Appendix 1

HONG LEONG FINANCIAL GROUP BERHAD
(Registration No. 196801000439 (8024-W))

Summary of key matters discussed at the **Fifty-Third Annual General Meeting** of **HONG LEONG FINANCIAL GROUP BERHAD** ("**HLFG**" or the "**Company**") held at Wau Bulan 2, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on **Monday, 31 October 2022** at **2.30 p.m.**

The Company received a letter from the Minority Shareholder Watchdog Group ("**MSWG**"), a shareholder of the Company. The questions raised by MSWG and the Company's responses as read out by the President & Chief Executive Officer ("**President & CEO**") are set out below:

1. HLFG recorded an 8.3% increase to a net profit of RM2.45 billion, primarily supported by the robust performance of its commercial banking division (net of one-off Prosperity Tax).

   However, the performance of the insurance/takaful and investment banking businesses was tepid, with a 14.1% and 64.36% decline in net profits of HLA Holdings Sdn Bhd ("**HLAH**") and Hong Leong Capital Berhad ("**HLCB**"), respectively.

   How likely are shareholders to see a recovery in HLAH and HLCB's earnings in financial year ("**FY**") 2023?

   The President & CEO replied as follows:

   While the Malaysian economy is expected to stay on a growth trajectory, Management remains cautious on the business environment as Management foresees the growth momentum moderating by the second half of FY2023 amid rising external headwinds.

   The comparison of HLAH's FY2022 against FY2021 was distorted by a one-off tax credit of RM44.4 million in FY2021. Excluding this amount, the decline in net profit is 3.1% as compared to 14.1%.

   In FY2023, Management expects HLAH's core profits to remain resilient with the full resumption of face-to-face sales activities and with Malaysia continuing its growth trajectory. Nonetheless, Management remains cautious about the global external headwinds that is fueling volatility in the financial markets which in turn will have an impact on mark-to-market of the investment portfolio and hence, the reported profits.

   On long-term value creation, Hong Leong Assurance Berhad ("**HLA**")'s new business embedded value ("**NBEV**") improved by 13.1% year-on-year ("**y-o-y**") to RM200 million while embedded value ("**EV**") improved by 13.7% y-o-y to RM3.3 billion in FY2022. The improvements in NBEV and EV were driven by the positive impact of higher long-term Malaysian Government Securities (MGS) rates, refinement in actuarial methodology and HLA's digital transformation coupled with product re-positioning plans.

   For HLCB, its key operating company, Hong Leong Investment Bank Berhad ("**HLIB**")'s Stockbroking business continues to be pressured by Bursa Malaysia's much lower market volume. The average daily Bursa trading volume between July to September 2022 had decreased from RM5.8 billion in 2020 to RM3.02 billion in 2021 and to RM1.75 billion in 2022. Management foresees retail trading activity to remain weak whilst local institutions continue to stay on the side lines until the wider macro-investment climate rebounds.

On a positive note, the foreign shares trading volumes had grown by more than 6.0% y-o-y in FY2022.

For HLIB's Investment Banking business, the Treasury & Markets division will continue to diligently manage its bond portfolio and identify trading and/or arbitrage opportunities under the current volatile market conditions.

The Equity Market division recovered and achieved y-o-y revenue growth of 47.9% in FY2022 as Initial Public Offerings (IPO) activities increased and Management expects this momentum to continue into FY2023.

Debt Market division had a pipeline of mandated deals that were delayed in FY2022 and Management expects them to resume towards completion.

Hong Leong Asset Management Bhd had been working to increase its distribution network of unit trust and fund management through growing its own agency force and expanding its affinity partnerships while adding Environmental, Social and Governance (ESG) and foreign equity-oriented funds to its product range.

Cognizant of the challenging operating conditions, digitalisation would be a key focus to achieve cost efficiencies. HLIB shall maintain a judicious cost to income ratio ("**CTI**") and its CTI of 55.8% in FY2022 was one of the lowest amongst investment banks in Malaysia.

2. Life insurer, HLA which contributed almost 80% of HLAH's total insurance pre-tax profit in FY2022, recorded a modest growth of 0.8% in its gross premium with a 12.6% drop in new business regular premium due to lower contribution from agency channels disrupted by movement control restrictions and COVID-19 resurgence.

   a) Has the Group seen a recovery in premiums as the local economy is fully open now?

      The President & CEO replied as follows:

      Whilst there were more cases being submitted, the average case size of new policies had reduced as consumers scale back on spending over concerns with higher cost of living and weakening purchasing power.

   b) With an expected challenging macroeconomic environment next year, what would be the catalysts for your insurance premium growth?

      The President & CEO replied as follows:

      HLA will further strengthen its multi-channel distribution through agent recruitment with double-digits growth planned for FY2023. The sales momentum for the agency force was picking up and Management had also increased face-to-face training and agent engagement activities.

      With Hong Leong Bank Berhad ("**HLB**")'s establishment of a Wealth Management division, there is also added focus on Bancassurance proposition for the Priority Banking segment.

   c) HLA depends on agency force heavily with the agency channel accounting for more than 70% of its total gross premium, followed by the bancassurance channel.

How does the Group leverage technological solutions or the presence of insurtech companies to lower its dependency on agency force, diversify its product distribution channels and improve product visibility?

What were the digitalisation efforts undertaken by HLA to ensure its products continue to be relevant to customers?

The President & CEO replied as follows:

The agency force will continue to play its part as a key distribution channel while Management seeks to further leverage the Bancassurance and affinity partnerships and explore digital only propositions.

Besides establishing a unit to focus only on digital offerings, HLA had introduced:

- Electronic Know-Your-Customer (e-KYC) to simplify new customers on-boarding and identification process;
- iFinancial Fitness tool for customers' own financial analysis;
- more self-service transactions through on-line platform; and
- data-analytics driven marketing campaigns to reach out to customers.

3. The new Malaysian Financial Reporting Standards ("**MFRS**") 17 Insurance Contracts accounting standard will come into effect on 1 January 2023.

The objective of MFRS 17 is to provide a comparable and consistent accounting model for insurance/takaful contracts that is applicable across the insurance/takaful industry.

a) How well is the Group prepared for the introduction of this new standard?

The President & CEO replied as follows:

For HLFG's Insurance division, the adoption of MFRS17 will be effective from 1 July 2023 when the Company closes the current FY.

Management is testing the systems and processes together with the consultants and system vendors as well as carrying out an assurance audit with the external auditors to ensure readiness for reporting in FY2023/2024.

b) What is the expected financial impact arising from the implementation of MFRS 17 to the Group's insurance income?

The President & CEO replied as follows:

MFRS17 would see significant changes on how insurance company results would be presented. While the underlying profit of an insurance contract would not change, MFRS17 introduces measurement models to calculate insurance contract liabilities with a more prescribed approach.

As Management is still testing the systems and processes together with the consultants and system vendors, Management is not able to provide guidance on the financial impact of the new financial standard.