board approved risk appetite.

(ii) Policy

Risks are addressed using specific risk policies.

(iii) Tools

Risks are measured and assessed using clearly defined models, methodologies and benchmarking.

(iv) Communication

Risks are adequately communicated across the Group in a timely manner.

(v) Implementation

Risks and returns are identified and managed by respective accountable business, support and operating units.

(vi) Maintenance

Risk management policies are clearly and formally documented, with a review in place to respond to changes in operating environment.

Risk management process

The risk management approaches are based on four simple processes:

(i) Identify what, why and how risks can arise:

- Nature of risk.
- Circumstances.
- Causes.
- Potential contributing factors.

4. RISK MANAGEMENT (continued)

Risk management process (continued)

(ii) Analyse and evaluate risks:

- Analyse and measure risk exposures using impact and probability analysis.
- Establish priorities using risk matrix.
- Compare risk exposures with Group's risk appetite.

(iii) Measures to control or mitigate the identified risks:

- Measures to mitigate the identified risks or risk controls.
- Action plans to either prevent or mitigate the risks.

(iv) Monitor and review the performance of the risk management process:

- Review effectiveness of mitigating measures or controls.
- Tracking of incidences and losses.
- Review feedback from internal reports and take appropriate action.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfill their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Group.

The primary objective of the credit risk management framework is to ensure that exposure to credit risk is kept within the Group's financial capacity to withstand potential future losses. Lending activities are guided by internal credit policies and guidelines that are approved by the Board. These policies were reviewed and further enhanced during the year.

Credit portfolio management strategies and significant exposures are reviewed by the Board. These portfolio management strategies are designed to achieve a desired ideal portfolio risk tolerance level and sector distribution. This includes minimum credit rating targets for new credit facilities.

The 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 MCUC.

Credit risk is also identified as part of the new product sign-off process to ensure that new products prior to marketing are acceptable from a credit risk management perspective.

The Group also believes that authority limits for credit approvals should be directly related to the risk levels of the borrower and the transaction. In this respect, a Delegated Authority Limit structure had been implemented.

Credit Risk Management Process

(i) Identification

- Risk assessment on the potential impact of internal and external factors on transactions and positions.

(ii) Assessment/Measurement

- Internal credit rating systems to evaluate customer's credit worthiness.

(iii) Control/Mitigation

- Credit risk management policies and guidelines on credit rating, collateral and loan recovery.
- Exposure limits based on credit worthiness level for corporate groups, and prudent thresholds by economic sectors.
- Monitoring the benchmark return to consider the risk taken.

(iv) Monitoring/Review

- Analysis/review on loan exposures, asset quality evaluation, and movement of impaired loans and advances.
- Reporting on exposures against approved credit limits.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit quality of loans and advances

A loan is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due. Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans advances and financing less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

A loan or a group of loans is deems to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For description of approaches adopted by the Group and the Bank for the determination of expected credit losses (Stage 1, 2, 3), refer to Note 43(d) to the audited financial statements for financial year ended 30 June 2023.

Gross credit exposure

(i) The table below sets out the breakdown of gross credit exposures by geographical distribution as follows:

The Group and the Bank	**Malaysia RM'000**	**Other countries RM'000**	**Total RM'000**
31 December 2023			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss *	**183,414**	**-**	**183,414**
Financial investments at fair value through other comprehensive income *	**1,765,399**	**48,869**	**1,814,268**
Financial investments at amortised cost	**1,176,402**	**-**	**1,176,402**
Derivatives financial assets	**42,439**	**-**	**42,439**
Loans and advances	**312,767**	**-**	**312,767**
Clients' and brokers' balances	**310,744**	**-**	**310,744**
Total On-Balance Sheet Exposures	**3,791,165**	**48,869**	**3,840,034**
Off-Balance Sheet Exposures			
Credit-related exposures	**7,669**	**-**	**7,669**
Derivative financial instruments	**179,244**	**-**	**179,244**
	186,913	**-**	**186,913**
Total On and Off-Balance Sheet Exposures	**3,978,078**	**48,869**	**4,026,947**

** Excludes equity securities*

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(i) The table below sets out the breakdown of gross credit exposures by geographical distribution as follows (continued):

The Group and the Bank	**Malaysia RM'000**	**Other countries RM'000**	**Total RM'000**
30 June 2023			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss *	268,954	-	268,954
Financial investments at fair value through other comprehensive income *	1,789,659	48,456	1,838,115
Financial investments at amortised cost	1,138,237	-	1,138,237
Derivatives financial assets	67,036	-	67,036
Loans and advances	409,817	-	409,817
Clients' and brokers' balances	132,829	-	132,829
Total On-Balance Sheet Exposures	3,806,532	48,456	3,854,988
Off-Balance Sheet Exposures			
Credit-related exposures	1,000	-	1,000
Derivative financial instruments	188,331	-	188,331
	189,331	-	189,331
Total On and Off-Balance Sheet Exposures	3,995,863	48,456	4,044,319

** Excludes equity securities*

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows:

The Group and the Bank 31 December 2023	Financial assets at fair value through profit or loss RM'000	Financial investments at fair value through other comprehensive income RM'000	Financial investments at amortised cost RM'000	Derivative financial assets RM'000	Loans and advances RM'000	Clients' and brokers' balances RM'000	Total on-balance sheet risk exposures RM'000	Credit-related Exposures RM'000	Derivative Financial Instruments RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
Agriculture	-	-	-	-	-	-	-	-	-	-	-
Mining and quarrying	-	-	-	-	-	-	-	-	-	-	-
Electricity, gas and water	-	241,469	-	-	-	-	241,469	-	-	-	241,469
Construction	-	19,912	-	-	-	-	19,912	1,000	-	1,000	20,912
Transport, storage and							-				
communications	-	139,325	-	-	-	-	139,325	-	-	-	139,325
Finance, insurance, real estate							-				
and business services	89,835	732,832	39,750	42,372	29,865	-	934,654	-	179,244	179,244	1,113,898
Government and government							-				
agencies	93,579	657,117	1,136,652	-	-	-	1,887,348	-	-	-	1,887,348
Household	-	-	-	-	19	-	19	-	-	-	19
Purchase of securities	-			-	282,883	310,744	593,627	-	-	-	593,627
Others	-	23,613	-	67	-	-	23,680	6,669	-	6,669	30,349
	183,414	1,814,268	1,176,402	42,439	312,767	310,744	3,840,034	7,669	179,244	186,913	4,026,947

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows:

The Group and the Bank 30 June 2023	Financial assets at fair value through profit or loss RM'000	Financial investments at fair value through other comprehensive income RM'000	Financial investments at amortised cost RM'000	Derivative financial assets RM'000	Loans and advances RM'000	Clients' and brokers' balances RM'000	Total on-balance sheet risk exposures RM'000	Credit-related Exposures RM'000	Derivative Financial Instruments RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
Agriculture	-	-	-	-	-	-	-	-	-	-	-
Mining and quarrying	-	-	-	-	5,205	-	5,205	-	-	-	5,205
Electricity, gas and water	-	200,161	-	-	-	-	200,161	-	-	-	200,161
Construction	-	24,917	-	-	-	-	24,917	1,000	-	1,000	25,917
Transport, storage and							-				
communications	5,016	179,920	-	-	-	-	184,936	-	-	-	184,936
Finance, insurance, real estate							-				
and business services	79,642	681,138	39,504	67,036	30,007	-	897,327	-	188,331	188,331	1,085,658
Government and government							-				
agencies	184,296	714,190	1,098,733	-	-	-	1,997,219	-	-	-	1,997,219
Household	-	-	-	-	70,900		70,900	-	-	-	70,900
Purchase of securities	-			-	303,705	132,829	436,534	-	-	-	436,534
Others	-	37,789	-	-	-	-	37,789	-	-	-	37,789
	268,954	1,838,115	1,138,237	67,036	409,817	132,829	3,854,988	1,000	188,331	189,331	4,044,319

BASEL II PILLAR 3 DISCLOSURES FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure

(iii) The table below sets out the breakdown of gross credit exposures by residual contractual maturity as follows:

The Group and the Bank **31 December 2023**	**Up to 1 Year** **RM'000**	**1 to 5 Years** **RM'000**	**Over 5 Years** **RM'000**	**Total** **RM'000**
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss	89,835	40,591	52,988	183,414
Financial investments at fair value through other comprehensive income	496,426	957,761	360,081	1,814,268
Financial investments at amortised cost	223,540	952,862	-	1,176,402
Derivatives financial assets	18,961	23,478	-	42,439
Loans and advances	312,749	18	-	312,767
Clients and brokers balances	310,744	-	-	310,744
Total On-Balance Sheet Exposures	1,452,255	1,974,710	413,069	3,840,034
Off-Balance Sheet Exposures				
Credit-related Exposures	7,669	-	-	7,669
Derivative Financial Instruments	56,666	122,578	-	179,244
Total Off-Balance Sheet Exposures	64,335	122,578	-	186,913
Total On and Off-Balance Sheet Exposures	1,516,590	2,097,288	413,069	4,026,947

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure

(iii) The table below sets out the breakdown of gross credit exposures by residual contractual maturity as follows:

The Group and the Bank **30 June 2023**	**Up to 1 Year** **RM'000**	**1 to 5 Years** **RM'000**	**Over 5 Years** **RM'000**	**Total** **RM'000**
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss	79,642	142,749	46,563	268,954
Financial investments at fair value through other comprehensive income	384,731	1,053,550	399,834	1,838,115
Financial investments at amortised cost	70,917	1,046,455	20,865	1,138,237
Derivatives financial assets	44,860	22,176	-	67,036
Loans and advances	374,670	35,147	-	409,817
Clients and brokers balances	132,829	-	-	132,829
Total On-Balance Sheet Exposures	1,087,649	2,300,077	467,262	3,854,988
Off-Balance Sheet Exposures				
Credit-related Exposures	1,000	-	-	1,000
Derivative Financial Instruments	88,385	99,946	-	188,331
Total Off-Balance Sheet Exposures	89,385	99,946	-	189,331
Total On and Off-Balance Sheet Exposures	1,177,034	2,400,023	467,262	4,044,319

BASEL II PILLAR 3 DISCLOSURES FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans and advances

(i) The table below sets out the breakdown by sector the amount of past due loans and advances, credit impaired loans and advances, expected credit losses (Stage 1, 2 and 3), expected credit losses charges/(write back) and write-offs for Stage 3 during the period as follows:

The Group and the Bank 31 December 2023	Past due loans and advances RM'000	Credit impaired loans and advances RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	Charges/(write-back) lifetime expected credit losses-credit impaired during the year RM'000	Write offs during the year RM'000
Agriculture	-	-	-	-	-	-	-
Electricity, gas and water	-	-	-	-	-	-	-
Mining and quarrying	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance, insurance, real estate and business services	-	-	(209)	-	-	-	-
Household	-	-	-	-	-	-	-
Purchase of securities	-	-	(179)	-	-	-	-
Transport, storage and communications	-	-	-	-	-	-	-
Wholesale and retail	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	-	-	(388)	-	-	-	-

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans and advances

(i) The table below sets out the breakdown by sector the amount of past due loans and advances, impaired loans and advances, individual assessment allowance, collective assessment allowance, charges for individual assessment allowance during the financial year and write-offs during the financial year as follows (continued):

The Group and the Bank 30 June 2023	**Past due loans and advances**	**Credit impaired loans and advances RM'000**	**12-month expected credit losses (Stage 1) RM'000**	**Lifetime expected credit losses-not credit impaired (Stage 2) RM'000**	**Lifetime expected credit losses-credit impaired (Stage 3) RM'000**	**Charges/(write-back) lifetime expected credit losses-credit impaired during the year RM'000**	**Write offs during the year RM'000**
Agriculture	-	-	-	-	-	-	-
Electricity, gas and water	-	-	-	-	-	-	-
Mining and quarrying	-	-	-	(21)	-	-	-
Manufacturing	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance, insurance, real estate and business services	-	-	(75)	-	-	-	-
Household	-	-	-	-	-	-	-
Purchase of securities	-	-	(192)	(2)	-	-	-
Transport, storage and communications	-	-	-	-	-	-	-
Wholesale and retail	-	-	-	-	-	-	-
Others	-	126	(48)	-	-	-	-
Total	-	126	(315)	(23)	-	-	-

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans and advances (continued)

(ii) The table below sets out the breakdown by sector the amount of past due loans and advances, credit impaired loans and advances, expected credit losses (Stage 1, 2 and 3) during the period as follows:

The Group and the Bank 31 December 2023	**Past due loans and advances RM'000**	**Credit impaired loans and advances RM'000**	**12-month expected credit losses (Stage 1) RM'000**	**Lifetime expected credit losses-not credit impaired (Stage 2) RM'000**	**Lifetime expected credit losses-credit impaired (Stage 3) RM'000**
Malaysia	**-**	**-**	**(388)**	**-**	**-**

The table below sets out the breakdown by geographical areas the amount of past due loans and advances, impaired loans and advances, individual assessment allowance and collective assessment allowance as follows:

The Group and the Bank 30 June 2023	**Past due loans and advances RM'000**	**Credit impaired loans and advances RM'000**	**12-month expected credit losses (Stage 1) RM'000**	**Lifetime expected credit losses-not credit impaired (Stage 2) RM'000**	**Lifetime expected credit losses-credit impaired (Stage 3) RM'000**
Malaysia	-	126	(315)	(23)	-

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans and advances (continued)

(iii) The table below sets out the reconciliation of changes to loan impairment provisions:

The Group and the Bank	**12 Months ECL (Stage 1) RM'000**	**Lifetime ECL not credit impaired (Stage 2) RM'000**	**Lifetime ECL credit impaired (Stage 3) RM'000**	**Total ECL RM'000**
At 1 July 2023	**315**	**23**	**-**	**338**
Transferred to Stage 1	**3**	**(3)**	**-**	**-**
Transferred to Stage 2	**(2)**	**2**	**-**	**-**
New financial assets originated	**2**	**-**	**-**	**2**
Financial assets derecognised	**(45)**	**(19)**	**-**	**(64)**
Allowance made	**157**	**-**	**-**	**157**
Allowance written-back	**(42)**	**(3)**	**-**	**(45)**
At 31 December 2023	**388**	**-**	**-**	**388**
At 1 July 2022	310	37	-	347
Transferred to Stage 1	20	(20)	-	-
Transferred to Stage 2	(17)	17	-	-
New financial assets originated	5	-	-	5
Financial assets derecognised	(4)	-	-	(4)
Allowance made	105	14	-	119
Allowance written-back	(104)	(25)	-	(129)
At 30 June 2023	315	23	-	338

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures according to ratings by External Credit Assessment Institutions ("ECAIs")

Under Basel II, credit risk for the Group is computed using the Standardised Approach.

External credit assessments (or external ratings) on the customer (the issuer) or specific securities issued by the issuer (the issue) form as a basis for the determination of risk weights under the Standardised Approach for exposures to sovereigns, central banks, public sector entities, banking institutions, corporates as well as certain other specific portfolios.

The approved External Credit Assessment Institutions (“ECAI”) ratings and the prescribed risk weights on the above stated asset classes are used in the computation of regulatory capital. An exposure would be deemed to have an external rating if the issuer or the issue has a rating provided by an ECAI. In cases where an exposure does not have an issuer or issue rating, the exposure shall be deemed unrated and shall be accorded a risk weight appropriate for unrated exposures in their respective exposure category.

The ECAI used by the Group are Fitch Ratings ("Fitch"), Moody’s Investors Service ("Moody's"), Standard & Poor’s ("S&P"), Malaysia Rating Corporation Berhad ("MARC") and Rating Agency Malaysia ("RAM"). ECAI ratings are mapped to a common credit quality grade as prescribed by BNM.

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposure by risk weight

The breakdown of credit risk exposures by risk weight is as follows:

Risk Weights	Sovereigns/Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
The Group									
31 December 2023									
0%	1,806,106	227,320	87,307	-	40,014	71,010	151,483	2,383,240	-
20%	-	33,306	459,557	-	714,433	-	8,514	1,215,810	243,163
50%	-	18,246	81,252	-	8,904	-	-	108,402	54,201
75%	-	-	-	-	-	18	-	18	13
100%	-	8,817	-	1,007	102,322	-	29,674	141,820	141,820
150%	-	-	-	-	-	-	-	-	-
Total	1,806,106	287,689	628,116	1,007	865,673	71,028	189,671	3,849,290	439,197
Risk-Weighted Assets by Exposures	-	24,602	132,537	1,007	249,660	14	31,377	439,197	
Average Risk Weights	0.0%	8.6%	21.1%	100.0%	28.8%	0.0%	16.5%	11.4%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposure by risk weight (continued)

The breakdown of credit risk exposures by risk weight is as follows:

Risk Weights	Sovereigns/Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
The Group									
30 June 2023									
0%	1,814,838	278,527	37,360	-	55,197	74,876	6,292	2,267,090	-
20%	-	32,824	663,431	-	675,317	-	18,512	1,390,084	278,017
50%	-	-	80,168	-	8,854	-	-	89,022	44,511
75%	-	-	-	-	-	22	-	22	16
100%	-	8,673	-	2,801	139,261	-	35,331	186,066	186,066
150%	-	-	-	-	-	125	-	125	188
Total	1,814,838	320,024	780,959	2,801	878,629	75,023	60,135	3,932,409	508,798
Risk-Weighted Assets by Exposures	-	15,238	172,770	2,801	278,751	204	39,034	508,798	
Average Risk Weights	0.0%	4.8%	22.1%	100.0%	31.7%	0.3%	64.9%	12.9%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposure by risk weight

The breakdown of credit risk exposures by risk weight is as follows:

Risk Weights	Sovereigns/Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
The Bank									
31 December 2023									
0%	1,806,106	227,320	87,307	-	40,014	71,010	151,483	2,383,240	-
20%	-	33,303	459,150	-	714,433	-	8,514	1,215,400	243,081
50%	-	18,246	81,252	-	8,904	-	-	108,402	54,201
75%	-	-	-	-	-	18	-	18	13
100%	-	8,817	-	1,007	102,322	-	29,674	141,820	141,820
150%	-	-	-	-	-	-	-	-	-
Total	1,806,106	287,686	627,709	1,007	865,673	71,028	189,671	3,848,880	439,115
Risk-Weighted Assets by Exposures	-	24,601	132,456	1,007	249,660	14	31,377	439,115	
Average Risk Weights	0.0%	8.6%	21.1%	100.0%	28.8%	0.0%	16.5%	11.4%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposure by risk weight

The breakdown of credit risk exposures by risk weight is as follows:

Risk Weights	**Sovereigns/Central Banks RM'000**	**Public Sector Entities RM'000**	**Banks, DFIs and MDBs RM'000**	**Insurance Companies, Securities Firms & Fund Managers RM'000**	**Corporates RM'000**	**Regulatory Retail RM'000**	**Other Assets RM'000**	**Total Exposures after Netting & Credit Risk Mitigation RM'000**	**Total Risk-Weighted Assets RM'000**
The Bank									
30 June 2023									
0%	1,814,838	278,527	37,360	-	55,197	74,876	6,292	2,267,090	-
20%	-	32,821	662,015	-	675,317	-	18,512	1,388,665	277,733
50%	-	-	80,168	-	8,854	-	-	89,022	44,511
75%	-	-	-	-	-	22	-	22	16
100%	-	8,673	-	2,801	139,261	-	35,331	186,066	186,066
150%	-	-	-	-	-	125	-	125	188
Total	1,814,838	320,021	779,543	2,801	878,629	75,023	60,135	3,930,990	508,514
Risk-Weighted Assets by Exposures	-	15,237	172,487	2,801	278,751	204	39,034	508,514	
Average Risk Weights	0.0%	4.8%	22.1%	100.0%	31.7%	0.3%	64.9%	12.9%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures according to ratings by External Credit Assessment Institutions ("ECAIs")

The following tables summarise the rated exposures according to ratings ECAIs as follows:

(i) Ratings of Public Sector Entities, Insurance Cos, Securities Firms & Fund Managers and Corporate by Approved ECAIs

	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B1 to C**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	RAM	**AAA to AA3**	**A1 to A3**	**BBB1 to BB3**	**B to D**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
The Group and the Bank	**Rating & Investment Inc**	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 December 2023						
On and Off-Balance Sheet Exposures						
Public Sector Entities		**33,303**	**18,246**	**8,817**	**-**	**227,323**
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	**1,007**
Corporates		**714,433**	**8,904**	**-**	**-**	**142,336**
		747,736	**27,150**	**8,817**	**-**	**370,666**
30 June 2023						
On and Off-Balance Sheet Exposures						
Public Sector Entities		32,821	-	8,673	-	278,530
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	2,801
Corporates		675,317	8,854	-	-	191,283
		708,138	8,854	8,673	-	472,614

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures according to ratings by External Credit Assessment Institutions ("ECAIs") (continued)

(ii) Short term Ratings of Banking Institutions and Corporate by Approved ECAIs

	Moodys	**P-1**	**P-2**	**P-3**	**Others**	**Unrated**
	S&P	**A-1**	**A-2**	**A-3**	**Others**	**Unrated**
	Fitch	**F1+, F1**	**F2**	**F3**	**B to D**	**Unrated**
	RAM	**P-1**	**P-2**	**P-3**	**NP**	**Unrated**
	MARC	**MARC-1**	**MARC-2**	**MARC-3**	**MARC-4**	**Unrated**
The Group and the Bank	**Rating & Investment Inc**	**a-1+, a-1**	**a-2**	**a-3**	**b, c**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 December 2023						
On and Off-Balance Sheet Exposures						
Banks, MDBs and DFIs		**93,323**	**-**	**-**	**-**	**87,307**
Corporates		**-**	**-**	**-**	**-**	**45,380**
		93,323	**-**	**-**	**-**	**132,687**
30 June 2023						
On and Off-Balance Sheet Exposures						
Banks, MDBs and DFIs		77,515	-	-	-	37,360
Corporates		-	-	-	-	48,558
		77,515	-	-	-	85,918

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures according to ratings by External Credit Assessment Institutions ("ECAIs") (continued)

(iii) Ratings of Sovereigns and Central Banks by Approved ECAIs

	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Ba1 to B3**	**Caa1 to C**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
The Group and the Bank	**Rating & Investment Inc**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to C**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 December 2023							
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks		**-**	**-**	**-**	**-**	**-**	**1,806,106**
30 June 2023							
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks		-	-	-	-	-	1,814,838

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures according to ratings by External Credit Assessment Institutions ("ECAIs") (continued)

(iv) Ratings of Banking Institutions by Approved ECAIs

	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Ba1 to B3**	**Caa1 to C**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
	RAM	**AAA to AA3**	**A1 to A3**	**BBB+ to BBB3**	**BB1 to B3**	**C1 to D**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**C+ to D**	**Unrated**
The Group and the Bank	**Rating & Investment Inc**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to C**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 December 2023							
On and Off-Balance Sheet Exposures							
Banks, MDBs and DFIs		**320,021**	**45,182**	**15,349**	**-**	**-**	**66,934**
30 June 2023							
On and Off-Balance Sheet Exposures							
Banks, MDBs and DFIs		574,266	52,458	15,383	-	-	23,977

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit Risk Mitigation ("CRM")

The Group's and the Bank's credit principle is principally granting credit facilities on the basis of the borrower's credit standing, repayment and debt servicing ability. Where possible, collateral is taken to mitigate and reduce any credit risk for the particular credit facility extended. The value of the collateral is monitored periodically and where applicable, a revised valuation may be requested from the borrower. The main types of collateral accepted are cash, marketable securities and securities from listed exchange. There are policies and processes in place to monitor collateral concentration. For credit risk mitigation ("CRM") purposes, only collateral or guarantees that are legally enforceable are taken into account. The credit exposures are computed on a net basis only when there is a legally enforceable netting arrangements for loans and deposits. The Group and the Bank use the Comprehensive Approach for computation of the adjusted exposures.

The following tables resent the credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach for the Group. Eligible financial collateral consists primarily of securities from listed exchange. The Group does not have any credit exposure which is reduced through the application of other eligible collateral.

The Group	31 December 2023		30 June 2023	
	Exposures before CRM RM'000	Exposures covered by eligible financial collateral RM'000	Exposures before CRM RM'000	Exposures covered by eligible financial collateral RM'000
On-Balance Sheet Exposures				
Sovereigns/Central Banks	**1,806,106**	**-**	1,814,838	-
Public Sector Entities	**287,690**	**-**	320,024	-
Banks, DFIs and MDBs	**465,315**	**-**	595,471	-
Corporates	**887,945**	**45,380**	922,970	45,383
Regulatory Retail	**308,712**	**237,683**	333,538	258,515
Other Assets	**189,671**	**-**	60,135	-
Total On-Balance Sheet Exposures	**3,945,439**	**283,063**	4,046,976	303,898
Off-Balance Sheet Exposures				
Credit-related Exposures	**7,669**	**-**	1,000	-
Derivative Financial Instruments	**179,244**	**-**	188,331	-
Total Off-Balance Sheet Exposures	**186,913**	**-**	189,331	-
Total On and Off-Balance Sheet Exposures	**4,132,352**	**283,063**	4,236,307	303,898

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit Risk Mitigation (continued)

The following tables resent the credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach for the Group. Eligible financial collateral consists primarily of securities from listed exchange. The Group does not have any credit exposure which is reduced through the application of other eligible collateral.

The Bank	31 December 2023 Exposures before CRM RM'000	31 December 2023 Exposures covered by eligible financial collateral RM'000	30 June 2023 Exposures before CRM RM'000	30 June 2023 Exposures covered by eligible financial collateral RM'000
On-Balance Sheet Exposures				
Sovereigns/Central Banks	**1,806,106**	**-**	1,814,838	-
Public Sector Entities	**287,687**	**-**	320,021	-
Banks, DFIs and MDBs	**464,908**	**-**	594,055	-
Corporates	**887,945**	**45,380**	922,970	45,383
Regulatory Retail	**308,712**	**237,683**	333,538	258,515
Other Assets	**189,671**	**-**	60,135	-
Total On-Balance Sheet Exposures	**3,945,029**	**283,063**	4,045,557	303,898
Off-Balance Sheet Exposures				
Credit-related Exposures	**7,669**	**-**	1,000	-
Derivative Financial Instruments	**179,244**	**-**	188,331	-
Total Off-Balance Sheet Exposures	**186,913**	**-**	189,331	-
Total On and Off-Balance Sheet Exposures	**4,131,942**	**283,063**	4,234,888	303,898

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Off-Balance Sheet exposures and counterparty credit risk

Credit limits are established to ensure that the Group and the Bank are not duly exposed to unnecessary credit risk with parties who are unable to meet or honour their financial obligations with the Group and the Bank.

The counterparty limits for the Group and the Bank are established by taking into consideration the tenor of the obligation, rating assignment of the counterparty, counterparty's shareholder's funds, the Group's and the Bank's shareholder's funds.

The credit exposure limit for derivative transactions is calculated based on the standardised approach by applying a specific percentage of risk factor i.e. the potential loss of the contract value to the counterparty limit for the Group and the Bank, which in general is a fraction of the derivative contract or notional amount used to express the volume of instruments.

Nature of commitments and contingencies

Obligations under underwriting agreements arise from underwriting agreements relating to the issuance of equity and debts securities, where the Group and the Bank are obliged to subscribe for or purchase the securities in the event the securities are not taken up when issued.

Irrevocable commitments to extend credit include all obligations on the part of the Group and the Bank to provide funding facilities or the undrawn portion of an approved credit facilities to customers.

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without the exchange of the underlying principal.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Off-Balance Sheet exposures and counterparty credit risk (continued)

The off-balance sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows:

The Group and the Bank	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
	RM'000	**RM'000**	**RM'000**	**RM'000**
31 December 2023				
Derivative financial instruments				
Interest rate related contracts:				
- One year or less	**867,986**	**3,551**	**4,921**	**1,184**
- Over one year to five years	**4,052,000**	**17,040**	**107,140**	**28,803**
Foreign exchange related contracts				
- One year or less	**2,573,055**	**15,343**	**51,745**	**11,360**
Equity related contracts:				
- One year or less	**12,699**	**67**	**-**	**-**
- Over one year to five years	**100,000**	**6,438**	**15,438**	**15,438**
	7,605,740	**42,439**	**179,244**	**56,785**
Commitments				
Direct Credit Substitutes	**1,000**	**-**	**1,000**	**1,000**
Obligations under underwriting agreement	**13,338**	**-**	**6,669**	**6,669**
Other commitments, such as formal standby facilities and credit lines				
- maturity less than one year	**-**	**-**	**-**	**-**
- maturity more than one year	**-**	**-**	**-**	**-**
Any commitment that are unconditionally cancelled at any time by the Bank without prior notice				
- maturity less than one year	**860,578**	**-**	**-**	**-**
Lending of banking institutions' securities or the posting of securities as collateral by bank	**-**	**-**	**-**	**-**
	874,916	**-**	**7,669**	**7,669**
Total Off-Balance Sheet Exposures	**8,480,656**	**42,439**	**186,913**	**64,454**

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Off-Balance Sheet exposures and counterparty credit risk (continued)

The off-balance sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows (continued):

The Group and the Bank	**Principal Amount RM'000**	**Positive Fair Value of Derivative Contracts RM'000**	**Credit Equivalent Amount RM'000**	**Risk-Weighted Assets RM'000**
30 June 2023				
Derivative financial instruments				
Interest rate related contracts:				
- One year or less	768,000	1,290	2,418	484
- Over one year to five years	3,502,000	22,154	99,904	27,116
Foreign exchange related contracts				
- One year or less	3,089,969	43,570	85,967	19,853
Equity related contracts:				
- One year or less	-	-	-	-
- Over one year to five years	200	22	42	42
	7,360,169	67,036	188,331	47,495
Commitments				
Direct Credit Substitutes	1,000	-	1,000	1,000
Obligations under underwriting agreement	-	-	-	-
Other commitments, such as formal standby facilities and credit lines				
- maturity less than one year	-	-	-	-
- maturity more than one year	-	-	-	-
Any commitment that are unconditionally cancelled at any time by the Bank without prior notice				
- maturity less than one year	917,464	-	-	-
Lending of banking institutions' securities or the posting of securities as collateral by bank	-	-	-	-
	918,464	-	1,000	1,000
Total Off-Balance Sheet Exposures	8,278,633	67,036	189,331	48,495

4. RISK MANAGEMENT (CONTINUED)

(B) Market risk

Market risk is defined as the risk of potential losses in earnings arising from changes in interest rates, foreign exchange rates, credit spreads, equity prices and commodity prices. This change can affect the value of financial instruments and may also affect proprietary trading revenues.

The main objectives of Market Risk Management is to ensure that losses from market risk can be promptly addressed without incurring a potential loss that is beyond the Group's and the Bank risk appetite.

Management of market risk

The ALMCO is the management level committee which supports the BARMC in the oversight of market and liquidity risk. The ALMCO is chaired by the Chief Executive Officer ("CEO") and includes senior representatives from both business and support units. It is primarily responsible for the development, implementation and review of frameworks, broad strategies and policies for managing the Group's and the Bank's balance sheet, funding management, market risk and liquidity risk.

The Risk Management Department is responsible for the development, implementation and maintenance of consistent policies and methodologies to identify, measure, monitor, control and report market risk and liquidity risk.

Market risk is inherent in the ordinary course of the Group's and the Bank's business and is prevalent especially in treasury activities of the Group and the Bank. The Group and the Bank broadly classify their financial assets at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. The major differences between the classifications are the accounting treatment and intention of acquiring the financial instruments.

Market Risk Management Process

(i) Identification

- Identify market risks within existing and new products.
- Review market-related information e.g. market trends, economic data.

(ii) Assessment/Measurement

- Sensitivity.
- Value-at-Risk.
- Stress test.

4. RISK MANAGEMENT (CONTINUED)

(B) Market risk (continued)

Market Risk Management Process (continued)

(iii) Control/Mitigation

- Establish market risk limits.
- Limits are set with reference to business profitability, budgets and aligned with the risk appetite approved by the Board.

(iv) Monitoring/Review

- Monitoring of limits.
- Periodical review and reporting.

Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirement on market risk.

The Group	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 December 2023				
Interest Rate Risk	**8,297,865**	**8,110,535**	**252,460**	**20,197**
Equity Risk	**3,524**	**-**	**14,024**	**1,122**
Foreign Currency Risk	**2,606**	**1,087**	**2,606**	**208**
Option Risk	**100,000**	**-**	**25,824**	**2,066**
	8,403,995	**8,111,622**	**294,914**	**23,593**
30 June 2023				
Interest Rate Risk	8,022,747	7,753,229	152,298	12,184
Equity Risk	3,571	-	7,835	627
Foreign Currency Risk	1,074	25,265	25,265	2,021
Option Risk	200	-	27	2
	8,027,592	7,778,494	185,425	14,834

4. RISK MANAGEMENT (CONTINUED)

(B) Market risk (continued)

Regulatory Capital Requirements (continued)

The Bank	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 December 2023				
Interest Rate Risk	**8,297,865**	**8,110,535**	**252,460**	**20,197**
Equity Risk	**3,317**	**-**	**13,611**	**1,089**
Foreign Currency Risk	**2,606**	**1,087**	**2,606**	**208**
Option Risk	**100,000**	**-**	**25,824**	**2,066**
	8,403,788	**8,111,622**	**294,501**	**23,560**
30 June 2023				
Interest Rate Risk	8,022,747	7,753,229	152,299	12,184
Equity Risk	3,367	-	7,427	594
Foreign Currency Risk	1,074	25,265	25,265	2,021
Option Risk	200	-	27	2
	8,027,388	7,778,494	185,018	14,801

4. RISK MANAGEMENT (CONTINUED)

(C) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risks.

An Operational Risk Management Framework, approved by the HLIBB's Board, has been implemented across the Group to all business and support units. The Framework consists of operational risk's tools including loss event data reporting, control self-assessment and key risk indicators, to assist these units to identify, assess, monitor and control their operational risks. The information is channeled to the Risk Management Department to facilitate risk analysis, monitoring and reporting.

Related policies and procedures are in place to provide guidance to risk taking units in the areas of developing new products and services and outsourcing of operational functions.

A Business Continuity Framework has been developed to ensure business sustainability in event of business disruptions.

The Risk Management Department oversees the Group's operational risk management infrastructure, including the Framework, policies, processes, information, methodologies and systems. The Risk Management Department performs regular reviews of the operational risk profiles of the Group, and recommends related operational risk policies to be endorsed and approved at management and Board level.

5. EQUITY EXPOSURES IN BANKING BOOK

The Group's and the Bank's banking book's equity investments consist of equity holdings in organisations which are set up for specific socio-economic reasons (i.e. equity interest in Cagamas, MEPS, RAM, IBBM and CGC) and equity holdings and equity instruments received as a result of loan/financing restructuring or loan/financing conversion.

The Group's and the Bank's banking book's equity investments are classified and measured in accordance with MFRS 9 and are categorised as financial investments at fair value through other comprehensive income. Refer to Note 2D to the Audited Financial Statements for financial year ended 30 June 2023 for the accounting policies of the Group and the Bank.

The following table summarises the Group and the Bank's equity exposures in the banking book.

The Group and the Bank	31 December 2023 Exposures subject to risk-weighting RM'000	Risk weights %
Financial investments at fair value through other comprehensive income		
Unquoted equity securities	-	100

The Group and the Bank	30 June 2023 Exposures subject to risk-weighting RM'000	Risk weights %
Financial investments at fair value through other comprehensive income		
Unquoted equity securities	-	100

Gain and Loss on Equity Exposures in Banking Book

The tables below present the gains and losses on equity exposure in the banking book.

	31 December 2023 RM'000	30 June 2023 RM'000
Realised gains/losses recognised in the income statements	-	-
Unrealised gain recognised in revaluation reserve		
- Unquoted equity securities	-	-

6. INTEREST RATE RISK/RATE OF RETURN RISK IN BANKING BOOK

To evaluate the potential impact of interest/profit rate risk in the Banking Book, the Group and the Bank consider the effect on their underlying economic value.

The economic perspective provides a measurement of the underlying value of the Group's and the Bank's current position and seeks to evaluate the sensitivity of that value to changes in interest/profit rates. This perspective will allow the Group and the Bank to evaluate the changes in economic value of assets, liabilities, and off-balance sheet instruments against the movement in interest/profit rate. The economic values of these instruments are equivalent to the instruments' present value of future cash flows.

By analyzing the impact of interest/profit rate changes on the value of all future cash flows, the economic perspective can provide a more comprehensive measurement of interest/profit rate risk. The future cash flow projections used to estimate the economic exposure provides a pro forma estimate of the future income generated by its current position. In general, the measurement of present value of the instrument will be able to give an overview of the Group's and the Bank's economic value of equity ("EVE") over a longer time period.

The increase or decline in economic value for upward and downward rate shocks which are consistent with shocks applied in the Group's and the Bank's stress test for measuring IRR/RORBB in the banking book are as follows:

The following tables present the projected Group's sensitivity to a 100 basis point parallel shock to interest rates across all maturities applied on the Group's interest sensitivity gap as at reporting date.

	Impact on Position as at 31 December 2023		Impact on Position as at 30 June 2023	
	- 100 bps	**+ 100 bps**	- 100 bps	+ 100 bps
Type of currency	**Increase/(Decrease) in Economic Value**		Increase/(Decrease) in Economic Value	
	RM'000	**RM'000**	RM'000	RM'000
Ringgit Malaysia	**66,216**	**(66,216)**	73,991	(73,991)
US Dollar	**805**	**(805)**	1,335	(1,335)
SG Dollar	**(1)**	**1**	-	-
Others	**(1)**	**1**	(108)	108
	67,019	**(67,019)**	75,218	(75,218)

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

BASEL II PILLAR 3 DISCLOSURES FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

STATEMENT BY GROUP MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER

In accordance with the requirements of Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), I, to the best of my knowledge and belief, hereby attest that the Basel II Pillar 3 disclosures of Hong Leong Investment Bank for the financial period ended 31 December 2023 are accurate, complete and not misleading in any particular.

LEE JIM LENG

GROUP MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER