Hong Leong Financial Group Berhad

Annual Report **2020**

Corporate

Financials

Additional Information

Scan the QR Code by following these simple steps:

Get it
Download the "QR Code Reader" app from Google Play (Android Market), BlackBerry AppWorld, App Store (iOS/iPhone) or Windows Phone Store

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Run the QR Code Reader app and point your camera at the QR Code

Access it
Get access to Hong Leong Financial Group's website

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 Banking

Investment Banking

- Investment Banking
- Stockbroking
- Asset Management

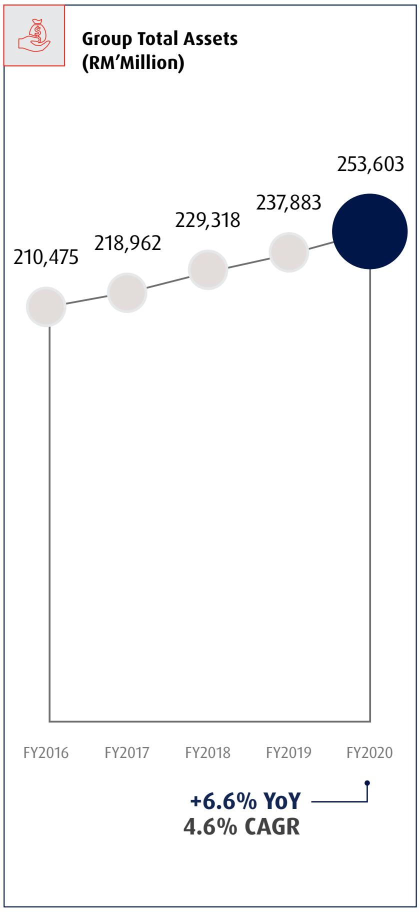
Insurance and Takaful

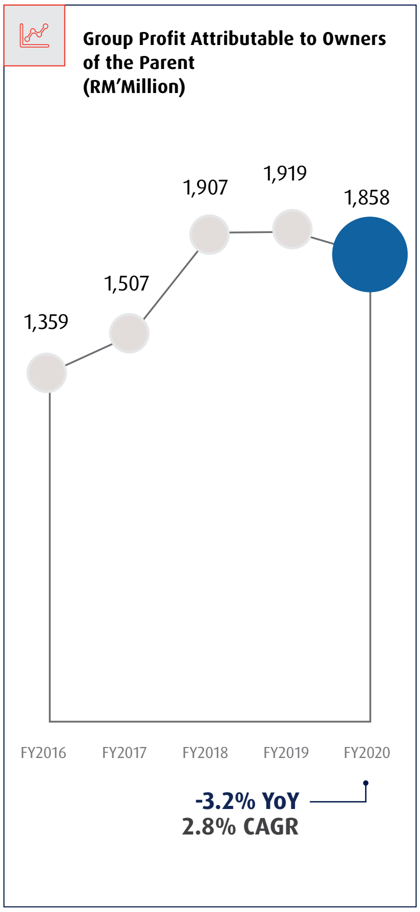
- Life Insurance
- Family Takaful

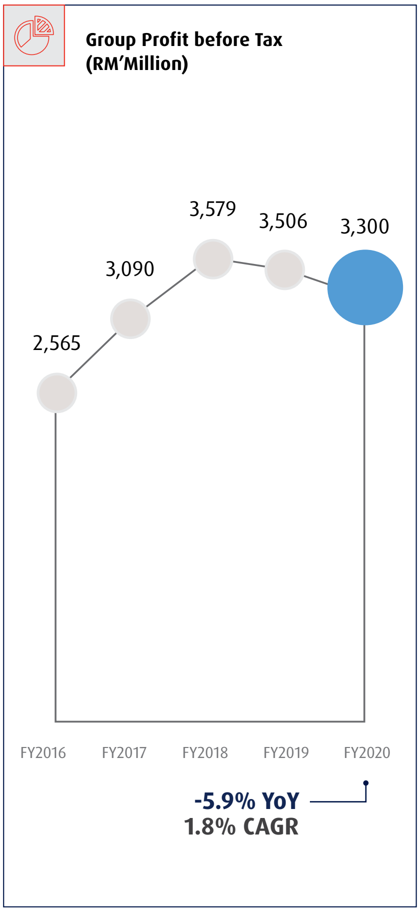
Core Values

- Quality
- Progress
- Entrepreneurship
- Social Responsibility
- Innovation
- Human Resource
- Honour
- Unity

Five Year Group **Financial Highlights**

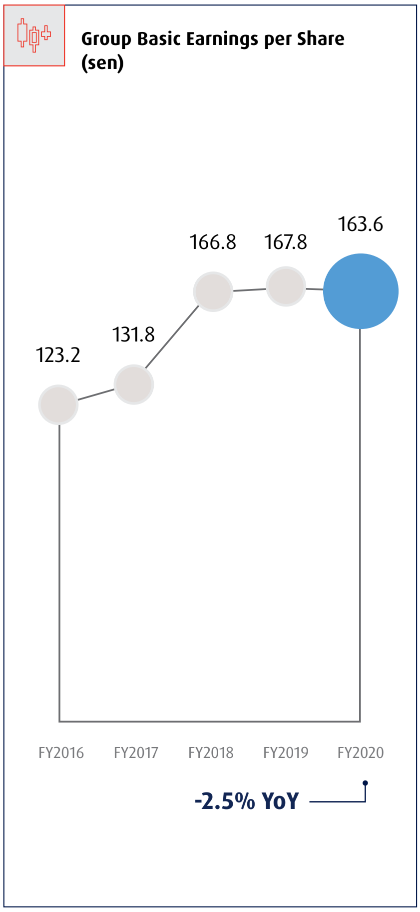


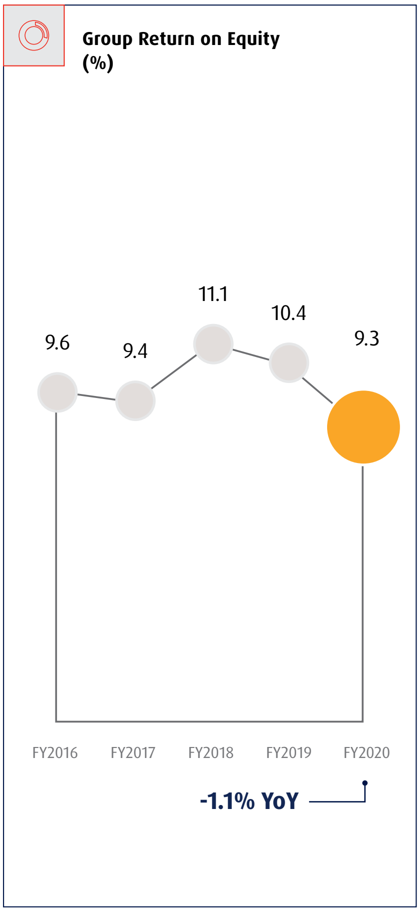


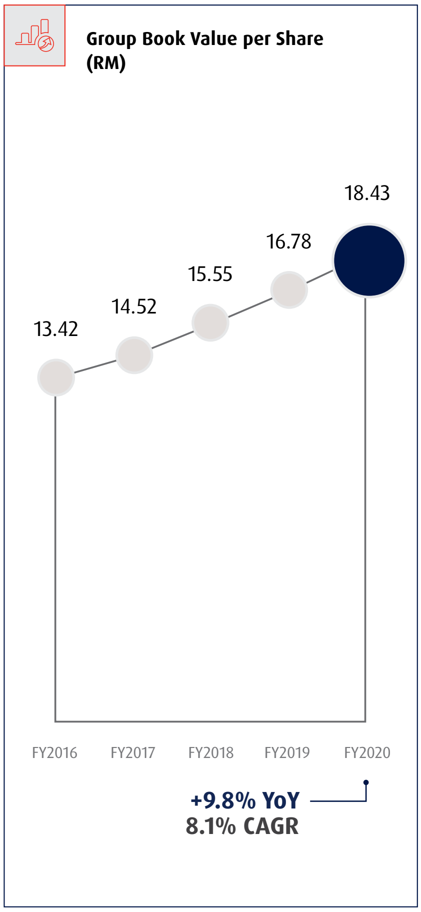


The Group	FY2016 RM'Million	FY2017 RM'Million	FY2018 RM'Million	FY2019 RM'Million	FY2020 RM'Million
Statements of Financial Position					
Total assets	210,475	218,962	229,318	237,883	**253,603**
Net loans	120,445	124,812	128,851	137,058	**145,521**
Total liabilities	187,297	193,930	202,638	209,282	**222,550**
Deposits from customers	149,491	154,458	156,883	161,888	**171,237**
Shareholders' funds	15,341	16,609	17,804	19,097	**20,898**
Commitments and contingencies	159,473	171,332	177,098	174,186	**154,879**
Statements of Income					
Revenue	4,543	5,035	5,351	5,278	**5,258**
Profit before tax	2,565	3,090	3,579	3,506	**3,300**
Net profit	2,064	2,317	2,895	2,914	**2,779**
Profit attributable to owners of the parent	1,359	1,507	1,907	1,919	**1,858**

Five Year Group Financial Highlights

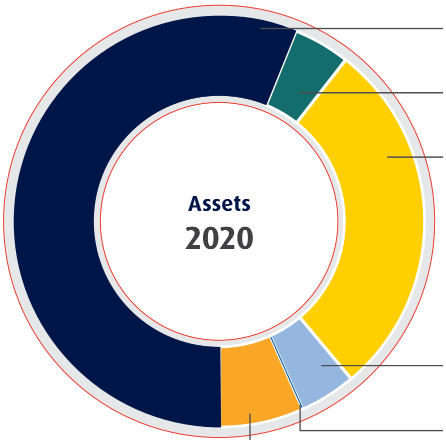


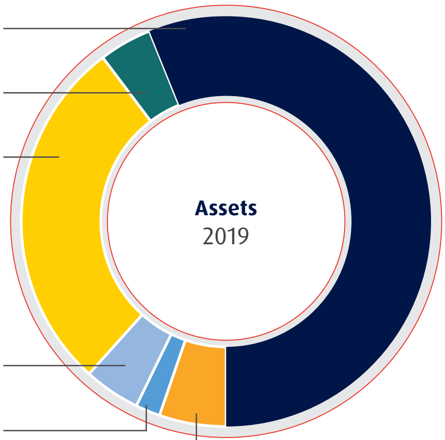




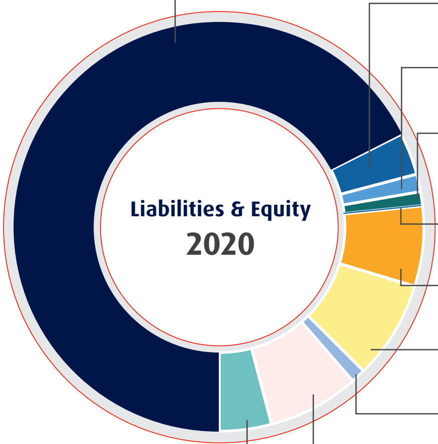
The Group	FY2016	FY2017	FY2018	FY2019	FY2020
Key Performance Indicators					
Share price (RM)	14.68	16.80	18.00	18.54	**13.10**
Book value per share (RM)	13.42	14.52	15.55	16.78	**18.43**
Basic earnings per share (sen)	123.2	131.8	166.8	167.8	**163.6**
Net dividend per share (sen)	38.0	38.0	40.0	42.0	**38.0**
Financial Ratios (%)					
Profitability Ratios					
Return on equity	9.6%	9.4%	11.1%	10.4%	**9.3%**
Return on average assets	0.7%	0.7%	0.9%	0.8%	**0.8%**
Cost/income ratio	50.3%	44.1%	42.9%	45.1%	**44.9%**
Asset Quality/Loan Ratios					
Gross loans to deposits ratio	81.3%	81.6%	82.8%	85.4%	**85.7%**
Gross impaired loans ratio	0.8%	1.0%	0.9%	0.8%	**0.6%**

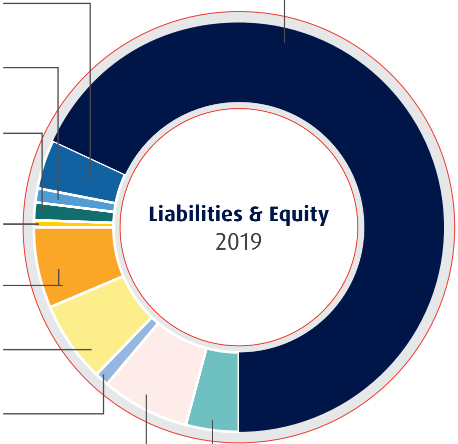
Simplified Group Statements of **Financial Position**





2020		2019
57.4%	Loans, advances and financing	57.6%
4.4%	Cash and short-term funds	3.6%
28.9%	Portfolio of securities	27.4%
3.6%	Deposits and placements with banks and other FI	4.2%
0.2%	Statutory deposits with Central Banks	2.0%
5.5%	Other assets (including goodwill)	5.2%





2020		2019
67.5%	Deposits from customers	68.1%
3.4%	Deposits and placements of banks and other FI	4.1%
1.2%	Obligations on securities sold under repurchase agreements	1.0%
1.2%	Borrowings and subordinated obligations	1.5%
0.3%	Additional Tier 1 and Innovative Tier 1 capital securities	0.5%
6.5%	Insurance funds	6.3%
7.7%	Other liabilities	6.4%
0.9%	Share capital	1.0%
7.3%	Reserves (net of treasury shares for ESOS)	7.1%
4.0%	Non-controlling interests	4.0%

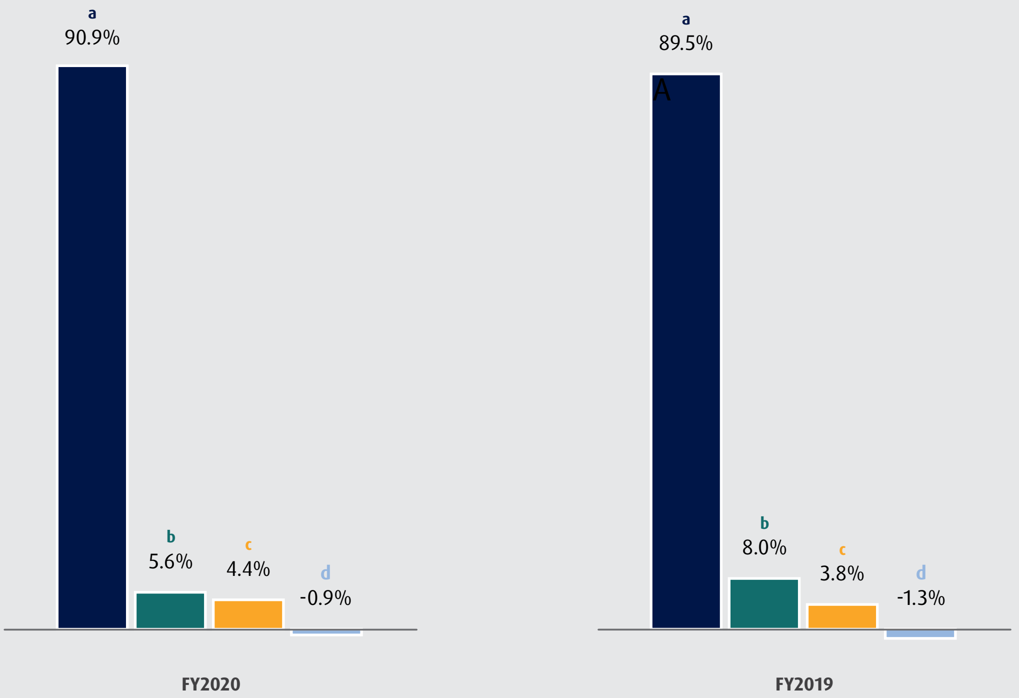
Group Quarterly **Financial Performance**

RM'Million	Q1	Q2	Q3 (2020)	Q4	Year
Statements of Income					
Revenue	**1,326**	**1,360**	**1,142**	**1,429**	**5,258**
Profit before tax	**914**	**924**	**603**	**858**	**3,300**
Net Profit	**743**	**757**	**513**	**765**	**2,779**
Profit attributable to owners of the parent	**490**	**503**	**339**	**525**	**1,858**
Key Performance Indicators					
Share price (RM)	**16.3**	**16.9**	**13.7**	**13.1**	**13.1**
Book Value per Share (RM)	**17.1**	**17.4**	**17.8**	**18.4**	**18.4**
Basic earnings per share (sen)	**43.1**	**44.3**	**29.9**	**46.3**	**163.6**
Dividend per share (sen)	**-**	**13.0**	**-**	**25.0**	**38.0**

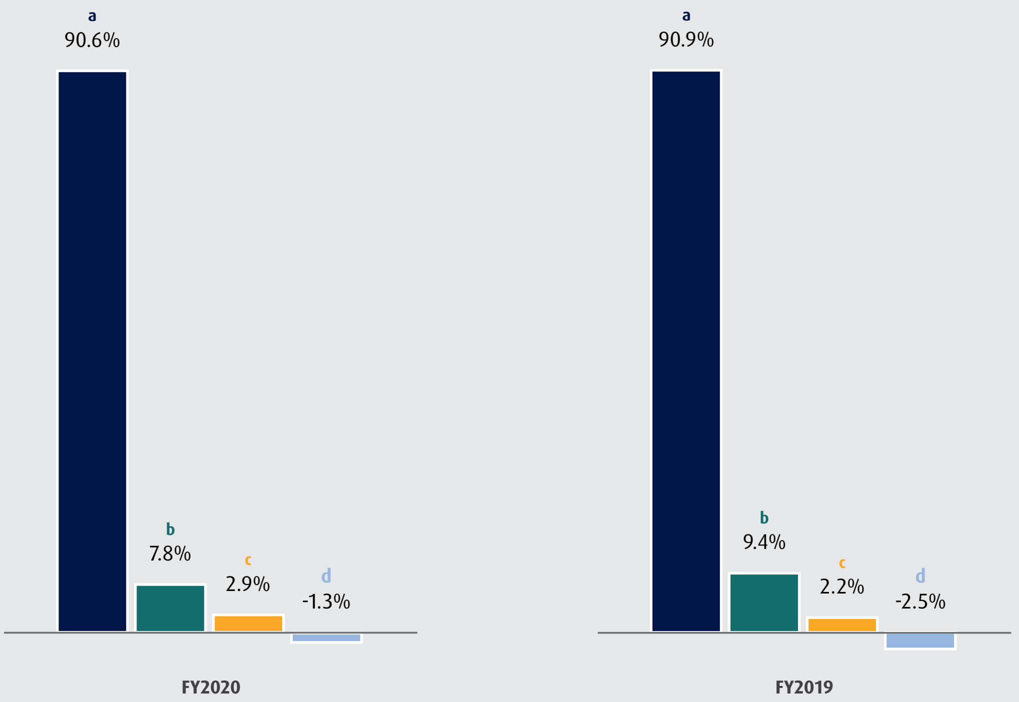
RM'Million	Q1	Q2	Q3 (2019)	Q4	Year
Statements of Income					
Revenue	1,383	1,245	1,308	1,342	5,278
Profit before tax	929	878	859	840	3,506
Net Profit	769	732	702	711	2,914
Profit attributable to owners of the parent	505	482	463	469	1,919
Key Performance Indicators					
Share price (RM)	19.3	18.6	19.2	18.5	18.5
Book Value per Share (RM)	15.9	16.2	16.7	16.8	16.8
Basic earnings per share (sen)	44.2	42.1	40.5	41.0	167.8
Dividend per share (sen)	-	13.0	-	29.0	42.0

Segmental **Information**

Operating Revenue
By Business Segment



Profit Before Tax
By Business Segment



a Commercial Banking **b** Insurance **c** Investment Banking **d** Other Operations/Consolidation Adj

Hong Leong Financial Group
Share Price

Dividend per Share

FY2020 38.0 sen -9.5% YoY
FY2019 42.0 sen

Share Price

FY2020 RM13.10 -29.3% YoY
FY2019 RM18.54

Market Capitalisation

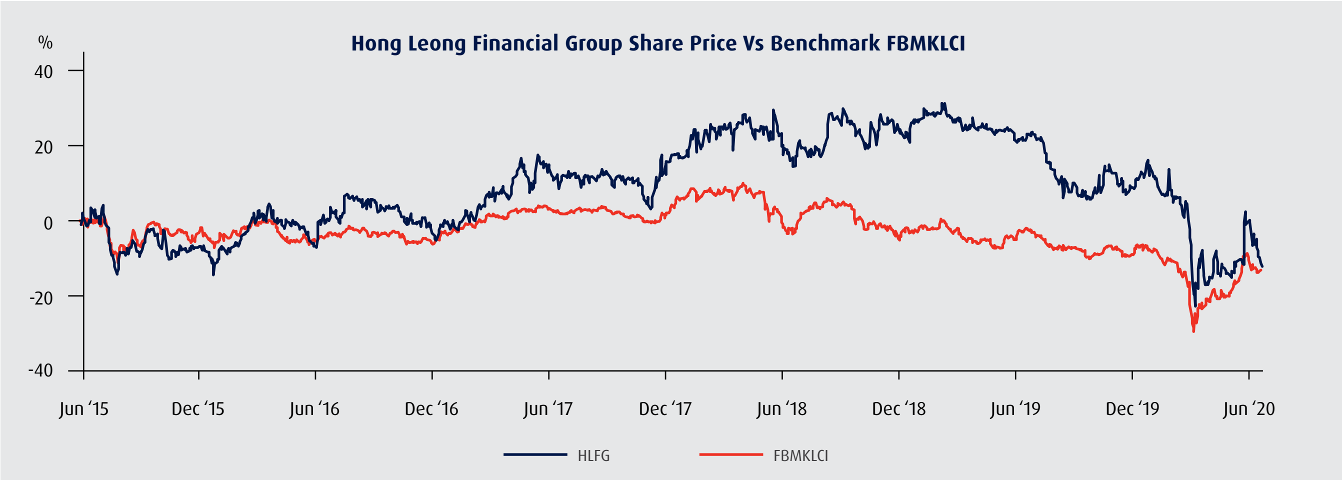
FY2020 RM15.0 bil -29.6% YoY
FY2019 RM21.3 bil

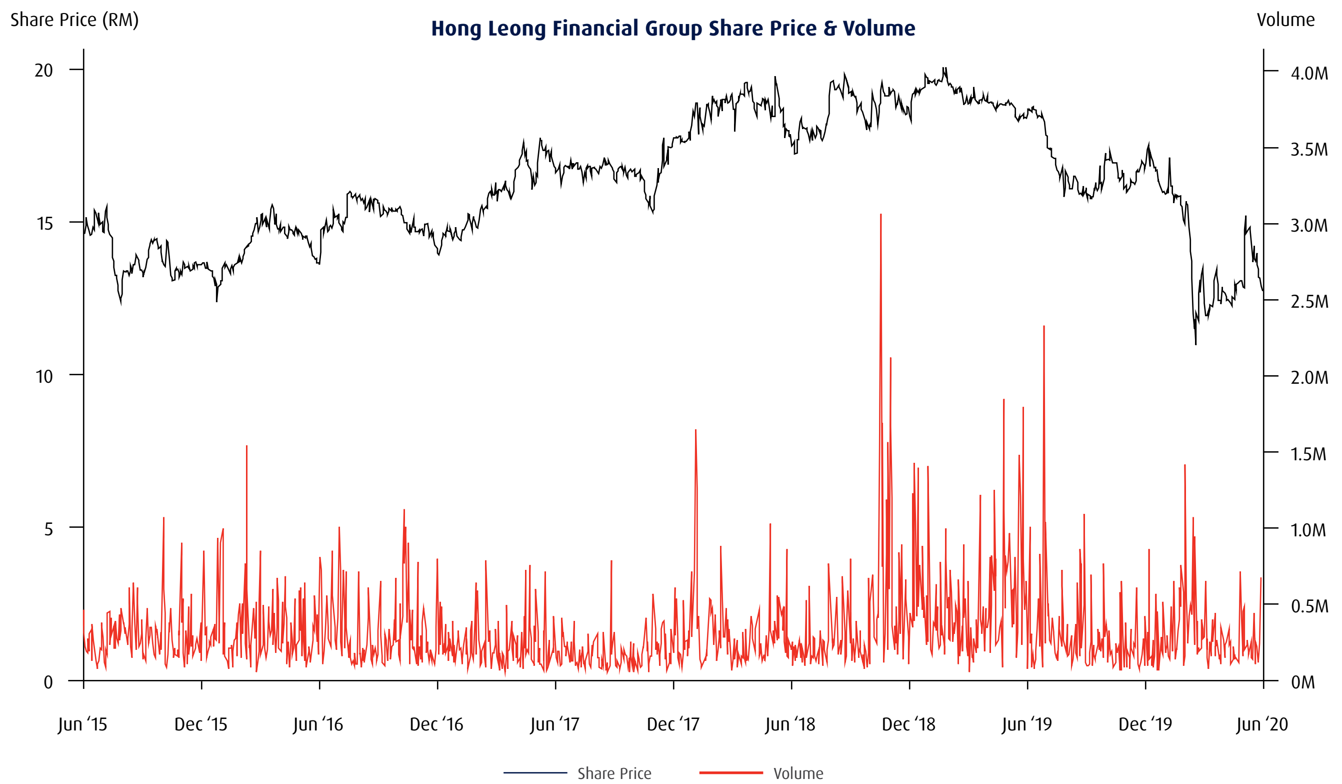
Earning per Share

FY2020 163.6 sen -2.5% YoY
FY2019 167.8 sen

Total Shareholder Return

FY2020 9.3% -1.1% YoY
FY2019 10.4%





Financial Calendar

Annual General Meeting

30 October 2020 (Friday)
51st Annual General Meeting

DIVIDENDS

Interim Single-Tier Dividend of 13 sen per share

Announcement	Entitlement	Payment
27 November 2019	12 December 2019	27 December 2019

Final Single-Tier Dividend of 25 sen per share

Announcement	Entitlement	Payment
28 August 2020	6 November 2020	25 November 2020

ANNOUNCEMENT OF CONSOLIDATED RESULTS

27 November 2019

Wednesday

unaudited results for
1st quarter ended
30 September 2019

29 May 2020

Friday

unaudited results for
3rd quarter ended
31 March 2020

26 February 2020

Wednesday

unaudited results for
2nd quarter ended
31 December 2019

28 August 2020

Friday

unaudited results for
4th quarter and financial year ended
30 June 2020

Corporate **Milestones**

JULY

2006

Changed name to 'Hong Leong Financial Group Bhd'

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

2008

HLIB acquired SBB Securities Sdn Bhd

JANUARY

2009

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

FEBRUARY

2009

Insurance holding company, HLAH, was incorporated

OCTOBER

2009

HLCB 1:1 Rights Issue completed

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

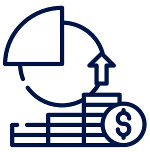
Corporate Milestones

JANUARY
2018
BOCD was listed on the Shanghai Stock Exchange. HLB's equity interest was reduced from 20% to 18%

JULY
2018
HLMT converted its composite Takaful license to a single Family Takaful license

NOVEMBER
2019
HLISAM (formerly known as Hong Leong Fund Management Sdn Bhd) converted its license to an Islamic asset management license

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

NOVEMBER
2013
HLB established a Representative Office in Nanjing, China

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)

HONG LEONG BANK BERHAD

The Asset Triple A Digital Awards 2020

Best Cloud Based Project

Organised by **The Asset Triple A**

Euromoney Awards for Excellence 2020

Excellence in Leadership in Asia 2020

Organised by **Euromoney**

Asiamoney Best Bank Awards 2019

Best SME Bank in Malaysia

Organised by **Asiamoney**

Asiamoney Best Bank Awards 2019

Best Digital Bank Malaysia

Organised by **Asiamoney**

Awards & Accolades

Highest Return to Shareholders (FI) Over 3 Years

Billion Ringgit Club

Organised by **The Edge**

Red Hat APAC Innovation Awards 2019

Red Hat APAC Innovation Awards

Organised by **Red Hat**

Top Financial Institution Partner (Overall Category) 2019

Top Financial Instituition Partner

Organised by **Credit Guarantee Corporation Malaysia**

Highest Return to Shareholders (Super Big Cap) Over 3 Years

Billion Ringgit Club

Organised by **The Edge**

International Business Magazine Awards 2019

Best SME Bank Malaysia

Organised by **International Business Magazine**

HR Excellence Awards 2019

Excellence in Workplace Culture - Gold

Organised by **Human Resources Online**

HR Excellence Awards 2019

HR Leader of the Year - Gold

Organised by **Human Resources Online**

HR Excellence Awards 2019

Excellence in HR Team Collaboration - Silver

Organised by **Human Resources Online**

HONG LEONG INVESTMENT BANK BERHAD

13th Annual Alpha Southeast Asia Deal & Solution Awards 2019

Best Islamic Asset Backed Securitisation-Backed Sukuk

Organised by **Alpha Southeast Asia**

The Asset Triple A Country Awards

Best Initial Public Offering

Organised by **Asset Publishing & Research Limited**

HR Excellence Awards 2019

Excellence in HR Innovation - Bronze

Organised by **Human Resources Online**

RAM Award of Distinction 2019

Lead Manager Award by Number of Issues – Joint 2nd Ranking

Organised by **RAM**

13th Annual Alpha Southeast Asia Deal & Solution Awards 2019

Best Equity Deal/Initial Public Offering Malaysia

Organised by **Alpha Southeast Asia**

HR Excellence Awards 2019

Young HR Talent of the Year - Individual - Bronze

Organised by **Human Resources Online**

13th Annual Alpha Southeast Asia Best Financial Institutions Awards 2019

Best Small To Mid-Cap Corporate Finance House

Organised by **Alpha Southeast Asia**

Bursa Excellence Award 2019

Best Retail Equities Participating Organisation - Investment Bank - 2nd Runner Up

Organised by **Bursa Malaysia**

HONG LEONG ASSURANCE BERHAD

Asian Banking and Finance Insurance Asia Awards 2019

Domestic Life Insurer of the Year – Malaysia

Organised by **Insurance Asia Awards**

International Finance Awards 2019

Best Life Insurance Company – Malaysia

Organised by **International Finance**

HONG LEONG ASSET MANAGEMENT BHD

Refinitiv Lipper Fund Awards 2020

Best Equity Award - Malaysia Provident

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

Best Fund over 5 years: Equity Malaysia Income (Malaysia Provident)

Hong Leong Value Fund (formerly known as Hong Leong Penny Stock Fund)

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

Best Fund over 10 years: Equity Malaysia Income (Malaysia Provident)

Hong Leong Value Fund (formerly known as Hong Leong Penny Stock Fund)

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

Best Fund over 3 years: Equity Asia Pacific ex-Japan (Malaysia)

Hong Leong Asia-Pacific Dividend Fund

Organised by **Refinitiv**

HONG LEONG ASSET MANAGEMENT BHD (CONTINUED)

Refinitiv Lipper Fund Awards 2020

**Best Fund over 5 years:
Equity Malaysia Income
(Malaysia Provident)**

Hong Leong Growth Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

**Best Fund over 3 years:
Equity Malaysia Diversified
(Malaysia Provident)**

Hong Leong Growth Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

**Best Fund over 5 years:
Equity Malaysia Income
(Malaysia Provident)**

Hong Leong Dividend Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

**Best Fund over 3 years:
Equity Malaysia Income
(Malaysia Provident)**

Hong Leong Dividend Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

**Best Fund over 5 years:
Equity Malaysia
(Malaysia Islamic)**

Hong Leong Dana Makmur Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

**Best Fund over 3 years:
Equity Malaysia
(Malaysia Islamic)**

Hong Leong Dana Makmur Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

**Best Fund over 5 years:
Equity Malaysia
(Global Islamic)**

Hong Leong Dana Makmur Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

**Best Fund over 3 years:
Equity Malaysia
(Global Islamic)**

Hong Leong Dana Makmur Fund

Organised by **Refinitiv**

Chairman's **Statement**

On behalf of the Board of Directors, I am pleased to present to you 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 2020.

THE YEAR THAT WAS

We are living in unprecedented times with the global outbreak of the COVID-19 pandemic since early 2020. Malaysia, along with many countries, was quick to react with different stages of people movement controls to contain and stop the spread of the virus. Besides the tragic loss of lives, the pandemic and actions to stop its spread had significant impact on the global supply chain dislocating international trade, travel and tourism just about grinded to a halt and almost every sector of the economy suffered setbacks. Government policies were quickly rolled out to support the economy, especially the small medium enterprises and to slow down the impact of job losses and reduced income that can be expected during such an economic environment. Internationally, the sudden flooding of liquidity with extremely low interest rates created extreme volatility in the investment markets.

Chairman's Statement

STRENGTH AND PRIORITIES

In such times, our first priority is to ensure the safety, health and well-being of our workforce, customers and business stakeholders are protected in the way we conduct our business and operations. Protective and thermal detection equipment, disinfectant procedures, safe practices, social distancing, work from home arrangements and increased use of digital communication tools are some of the many adaptations and new operating procedures taken up by our operating companies.

During this period, we reached out to our customers to ensure them we are here to assist them through this difficult period and attended to their needs and questions on government schemes such as the BNM loan moratorium initiative and assisted them with their applications.

In respect to business, all our companies were immediately reviewed again to ensure that their capital and liquidity positions remained robust and sound and we had effective contingency plans in place to manage our franchises should the need arise. All non-critical operating expenses were judiciously managed to mitigate any shortfalls in revenue. It is pleasing to note that the current strength and resiliency of our businesses is a testimonial to the prudent and sustainable approach in which our businesses have always been managed.

REVIEW OF THE YEAR'S PERFORMANCE

Our financial year was a tale of two halves: one being the subdued global economic backdrop in 2019 and the second being significant challenges from a global COVID-19 pandemic in the first six months of 2020. For the financial year ended 30 June 2020, HLFG recorded a net profit attributable to shareholders (PATAMI) of RM1,858 million or lower by 3% year-on-year ("y-o-y"). Despite continued steady performances across our core businesses in 2019, the overall Group businesses, including commercial banking, insurance and investment banking businesses, were impacted by the pandemic and its consequential events in the second-half financial year results. Without one-off items and COVID-19 associated impacts, our normalised Profit Before Tax would be approximately 19% better than last year.

In respect of the performances of our key businesses, Hong Leong Bank Berhad's ("HLB") net profit was RM2,495 million, lower by 6% y-o-y. This was mainly due to the effects of lower interest rates affecting its margin, a prudently higher loan loss provisions and a one-off Day 1 modification loss on its auto loans and fixed rate Islamic products. However, HLB ended the year with a robust loan growth of 6.1% y-o-y, which performed better than market (June 2020: 4.1%).

We remain committed to grow our Islamic banking business with Hong Leong Islamic Bank Berhad ("HLISB") playing the leading role in coordinating efforts across the banking group. For FY2020, HLISB's gross Islamic financing assets grew by 15% to RM30 billion, comprising 21% of the wider Hong Leong Bank Group's total gross financing assets.

For the insurance segment, Hong Leong Assurance Berhad's ("HLA") reported net profit was RM141 million, lower by 36% y-o-y mainly due to lower interest rates affecting actuarial reserving, equity investment portfolio volatility and new regulatory obligations such as the Minimum Allocation Rate. However, business momentum remained steady with HLA delivering gross premium of RM2,832 million for FY2020, approximately 1% better than last year. In our business review, we are confident that our operating model remains sound and the present short term volatility of HLA's financial results will not affect its delivery of long term franchise value creation.

Chairman's Statement

For our Family Takaful insurance business, Hong Leong MSIG Takaful Berhad continues to grow with a gross premium of RM290 mil in FY2020, better than last year by 13% y-o-y. HLMT complements our Islamic financial service franchises and plays a vital role to promote insurance to this customer segment. Outside Malaysia, we have HL Assurance Pte Ltd and Hong Leong Insurance (Asia) Limited, which are niche general insurance companies operating in Singapore and Hong Kong. Both companies are focusing on their online distribution channels in their digital business model.

Hong Leong Capital Berhad ("HLCB") is less affected given positive results from its stockbroking division in this period and a steady asset management business with no significant redemptions. HLCB's reported net profit increased 39% y-o-y to RM94 million. Hong Leong Investment Bank Berhad will continue to develop investment banking relationships by focusing on innovative business solutions. During the year, Hong Leong Asset Management Berhad acquired a wholly owned fund management subsidiary and converted its license to an Islamic asset management business which commenced operations in January 2020.

At the time of writing, with the current pandemic continuing, we remain vigilant in managing key business risks like liquidity, capital, credit, market, operational and cyber security risks. The Group's key balance sheet and risk metrics remain strong, supported by solid asset quality. We have adequate capital and liquidity to support our future needs even under stressed scenarios. Our Group consolidated capital position stayed comfortably above regulatory limits with a Common Equity Tier 1 ratio of 11.2% and a total capital ratio of 15.2%. Prudent cost management remains key during this period and we will continue to reinvest our expense savings into strategic digital initiatives across the financial group.

HLFG's earnings per share in FY2020 was 163.6 sen in FY2020 (last year: 167.8 sen) with a return on equity of 9.3% (last year: 10.4%), while net assets per share rose 9.8% from RM16.78 to RM18.43.

In this financial year, the Board of Directors proposed a final dividend of 25 sen. Together with the first interim dividend of 13 sen per share paid out on 27 December 2019, the total dividend for FY2020 is 38 sen, lower than last year by 4 sen, or a total dividend payment of RM436 million.

STRATEGIC OVERVIEW

The Group's philosophy continues to embody an entrepreneurial vision focused on building long-term sustainable value for all its stakeholders. This vision guides our operating businesses to remain relevant, to be trustworthy, progressive, competitive and sustainable in pursuit of growth and the creation of business value. We believe that the key to ensuring sustainability is the continued co-existence of entrepreneurialism together with professional business management, discipline and governance.

Affirmation Of Our Digital Journey

The financial sector is continually challenged by advances in technology; in particular, in the way that businesses and operations are conducted and the use of big data to better manage and grow. At HLB, the importance and relevancy of our "Digital at the Core" strategy over the business model, products and services was affirmatively reinforced during these times. We made good use of our progress in our digital journey during the Movement Control Order ("MCO") period to ensure we are agile in running business operations with large numbers of staff working from home and also the use of digital tools to interact with customers.

The MCO has certainly accelerated the migration of customer interaction from face-to-face to digital means. With more customers using digital channels, we have seen a 23% y-o-y growth in mobile banking users and 38% y-o-y increase in transactions performed online in June 2020. As of June 2020, almost 80% of HLB customers are regularly using HLB Connect, an increase of over a quarter over last year. We believe this trend would continue.

Like the banking sector, the impact and use of digitalization and InsurTech advances in the insurance sector is also accelerating. Accordingly, HLA has continued its digital journey across multiple fronts. With an established data warehouse, we are continuing the use of analytics capabilities to data-mine our growing customer base to enhance effectiveness in both cross-sell and up-sell activities. The HLA Customer 360 Portal allows our customers to have instant, seamless and secured access to their policy information with biometric and face recognition login. At HLCB, our stockbroking outfit and fund management distribution will continue to leverage and enhance digital platforms and tools to better serve our customers.

In short, digitalization is a core part of the Group's business strategy, utilising technology to enhance our customer service and experience across all our operating businesses.

Our People

Developing the appropriate human resources is critical to our long-term efforts. We believe that our businesses are best served by having the right talent who are fit for their roles and are able to be nurtured and developed as their career progresses with us. We continue to foster a high-performance culture and promote shared values that can bind us together at workplace, with the aim to attract, develop and retain the next generation of leaders to ensure we are fit for the future.

Chairman's Statement

CORPORATE GOVERNANCE

HLFG is committed to a high standard of governance, professionalism, ethics and integrity in the conduct of our business and professional activities. We aim to create a strong culture of ethics and integrity in our business conduct in accordance with company policies including our Code of Conduct and Ethics, Gifts and Entertainment, Donation and Whistleblowing policies.

Our Group takes a zero-tolerance position on bribery and corruption and an Anti-Bribery and Corruption Policy for the prevention of corruption and bribery is firmly in place at HLFG and across all our operating businesses.

SUSTAINABILITY

Building a sustainable Group is about how, at the core of everything we do, we are guided by our principles to make the right decisions that will hold us in good stead today and in the future, affecting the well-being of our people, our communities and the environment in which we operate. We approach this in a variety of ways. First, it is important to maintain focus on operational excellence and efficiency. We have continued to make progress on this whilst investing in new business initiatives and technologies.

Sustainability also includes having the right governance. We have a diverse and experienced Board of Directors that provides independent oversight. Our Board constantly looks for ways to further strengthen corporate governance standards and adopt international best practices to improve.

Finally, to be a sustainable company, we must value our people and give all employees the support they need to build their careers and achieve their goals. We have a diverse and inclusive workplace that reflects the diversity of the communities in which we serve. Through our recruitment programs and partnerships, we are investing in the future by bringing the best and brightest to work at Hong Leong.

As we think about all the ways we pursue sustainability, our focus is to use our size and scale in ways that contribute positively to our communities, create opportunities for our customers and employees and to grow our company responsibly.

In FY2020, HLFG remained as the constituent of the globally recognized FTSE4Good Bursa Malaysia Index. The FTSE4Good Bursa Malaysia Index is designed to measure the performance of companies demonstrating good Environment, Social and Governance practices.

APPRECIATION

Last but not least, I would like to take this opportunity to express my appreciation and gratitude to the Board of Directors, management and staff of HLFG Group for their dedication and commitment. I would like to mention our appreciation to Ms Lim Lean See and Mr Saw Kok Wei, who retired from the Board on 22 August 2020, and welcome Ms Chong Chye Neo and YBhg Dato' Noorazman Bin Abd Aziz, who joined the Board on 28 November 2019 and 20 April 2020 respectively. Ms Chong brings with her a diverse experience with a background in the information technology industry and YBhg Dato' Noorazman comes with notable experience and expertise in investment, banking and financial markets.

My sincere appreciation also goes out to our regulators, shareholders, customers and business partners.

QUEK LENG CHAN
Chairman
22 September 2020

Management Discussion **& Analysis**

We are pleased to present the Management Discussion and Analysis ("MD&A") for the financial year ended 30 June 2020 ("FY2020"). In this report, we would like to provide a review of our Group's business operations and financial performance during FY2020.

Despite the impact of COVID-19 in the second half of our financial year, our operating companies' key indicators stayed strong, showing the resiliency of businesses. For FY2020, the Group recorded a net profit attributable to shareholders of RM1.86 billion, supported by commendable results from our commercial banking, insurance, investment banking and asset management businesses. We continue to make progress to strengthen our business franchises with the objective of achieving long-term sustainable growth.

HLFG GROUP PERFORMANCE HIGHLIGHTS

Hong Leong Financial Group Berhad ("HLFG") 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 Takaful, housed under our insurance holding company HLA Holdings Sdn Bhd ("HLAH"); and
- Investment banking and asset management, housed under Hong Leong Capital Berhad ("HLCB").

HLFG's net profit attributable to shareholders decreased by 3.2% year-on-year ("y-o-y") to RM1.86 billion in FY2020. This result was due to a lower total income of RM5.26 billion as compared to RM5.28 billion in the last financial year; mainly attributed to the effects of lower interest rates and a one-off Day 1 modification loss at HLB. The commercial banking business is a major contributor to the financial group results. Against a backdrop of COVID-19 and a subdued economic environment, HLB recorded a 6.1% y-o-y loan growth which was better than industry, with a strong asset quality ratio. Its Gross impaired loan ("GIL") ratio at 0.6% is amongst the best in the industry.

In respect to the Group's Islamic financial services, our efforts continue to show results. Net income from our Islamic banking and Takaful businesses for the period was RM947 million, an increase of 18.3% y-o-y. The contribution of the Islamic businesses to HLFG's profit before tax ("PBT") was 14.9%.

HLFG's book value per share increased 9.8% from RM16.78 as at 30 June 2019 to RM18.43 as at 30 June 2020. Company level borrowings reduced from RM1.45 billion (30 June 2019) to RM1.21 billion as at 30 June 2020. Its double leverage and gearing ratios stood at an adequate level of 1.1 times and 0.1 times as at June 2020, indicating an improving trend of debt level and amount of gearing.

For FY2020, the Group recorded a lower Return on Equity ("ROE") at 9.3%, a decrease from 10.4% in last year due to the impact of COVID-19. Nonetheless, we believe that the long-term shareholders' value of our franchises remains intact. In view of the current economic conditions, we have adopted a more prudent approach in respect of our dividend payment and propose a final dividend of 25 sen. Together with the first interim dividend of 13 sen per share, the total dividend for FY2020 is 38 sen, lower than last year by 4 sen.

While we continue our efforts to improve shareholders' return, we are also mindful of managing our capital position given the full implementation of the Basel III Capital Adequacy Framework for Financial Holding Companies in 2019 and the challenging operating environment vis-a-vis the on-going pandemic outbreak. We remain vigilant in prudently managing key business risks and expect the liquidity, capital and credit positions across our operating businesses to serve us well even under stressed scenarios. Our Group consolidated capital position stayed comfortably above regulatory limits with a Common Equity Tier 1, Tier 1 and Total Capital Ratios at 11.2%, 12.2% and 15.2% respectively as at 30 June 2020.

Management Discussion & Analysis

During the year, RAM Rating Services Berhad ("RAM") assigned AA1/P1 Corporate Credit Ratings to HLFG. Concurrently, RAM also maintained the long-term Financial Institution Ratings of HLB at AAA in recognition of its superior asset quality and reaffirmed HLIB's AAA/P1 Financial Institution Ratings. All the above long-term ratings have a stable outlook. Moody's Investors Services Ltd reaffirmed HLB's baseline credit assessment at A3 on the back of the Bank's strong retail and small and medium enterprise (''SME") franchises, conservative risk appetite as well as sound funding and liquidity positions.

COVID-19 Impact

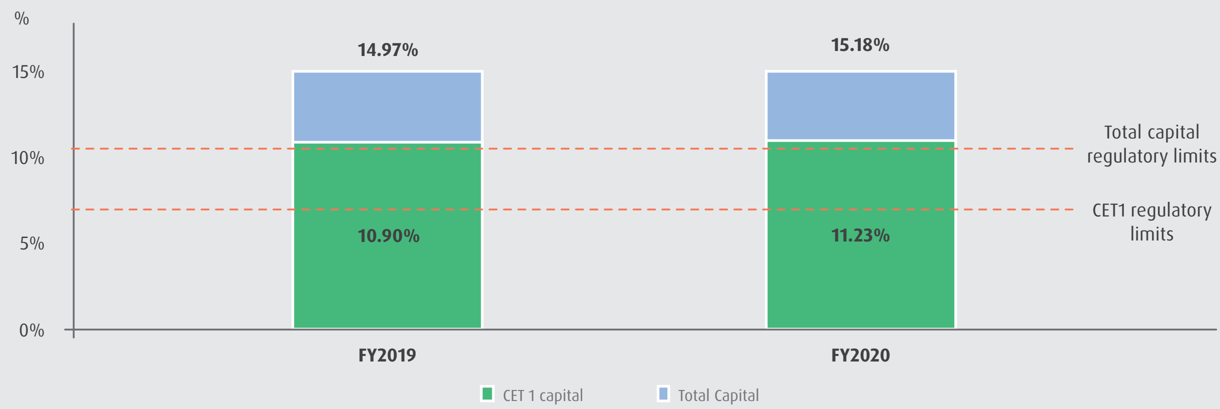
Without the impact of COVID-19 and one-offs, HLFG's normalised net profit attributable to shareholders would have recorded a 21% y-o-y growth in FY2020.

Excluding COVID-19 and one-offs, HLFG's normalised earnings per share in FY2020 is 196.5 sen (reported EPS: 163.6 sen) with a normalized return on equity of 11.1% (reported ROE: 9.3%).

Net Profit Attributable to Shareholder **Earnings per Share** **Return on Equity**

Our Group consolidated capital position stayed comfortably above regulatory limits.

Capital Position



COMMERCIAL BANKING FINANCIAL & OPERATIONAL REVIEW

HLB Financial Highlights

	FY2020	FY2019	Growth (%)
Profitability & Efficiency (RM'Million)			
Total Income	**4,778**	4,726	1.1
Operating Profit	**2,675**	2,634	1.5
Profit Before Tax ("PBT")	**2,989**	3,186	(6.2)
Profit After Tax ("PAT")	**2,495**	2,665	(6.4)
Underlying Profit After Tax*	**2,603**	2,574	1.1
Earnings Per Share (sen)	**122**	130	(6.4)
Net Interest Margin (%)	**1.88%**	1.96%	(0.08)
Cost-to-Income Ratio (%)	**44.0%**	44.3%	(0.3)
Return on Assets (%)	**1.16%**	1.30%	(0.14)
Return on Equity (%)	**9.5%**	10.8%	(1.3)
Balance Sheet (RM'Million)			
Total Assets	**221,278**	207,369	6.7
Gross Loans, Advances and Financing	**145,932**	137,566	6.1
Customer Deposits	**173,493**	163,070	6.4
Asset Quality			
Gross Impaired Loan ("GIL") Ratio	**0.61%**	0.78%	(0.17)
Loan Impairment Coverage Ratio	**142%**	118%	24
LIC (provisions and security value on GIL)	**184%**	171%	13
Liquidity and Capital Ratio			
Loan-to-Deposit Ratio	**83.5%**	84.4%	(0.9)
Common Equity Tier-1 Capital Ratio	**13.7%**	13.1%	0.6
Tier 1 Capital Ratio	**14.2%**	14.1%	0.1
Total Capital Ratio	**16.5%**	16.3%	0.2

Notes:

* *Excluding one-off gain on divestment of joint venture ("JV Gain") of RM90 mil in FY2019 and modification loss ("Mod-Loss") of RM108 mil (net of tax) in FY2020*

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;
- 18% equity interest in the Bank of Chengdu Co., Ltd; and
- 12% equity interest in the Sichuan Jincheng Consumer Finance Limited Company

HLB reported RM2,495 million in net profit, 6.4% lower than last year's result mainly due to the impact of COVID-19 and corresponding interest rates cuts made during the year. However, the performance was mitigated by robust loan growth at 6.1% alongside a strong asset quality position, with a GIL ratio at 0.6%. HLB's Net Interest Margin ("NIM") dropped to 1.88%; lower by 8 bps from last year after a series of Overnight Policy Rate ("OPR") cuts totaling 100 bps made during the financial year. The result also included the impact of a one-off Day 1 net modification loss of RM142 million, which arose from providing payment relief to individual Hire Purchase and Islamic Fixed Personal Financing customers. Excluding the one-offs and the impact of COVID-19, the Bank would have achieved an underlying net profit of RM2,603 million in FY2020.

Management Discussion & Analysis

HLB's total income for FY2020 was RM4,778 million, an increase of 1.1% y-o-y. The result was supported by continuing loan growth and better Non-Interest Income ("NOII"). Contribution from Net Interest Income ("NII") and NOII were also higher than last year as follows:

- NII for FY2020 increased by 0.4% y-o-y to RM3,406 million, against a backdrop of OPR being reduced three times to 2.00% during the financial year. The Bank managed to uphold its NIM at 1.88% for FY2020 on the back of judicious funding actions.

- NOII for FY2020 increased by 2.9% y-o-y to RM1,373 million, with a higher NOII ratio at 28.7%. This is contributed by a strong performance from its Global Markets/Treasury business.

In terms of expense management, HLB's Cost-to-Income ratio improved to 44.0% in FY2020, with positive JAWS attained for the year. The improvement in cost management also reflects the on-going results from the Bank's digitisation efforts and strategic cost initiatives.

Core business performance indicators remained positive, with gross loans growing better than industry at 6.1% y-o-y to RM146 billion as at 30 June 2020 together with continued stringent credit controls. Residential mortgages increased 8.7% y-o-y to RM73 billion, while loans to business & corporate banking grew 9.9% y-o-y to RM3 billion. For the SME segment, the Bank's community banking initiative continued its solid performance with a 32.8% y-o-y loan growth to RM8 billion. The Bank's total assets stood at a record RM221 billion.

Amidst an increasingly competitive environment for deposits, HLB managed to increase customer deposits by 6.4% y-o-y to RM173 billion as at 30 June 2020. The results translated to a Loan-to-Deposit ratio of 83.5% and a Loan-to-Fund ratio of 86.6%, which places HLB in a comfortable liquidity position.

Asset quality and provisioning remained solid, with a GIL ratio of 0.61%. HLB's loan impairment coverage stood at 142%. Inclusive of provisions and security value on GIL, its coverage ratio increased to 184% as at 30 June 2020. HLB's capital position remained robust, with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 13.7%, 14.2% and 16.5% respectively as at 30 June 2020.

In line with the Group's prudent approach for this financial year, HLB has recommended a final dividend of 20.0 sen per share, bringing the total dividend to 36.0 sen per share for FY2020, with a dividend payout ratio of 30%.

Personal Financial Services ("PFS")

PFS remained the largest contributor to HLB, making up 52% and 38% respectively of its revenue and pretax profit. For FY2020, PFS retained its strong momentum, achieving good volume growth across most loan products while gaining market share in its key segments, namely mortgages, unsecured loans, deposits and wealth management. Asset quality remained solid and stable as reflected by a low GIL ratio of 0.47%.

PFS recorded a y-o-y loan growth of 5% which was better than industry, predominantly led by a growth in mortgages and unsecured loans. The mortgage business recorded a loan growth of 7.4% y-o-y against an industry growth of 5.3%, supported by the Bank's balanced growth agenda with a focus on sustainable and quality loan origination. The Bank broadened its penetration into more affordable housing segments, which led to residential property loan growth increasing by 8.7% for the year. Sales acceptance in terms of total approval for residential properties valued between RM250,000 and RM500,000 recorded a significant growth of about 40% y-o-y.

In line with the focus to originate quality loans while deepening our market coverage, we continue to support home ownership programmes, with more than 60% of total approvals extended to customers who do not have a housing loan as per their Central Credit Reference Information System (CCRIS) data. The Bank's market share expanded as a result of these efforts. Moving forward, the business will continue to innovate to better serve customers, developers and property market intermediaries. In this context, collaborative efforts are underway with several PropTech and FinTech players to improve the property buying and financing process for consumers.

In a similar vein, the Bank's personal loans/financing base grew 12% y-o-y on the back of stable impairments and a marked increase in sales activity from digital channels. We continue to see our digital initiatives as a differentiator in offering an easy and convenient way to apply for small personal loans/financing, which has resulted in sales from digital channels increasing during the year, and even more so during the Movement Control Order (MCO) period when customers could not visit the Bank's branches. Loan/financing applications from our online Connect channel were one of the main growth contributors.

In terms of funding, our individual deposit mix remains one of the highest in the industry, which will support the Bank well for continuing growth in the years ahead. Deposits grew 9% y-o-y, capping a strong year for deposit portfolio acquisition and management initiatives.

The Bank's Retail Wealth Management Services continues to be a key contributor to the PFS portfolio as well. Despite a challenging business environment arising from the pandemic and subsequent investment markets uncertainty, our income and total Assets Under Management ("AUM") grew 24% and 18% y-o-y respectively.

Business & Corporate Banking ("BCB")

BCB continue to deliver consistent and solid results in FY2020, registering revenue and PBT at RM1.2 billion and RM755 million respectively. This represents a 24.5% and 25.2% contribution to the Bank's total income and PBT.

Building on last year's business performance, BCB loans/ financing grew a solid 9.9% y-o-y, outpacing the industry average, spurred by our focus on the commercial segment and strategic SME client segments, which grew a respective 6.8% and 32.8% y-o-y.

Our corporate current account balances are also in healthy shape, registering a robust growth of 24.2% y-o-y, a significant increase compared to last year's performance and better than industry.

Global Markets ("GM")

The Global Markets business is present in five countries – Malaysia, Singapore, Hong Kong, Vietnam and Cambodia – serving as a key product partner for the Bank's clients. The core products that allow us to offer comprehensive solutions to our clients include Foreign Exchange, Fixed Income, Derivatives and Structured Products. The GM business also offers Shariah-compliant products and manages the Bank's excess liquidity and capital through investments in Fixed Income and Money Market instruments.

The GM business performed admirably for the year with revenues and pretax profit at RM866 million and RM750 million respectively. This represents a 18.1% and 25.1% contribution to the Bank's total income and pretax profit, respectively, for FY2020.

GM's focus for the year has been on improving the digital offerings especially in forex execution through e-channels. We target to give our retail and corporate customers a seamless remittance experience through enhanced cash management and online remittance solutions. GM is also working with FinTechs to transform our customer's remittance experience, in line with changing customer behaviour and preferences. Moving forwards, GM aims to enhance forex capabilities through online channel which would allow clients to hedge their foreign currency payment requirements.

Islamic Banking

In FY2020, Hong Leong Islamic Bank Berhad ("HLISB") performed strongly with Profit Before Zakat and Taxation increasing by 8% y-o-y to RM475 million. The increase in earnings was mainly driven by steady asset growth, higher Non-Financing Income and stable operating expenditure.

The growth in earnings was in tandem with the enlarged financing business led by strong business momentum of retail and commercial business segments. Supported by prudent cost management and better operating efficiencies, our operating expenses improved, with a CIR recorded at 27.9%, better than last year's 30.0%.

HLISB had achieved further progress in the digital transformation of its Islamic banking services and products. During the year, HLISB through the partnership with Pusat Pungutan Zakat Majlis Agama Islam Wilayah Persekutuan, successfully on-boarded an e-Zakat service to its digital platform to simplify zakat payments for customers. The initiative has improved the efficiency and digital capability of its products offering. Digital offerings were expanded to include broader market segments as well such as Islamic wealth management and business banking.

HLISB continues to focus on financing growth in the SMEs segment. To achieve this objective, HLISB has carried on working closely with government agencies such as TERAJU and SME Corporation. During the year, HLISB participated in a new guarantee Scheme with Syarikat Jaminan Pembiayaan Perniagaan and continued its partnership with SME Corporation under the Shariah-compliant SME Financing Scheme (SSFS) Programme to provide financing assistance to eligible SMEs involved in Shariah compliant business activities.

Overseas Banking Operations

HLB's regional business continued to contribute to the overall banking result, supported by good business momentum despite the challenges of the global pandemic. Accounting for 19.1% of the Bank's pretax profit in FY2020, we continue to see robust loan growth from businesses in Cambodia (26.8% y-o-y) and Vietnam (47.4% y-o-y), and strong profit contributions from Bank of Chengdu ("BOCD"), our associate in China. BOCD contributed 21.1% of the Bank's PBT or RM631 million.

For its overseas branches, HLB's Singapore operation is represented by HL Bank Singapore ("HLBS") and a branch in Hong Kong ("HLBHK"). In recent years, HLBS has changed from a pure Private Banking outfit to a more holistic financial services provider with greater coverage in niche sectors. HLBHK continues to pursue a SME led strategy besides being a treasury center for the Bank.

Management Discussion & Analysis

INSURANCE/TAKAFUL FINANCIAL & OPERATIONAL REVIEW

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

- 70% equity interest in life insurance company Hong Leong Assurance Berhad ("HLA");
- 30% equity interest in general insurance company MSIG Insurance (Malaysia) Bhd ("MSIG");
- 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"); and
- 100% equity interest in Singapore general insurance company HL Assurance Pte. Ltd. ("HLAS").

For FY2020, HLAH recorded a net profit of RM228 million, lower by 17.4% y-o-y. The result in HLAH was mainly attributed by lower HLA's profits due to the impact from COVID-19 which had resulted in lower interest rates, a challenging economic environment, volatile equity markets and new regulations. However, the results were mitigated by better contribution from other entities. Our full year share of MSIG's net profit increased by 56.6% y-o-y to RM89 million in FY2020 while the Takaful business also delivered an encouraging result in terms of profit growth. Without one-off items and COVID-19, HLAH's normalised PBT would be approximately 10% better than last year.

Life Insurance

HLA, as a life insurer, is the largest operating business within our insurance division, comprising 64.9% of HLAH's total insurance pretax profits. HLA's net profit decreased 36.1% to RM141 million in FY2020, mainly due to lower interest rates affecting actuarial reserving, equity investment portfolio volatility and new regulatory obligations such as the Minimum Allocation Rate.

In respect to business, the growth momentum of gross premiums and new business regular premiums ("NBRP") remained steady despite COVID-19. Gross premiums increased 1.1% to RM2.8 billion while NBRP grew 3.6% to RM565 million. The results reflect the continued execution of our strategy to enhance our agency and bancassurance distribution channels, as well as targeting to drive our New Business Embedded Value ("NBEV") through a more profitable product mix.

We continue to make good progress in growing our Non-Participating and Investment-Linked new business premiums at over 90% of new business premiums. This is important to our efforts to create higher NBEV for our life business. In FY2020, HLA's Embedded Value ("EV") improved by 3.0% but NBEV was lower 26.2% y-o-y. The lower NBEV was mainly due to assumption changes to reflect the lower interest rate environment. Our digital transformation, distribution and product plans are in place to improve NBEV and deliver long term value creation. In line with our digital transformation plan, we are accelerating the use of technology to transform our business and better serve our customers and stakeholders.

After establishing ourselves within the Ordinary Life segment and having built up a sizeable distribution capability, HLA has continued to focus on driving and improving the profitability levers of the company. This strategy is being executed via a greater focus on Non-Participating policies as well as concentrating on the Investment-Linked segment, which has yielded positive results. Within the Investment-Linked segment, our market ranking improved to the No. 3 position for the first half of 2020.

Management Discussion & Analysis

In terms of distribution, HLA continues to execute its Bancassurance Plan, which aims to leverage off the distribution network of its sister company, HLB's 250 over branches. The total premiums from Banca channel grew 17% y-o-y while Banca NBRP increased 15% y-o-y, contributed to a 10-year CAGR of 26%. Over the last 10 years, HLA has increased its Non-Agency (Bancassurance) market share of NBRP from 4.9% in 2010 to 9% in the first half of 2020.

HLA maintained its position as the largest domestic insurer as well as the No. 4 insurer amongst all local and foreign life insurers in Malaysia, as measured by new business annualised regular premiums. HLA's management expense ratio was 6.0% in FY2020, amongst the lowest in the industry, reflecting its continuing efforts in strategic cost management whilst reinvesting into its digital transformation plans.

In recognition of its performance, HLA has been awarded the prestigious Domestic Life Insurer of the Year at the Asian Banking and Finance Insurance Asia Awards 2019. It was awarded to HLA for rising above challenges and for its initiatives in the Malaysian domestic insurance market. During the same period, HLA has also been accorded the Malaysia Best Life Insurance Company 2019 by International Finance Awards 2019.

Takaful

HLMT is the Takaful operating company in our Group. During the financial year, HLMT's operator's fund recorded a topline growth of 3.5% y-o-y with a revenue contribution of RM77.7 million. Correspondingly, its profit before zakat and tax increased 62.3% y-o-y to RM16.9 million. The result also reflects improved cost efficiencies from past and continuing investments in its operational and business capabilities. HLMT remains focused on improving its performance through its agency and bancassurance channels whilst embedding and executing value based intermediation initiatives in its plans.

Overseas General Insurance

We have two overseas general insurance companies in HLAH, namely HLIA in Hong Kong and HLAS in Singapore. Both are niche general insurer operators which started in the personal lines segments using online channels and call centers. Their online channels new business premiums were down by 30% y-o-y and 28% y-o-y respectively for HLIA and HLAS during the year, as their online business was mainly driven by travel insurance which has been seriously impacted by the lockdown in most countries starting from February 2020 as a result of the COVID-19 pandemic. For the period prior to the pandemic outbreak (July 2019 to January 2020), HLIA's online channel business premiums were $31.24 million with a growth rate of 14% y-o-y.

In FY2020, HLAS recorded a loss before tax of RM11.5 million due to the impact of COVID-19, on top of high commercial lines reserving costs which are expected to reverse out subsequently upon normalization with actual claims experience. HLAS started underwriting commercial lines business during the last few years which carries a high initial reserving in its books.

During the year, our overseas general insurance businesses continued to add service value with the launch of online tools such as mobile app, eClaims and various digital enhancements. These new digital services cater to customer needs with enhanced operational efficiency for better customer experience. Despite current challenging conditions, the business will continue to invest in technology, new segments and new products in line with long-term strategic priorities for sustainable and improved profitability when the external environment improves.

Management Discussion & Analysis

INVESTMENT BANKING FINANCIAL & OPERATIONAL REVIEW

Hong Leong Capital Berhad is an investment holding company of the investment banking, stockbroking and asset management business group under HLFG. HLCB's key operating subsidiaries are 100%-owned Hong Leong Investment Bank Berhad ("HLIB"), 100%-owned Hong Leong Asset Management Berhad ("HLAM") and a newly established 100%-owned Hong Leong Islamic Asset Management Berhad ("HLISAM") which commenced operations in January 2020. HLIB provides a full range of investment banking services encompassing debt capital markets, equity capital markets and Treasury & Markets, while stockbroking services are provided through branches and Hong Leong Hubs within Malaysia. HLAM and HLISAM provide asset management services.

Despite a challenging year, HLCB has been less affected given positive results from its stockbroking division in this period and a steady asset management business. HLCB achieved a strong PBT growth of 24.8% y-o-y at RM95.8 million, while its net profit increased 39.1% y-o-y to RM94 million in FY2020. Without the impact of COVID-19 delaying mandate deals, HLCB's normalised PBT would be approximately 48% better than last year.

As part of our commitment to provide a reasonable return to our shareholders, HLCB has recommended a final dividend of 23.0 sen per share for FY2020 which is 4.5% higher than the dividend payout for the previous financial year. The total capital ratio of our key operating subsidiary, HLIB, remained healthy at 46.1% as at 30 June 2020.

Investment Banking ("IB")

The Investment Banking business achieved a revenue of RM68 million and a pretax profit of RM20 million in FY2020. Treasury and Markets ("T&M") was the largest contributor to the IB Division, contributing 58% of total IB Division revenue, ahead of Equity Markets and Debt Markets, which contributed 8% and 30% of divisional revenue respectively. For FY2020, T&M ended the year recording a slower revenue growth of 5.6% y-o-y due to volatility in bond prices from rising concern over emerging markets and the local political landscape.

The Equity Markets and Debt Markets divisions continue to operate under very challenging conditions, as there were deferment and significant reduction in capital raising activities in the Malaysian market, affected adversely by the outbreak of COVID-19 and slower economic environment throughout the financial year. However, our Debt Markets division registered an encouraging topline growth of 72.6% y-o-y, which was largely attributable to continued focus on delivery and execution of their mandates with reduced impact from the pandemic given the customers mandates on hand.

Stockbroking ("SB")

The Stockbroking business of HLIB achieved a revenue of RM102 million and a pretax profit of RM45 million in FY2020. Brokerage income accounted for 74.8% of total revenue earned by the Stockbroking business in FY2020, while the net brokerage income gained is 45.9% higher than the previous financial year. The growth in revenue was in line with the higher traded volume in the market, which was a 15.9% y-o-y increase to RM639.8 billion recorded by Bursa Malaysia. Our share of the market at 4.4% was higher than the previous financial year of 3.9%, mainly attributed to higher retail participation during the second half of the financial year.

Management Discussion & Analysis

Asset Management

HLAM recorded a net profit increase of 26.8% y-o-y to RM21 million. Our Asset Management business remained profitable on the back of a 13.4% y-o-y increase in revenue, due to growth in our average assets under management and higher management fee margins for FY2020. The average AUM grew by 4.6% to RM18.3 billion in FY2020, contributed by the growth in money market funds, fixed income funds, equity and balanced funds. Fixed income funds and money market funds, in particular, remained as investors' favorites amidst volatile market conditions. During the year, HLAM acquired a wholly owned fund management company and converted its license for an Islamic asset management business.

HLAM received 11 Lipper fund performance awards during the year categorized under five (5) funds, namely Hong Leong Dividend Fund, Hong Leong Asia-Pacific Dividend Fund, Hong Leong Value Fund, Hong Leong Growth Fund and Hong Leong Dana Makmur Fund (Malaysia Islamic and Global Islamic).

RISKS

The Group is exposed to credit, market, operational, liquidity, cyber security, legal and compliance, environmental and social risks. We have processes and controls in place to ensure these risks are adequately managed. These risks and our controls are spelt out in the Statement on Sustainability, Corporate Governance, Risk Management and Internal Control of this annual report.

PROSPECTS

Looking ahead in the immediate term, we remain cautious on the Malaysian economy, amidst a challenging business environment and increased external uncertainties with the current pandemic on-going. In the longer term, the economic fundamentals of the country remain solid and the prospects promising, given the prudent and supportive policies of the government. This will provide a conducive and sustainable operating environment for the financial services industry.

We will continue to pursue our plans to grow our core businesses of Commercial Banking, Islamic Financial Services, Insurance, Investment Banking, Stockbroking and Asset Management whilst taking appropriate steps to judiciously control our expenses and reinvest effectively, especially in the digital space.

Our key strategic objective remains the pursuit of long-term sustainable growth. We are committed to diligently execute our business and digital strategies to build sustainable value for our shareholders. We will continue to manage the businesses prudently, advancing on multiple fronts, creating incremental business value whilst laying the foundations for an increasingly digitalised business environment.

FURTHER INFORMATION

For further information on our subsidiaries, please refer to:

- HLB's FY2020 MD&A in their FY2020 annual report at www.hlb.com.my or www.bursamalaysia.com; and
- HLAH and HLA's financial statements at www.hla.com.my;and
- HLCB's FY2020 MD&A in their FY2020 annual report at www.hlcap.com.my or www.bursamalaysia.com.

APPRECIATION

Last but not least, 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 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.

Sustainability **Statement**

Hong Leong Financial Group Berhad's ("HLFG") sustainability report for the financial year ended 30 June 2020 ("FY2020") presents an overview of our sustainability approach and how we identify and integrate the economic, environmental, and social risks and opportunities ("sustainability matters") as part of our business activities and practices.

The sustainability report mainly covers the sustainability matters of our subsidiaries including our commercial and Islamic banking businesses under Hong Leong Bank Berhad ("HLB"), life insurance and Family Takaful businesses under HLA Holdings Sdn Bhd ("HLAH") and the investment banking businesses under Hong Leong Capital Berhad ("HLCB") in Malaysia. The sustainability matters identified are from the Group's key operating subsidiaries. The report also includes selected initiatives undertaken at the Company level of HLFG and the inaugural inclusion of selected sustainability matters in our insurance business for this report.

This report has been reviewed and approved by HLFG's senior management and its Board of Directors. The integrated content across all our operating businesses has been prepared in accordance with the Global Reporting Initiative Standards Core option and Bursa Malaysia Sustainability Reporting Guide. It has been further guided by the Recommendations of the Task Force of Climate-related Disclosures and the United Nations Sustainable Development Goals.

For further information on sustainability matters on our listed subsidiaries which includes selected indicators, please refer to the sustainability reports of:

- *HLB at www.hlb.com.my or www.bursamalaysia.com*
- *HLCB at www.hlcap.com.my or www.bursamalaysia.com*

Sustainability Statement

OUR SUSTAINABILITY APPROACH AND GROUP VALUES

Our sustainability approach is aligned with our corporate values and business vision. The Hong Leong Group was built on a strong heritage of value creation for our stakeholders and communities within which we operate. Over the decades, we have taken a progressive approach in integrating sustainability into our businesses to become stronger and more resilient. We are committed to growing our businesses responsibly, balancing environmental with economic considerations, as well as creating a positive impact for our stakeholders and contributing to our communities. This is reflected in our core values that serve as a compass in all that we do:

Honour

To conduct business with honour

Human Resource

To enhance quality of human resources – as the essence of management excellence

Entrepreneurship

To pursue management vision and foster entrepreneurship

Innovation

To nurture and be committed to innovation

Quality

To consistently provide goods and services of the highest quality at competitive prices

Progress

To continuously improve existing operations and to position for expansion and new opportunities

Unity

To ensure oneness in purpose, harmony and friendship in the pursuit of prosperity for all

Social Responsibility

To create wealth for the betterment of society

HOW OUR SUSTAINABILITY IS GOVERNED

HLFG's sustainability strategy is determined by our Board who provides oversight of our corporate sustainability performance. HLFG's Board is assisted by its Board Audit & Risk Management Committee. Senior Management, namely our President/CEO, oversees the implementation of our sustainability approach and ensures that key targets are being met with the support of the Group CFO.

HLFG's Board of Directors

Board Audit & Risk Management Committee

Senior Management

Sustainability Team

HOW THE MATERIAL SUSTAINABILITY MATTERS ARE IDENTIFIED

1. Identifying Our Material Sustainability Matters

In order to present a report that is meaningful to our stakeholders, we conducted a materiality assessment to determine those issues that are important to HLFG as well as our stakeholders. The assessment comprised four steps:

Identification	Referencing the list of material sustainability matters identified by HLB, HLAH and HLCB.
Prioritisation	The list of material sustainability matters was prioritised during a materiality assessment with the Sustainability Team and through review by senior management.
Validation	The material sustainability matters were then validated with the Group CFO and approved by the Board of Directors.
Review	This final step encompasses feedback from our stakeholders. From the feedback, we will be able to further refine our sustainability approach so as to present even more meaningful reports in the future.

As part of our continuing sustainability process, we conducted a survey to get feedback on our approach to Materiality Assessment in HLFG's Sustainability Statement. The response to this survey is crucial in providing the necessary information to help us evaluating the effectiveness of our Sustainability Statement and improving the methods and processes of our sustainability assessment.

OUR STAKEHOLDERS

We have external and internal stakeholders, who are significant to our business, as shown in the following table:

INTERNAL STAKEHOLDERS

- Board of Directors
- Management
- Staff

EXTERNAL STAKEHOLDERS

- Regulators
- Investors/ Analysts
- Service providers/ Vendors
- Associations
- Media
- Customers

Sustainability Statement

STAKEHOLDER MAPPING

Group	Sub-group	Focus Areas of Stakeholders Engagement
Employees/ Directors	Board of Directors and Management Staff (including contract staff) Interns	• Career development and performance management • Occupational safety and health • Ongoing internal communications • Employment terms and conditions
Regulatory Authorities	Bank Negara Malaysia Bursa Malaysia Securities Commission Malaysia Inland Revenue Board (LHDN)	• New regulations • Compliance matters
Investors/ Analysts	Private fund management companies (local and international) Statutory bodies which manage government funds Research houses Insurance companies Private investors	• Annual General Meeting • Ongoing communications with the investment community via briefings, small groups and 1-to-1 meetings
Media	Newspapers (printed and online) Broadcast media Social media	• Continuous and meaningful communications • Publicity management
Service providers/ Vendors	Consultancy/advisory firms Contractors Company suppliers	• To ensure fair treatment via a transparent tender/ bid process
Associations/ Community	Malaysian Accounting Standards Board (MASB) Malaysian Institute of Corporate Governance (MICG) Malaysia Investor Relations Association (MIRA)	• Industry stewardship • Development and impact of new rules • Reaching out to the community continuously
Customers	Retail consumers Corporate clients	• Protection of personal data • Products/services transparency • Useful products/services

OUR MATERIALITY MATRIX

The prioritisation of our material sustainability matters is set out in the matrix below:

ECONOMIC

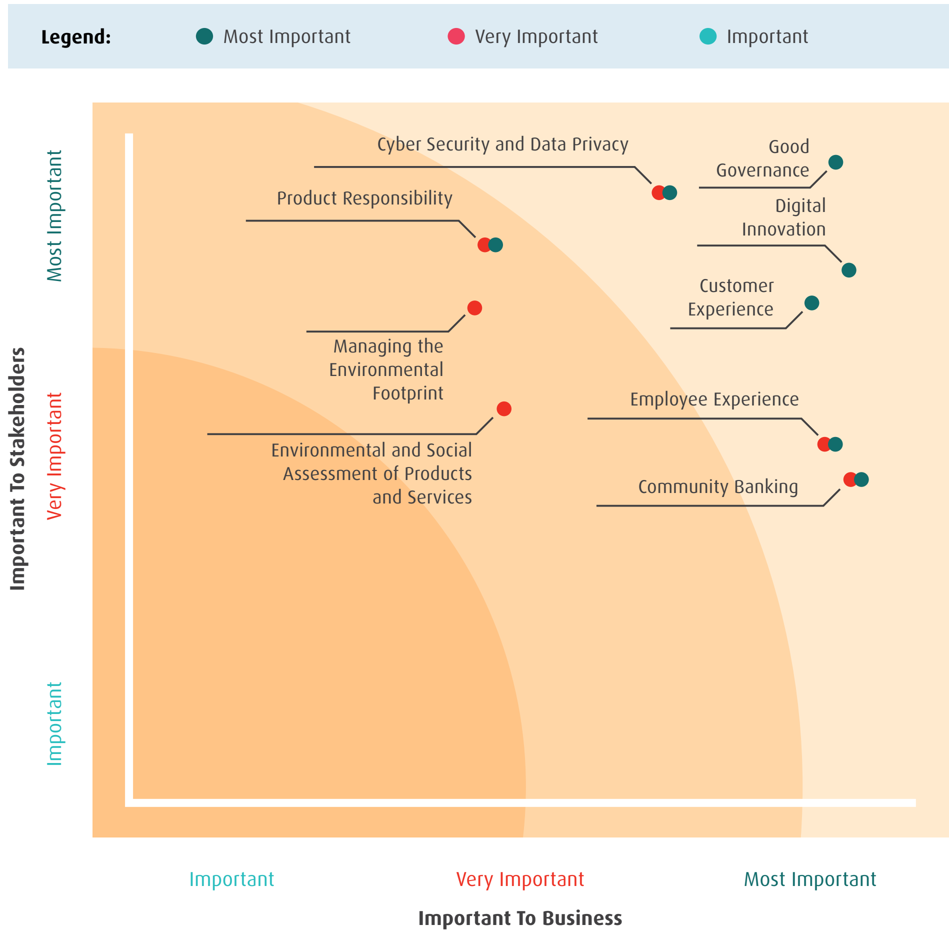
- Digital Innovation

ENVIRONMENTAL

- Managing the Environmental Footprint
- Environmental and Social Assessment of Products and Services

SOCIAL

- Good Governance
- Cyber Security and Data Privacy
- Customer Experience
- Community Banking
- Product Responsibility
- Employee Experience



MATERIAL SUSTAINABILITY MATTERS

2. Material Sustainability Matters

The nine material issues identified are also aligned with the Hong Leong Group's mission:

Helping Clients Succeed	Providing Our People with the Best Opportunities	Creating Stakeholder Value

Sustainability Statement

MATERIAL SUSTAINABILITY MATTERS

2. Material Sustainability Matters (continued)

The nine material issues identified are as follows:

MATERIAL MATTERS	DEFINITION OF MATERIAL MATTERS
Helping Clients Succeed	
1. DIGITAL INNOVATION	• Innovation of our digital products and services by our subsidiaries is critical to increase accessibility and convenience.
2. CUSTOMER EXPERIENCE	• Efforts taken to enhance HLFG subsidiaries' products and services for customers, including improvement efforts taken to meet our customers' preferences and needs.
3. CYBER SECURITY AND DATA PRIVACY	• Initiatives taken to protect HLFG from unauthorised access or attacks that are aimed for exploitation of the information. • Efforts taken by HLFG to implement processes and measures that prevent, identify and address vulnerabilities and threats to personal and confidential data of our customers.
Providing Our People with the Best Opportunities	
4. EMPLOYEE EXPERIENCE	• Employee wellbeing, benefits, rewards and recognition based on their contribution to HLFG, which can influence HLFG's ability to attract and retain talent.
Creating Stakeholder Value	
5. GOOD GOVERNANCE	• HLFG's values, principles, standards and norms of behaviour, such as our code of conduct and codes of ethics that have been developed, approved and implemented. • Level of compliance to local regulations and other core operational regulations that help indicate the ability of management and HLFG's subsidiaries to ensure that operations conform to certain performance parameters.
6. COMMUNITY BANKING	• Local community engagement through development programmes based on the needs of the communities. • Economic wellbeing of employees as part of the community.
7. PRODUCT RESPONSIBILITY	• HLFG's efforts to ensure fair design and sale of HLFG's subsidiaries' products and services that directly affect stakeholders and customers.
8. MANAGING THE ENVIRONMENTAL FOOTPRINT	• HLFG's efforts to reduce usage of paper, including initiatives that involve employees and HLFG's subsidiaries' products and services. • Energy management to minimise environmental impact from HLFG's operations such as energy efficiency. • Efforts taken to reduce GHG emissions from HLFG's activities. • Waste management that is in compliance with international and national standards. It includes actions taken to minimise waste throughout its operations.
9. ENVIRONMENTAL AND SOCIAL ASSESSMENT OF PRODUCTS AND SERVICES	• Consideration of environmental and social aspects during the assessment of HLFG's subsidiaries' products and services.

MATERIAL SUSTAINABILITY MATTERS

HELPING CLIENTS SUCCEED

I. DIGITAL INNOVATION

Digital innovation is the application of new technologies, both in hardware and software, to existing business practices. It allows us to better serve our customers, as well as to reduce both our businesses' and customers' operating costs.

We also look at digitisation as an organised way of using technology tools on optimised processes with an objective of reducing manual intervention through automated activities that should yield higher productivity and customer satisfaction. Digitalisation is a core part of the Group's business strategy, hence it is the essential key to transform our traditional products deployment approach into a progressive, dynamic and sustainable customer oriented business.

COVID-19 IMPACT

Major initiatives from HLFG & all operating businesses across the group

- With the implementation of a MCO and loan moratorium by BNM, our Group companies used digital tools and solutions to continue engaging with clients to ensure business continuity and meet customer needs. With the digital capabilities we have in place, our bank relationship managers, insurance agents and stock brokers continued to process new applications and also serve customers during the MCO.

- This pandemic also presented an opportunity for us to review and further improve our customer interaction processes and increase development of digital channels in the business.

Major initiatives from HLB

- In FY2020, selected digital solutions piloted at our Digital Branches, such as our In-Branch tablet-based teller services, have been rolled out across the Bank's branch network in Malaysia. These ongoing efforts target to equip 150 of our branches with this feature by February 2021. Currently, we have equipped 100 branches throughout Malaysia.

- Our investments in 'Digital at the Core' business strategy continued to show results, with new digitisation initiatives introduced within the financial year to strengthen our digital offerings. These digitisation efforts extend beyond our Malaysian operations to include the Bank's offices and branches across ASEAN.

HLB Financial Highlights

	FY2020	FY2019
Total transactions completed digitally	**86%**	81%
Increase in mobile transactions	**44%**	53%
Reduction in physical branch transactions	**85%**	36%

Sustainability Statement

MATERIAL SUSTAINABILITY MATTERS

HELPING CLIENTS SUCCEED

I. DIGITAL INNOVATION (continued)

Major initiatives from HLB (continued)

- We provide mobile and web-based banking services to retail customers through our digital banking platform, HLB Connect. An increase of about 30% in the total number of customers using our HLB Connect Retail platform places our current digital retail customer base at 54%. We target our digital retail customer base to reach over 60% by FY2021.
- The all-new HLB Connect app which offers an improved user interface and user exchange design was launched during the financial year. We also equipped our digital token authentication solution with a first-in-market biometric facial-recognition technology for mobile devices.
- We offer a comprehensive suite of banking solutions to help businesses enhance efficiency through our digital platform for corporate, commercial and SME customers, HLB ConnectFirst. Our Corporate Internet Banking users, inclusive of ConnectFirst and ConnectBiz users, have increased by 8.6% y-o-y in FY2020.
- To further improve the digital banking experience for our SME customers, we integrated the FastCollect feature to our HLB ConnectFirst platform which allows customers to be onboarded as JomPAY billers 88% more efficiently than traditional channels.
- Training programmes and extensive engagement to create awareness amongst staff and customers throughout FY2020 were in place to ensure a successful launch of HLB ConnectFirst 2.0 (2nd iteration).
- HLB is amongst the five banks in Malaysia to partner with SWIFT to onboard their Global Payment Initiative (GPI) solutions into our platform. This partnership will allow our customers to complete cross-border payments in a faster and more transparent manner.
- Within the Malaysian banking industry, we aim to champion seamless digital transactions in our drive to create a cashless society. In FY2020, we introduced HLB Tap On Phone, a new contactless mobile payment acceptance service for Android mobile devices that allows vendors to receive card payments using their mobile. Made possible through a partnership with Payment Networks Malaysia, Tap On Phone is helping to bring down the costs of going cashless for businesses. In June 2020, we also launched the “Cashless Lagi Senang” campaign to onboard more vendors and traders in order to enable them to add cashless and contactless payment methods for the ease of their customers.

MATERIAL SUSTAINABILITY MATTERS

HELPING CLIENTS SUCCEED

I. DIGITAL INNOVATION (continued)

Major initiatives/policies from HLAH

- The impact and use of digitalization and InsurTech advances in the insurance sector is accelerating. Accordingly, Hong Leong Assurance Berhad ("HLA") has continued its digital journey across multiple fronts. With an established data warehouse, we are continuing the use of analytics capabilities to data-mine our growing customer base to enhance effectiveness in both cross-sell and up-sell activities.

- The HLA Customer 360 Portal allows our customers to have instant, seamless and secured access to their policy information with biometric and face recognition login. With more customers using digital channels, we have seen the number of HLA360° users increased by 75,000 in FY2020.

- Several digital enhancements were executed to make online submission easier for agents in order to increase productivity and efficiency in operations, including the use of digitalized Customer Fact Finding step to generate personalized Sales Illustrations up to submitting the proposals entirely online. Agents also can now snap images of documents via an integrated image-capturing feature in the eDoc mobile app for direct submission to HLA.

Major initiatives/policies from HLCB

- For FY2020, our stockbroking outfit and fund management distribution continued to leverage and enhance digital platforms and tools to better serve our customers.

- The Group invested RM1.7 million on IT capital expenditure, which represented 77.3% of the Group's total capital expenditure spent during the financial year. The amounts spent are mainly on the enhancement of HLeBroking mobile application and website, enhancement on cybersecurity and automation of manual processes to achieve higher efficiencies.

- The introduction of Direct Market Access ("DMA") trading, an electronic trading solution that allows real-time execution of trade orders with lower cost by investors, was rolled out in July 2020. DMA trading solution provides extremely fast order execution, and this enables investors to take advantage of very short-lived trading opportunities.

- In January 2020, the Stockbroking Retail Business division launched the 1st phase of an enhanced HLeBroking mobile application and received positive feedbacks from clients. Total number of downloads for this new enhanced application increased by 153% from 5,355 (January 2020) to 13,547 (June 2020).

Sustainability Statement

MATERIAL SUSTAINABILITY MATTERS

HELPING CLIENTS SUCCEED

I. DIGITAL INNOVATION (continued)

Major initiatives/policies from HLCB (continued)

- The second phase of a new digital innovation effort which focuses on the Cash Plan Investment Platform was rolled-out in June 2020, where Employees Provident Fund ("EPF") members are able to invest in HLAM's EPF approved funds through the EPF-Members Investment Scheme ("EPF-MIS") via a fully integrated Online Transaction Platform. This initiative is in line with the EPF-MIS online platform project, an initiative by EPF to improve service offerings and to maximise the members' investments.

II. CUSTOMER EXPERIENCE

In the digital era where everyone is becoming more tech-savvy, we are witnessing a shift in customer behaviour from conventional to online financial services. Digitisation trends in the banking, insurance, stock broking and wider industries drive business development which in turn drives continued higher customer expectations and satisfaction. Being digital at the core is not only about being mobile or having the latest technology but it is also about finding effective ideas to interact and engage with customers.

We recognise that in order to grow sustainably, we need to ensure our customers are satisfied, not only with our products and services but also the way in which these are delivered. Enhancing our customer experience with user-friendly, relevant products and services is important to maintaining a reputable financial services brand and standing in the market.

COVID-19 IMPACT

Major initiatives from HLFG & all operating businesses across the group

- Customer experience remained a key priority even during the MCO and amidst a challenging economic environment. Using our digital capabilities, our customers from across our banking, insurance and stockbroking businesses were able to continue to transact and interact with us through our online service platforms.

Major initiatives from HLB

- Our digital offerings are designed to improve efficiency and enhance the customer experience. Even our branches leverage on new technology to depart from conventional methods of In-Branch service delivery. Currently, we have transformed 100 branches with selected digital solutions throughout Malaysia.

MATERIAL SUSTAINABILITY MATTERS

HELPING CLIENTS SUCCEED

II. CUSTOMER EXPERIENCE (continued)

Major initiatives from HLB (continued)

- With more customers presently utilising our digital banking services, both the number and value of digital transactions completed by our customers continue to rise. To date, all retail-based service functions can be completed via iPads.
- As improving and evaluating digital customer experience is a key priority under our digitisation agenda, the Customer Experience ("CX") Lab serves as a platform to explore applications for new technologies, such as Artificial Intelligence and machine learning, among others, and to work with customers to understand their banking needs.
- Achieving success in the integration of banking services and digital technologies requires careful consideration of our customers' experience with the banking solutions that the Bank offers. As customers increasingly transition towards the use of our digital banking products and services, we will aim to ensure that these offerings are focused on delivering an optimal customer experience.
- In FY2020, the initiatives include Cashfree Society programme, which targeted at university students and DuitSmart, a digital platform (launched in September 2019) designed as a repository for content that would enhance financial literacy amongst Malaysians.

Major initiatives/policies from HLAH

- HLA's Customer Service Portal HLA360° is available online and in mobile app. By using the HLA360° mobile app, customers can securely access this portal with biometric and face ID login to view policy information, e-medical card, e-contract and perform self-service online transactions anytime including making online premium payments. The app also comes with built-in navigation feature of HLA branches & panel hospital locator that gives customers the nearest locations with full address and contact.
- HLA applied a phased approach for going paperless whereby customers were gradually familiarised with e-document download via HLA360°, i.e. annual statements in digital version, Policy Servicing Notices and Correspondences.
- HLA strives to continue the process with more documents e.g. Contract and Medical Card in the near future and will seek new opportunities to increase accessibility to downloadable e-documents.

Sustainability Statement

MATERIAL SUSTAINABILITY MATTERS

HELPING CLIENTS SUCCEED

II. CUSTOMER EXPERIENCE (continued)

Major initiatives/policies from HLCB

- We collaborate with key external parties, particularly government agencies, corporate bodies and rating agencies to provide value-added services for our clients. Some of the workshops and events held during the financial year are HLeBroking's entry & exit signals workshop, investment workshop, market talk, portal training and education workshop.

- We have also rolled out our first CEO and Leader Series in January 2020 and the second session in February 2020. This is a session for industry leaders to share market information and insights with institutional clients.

- Customers' feedback is crucial to help us improve our efforts. Surveys were conducted to collect feedback and reviews for every new initiative or product launched. We have received positive feedback from our clients and this is supported by an increase of 14% new HLeBroking accounts opened in FY2020.

III. CYBER SECURITY AND DATA PRIVACY

Cyber security and customer data privacy continue to be a top priority for our Group. We have implemented and continue to upgrade and strengthen a multitude of measures to safeguard customer data and prevent security breaches in our organisation.

We deploy specialist knowledge and key technologies to detect and prevent fraud incidents and cyberattack, and if we identify an attack in progress then we can contain it. However, it's not just down to our team of developers, IT teams and our fraud management unit. We also need to ensure that our employees and customers are aware of the risks and consequences of fraud. Security is a joint responsibility between the bank and the customer where customer education also plays an important preventive role.

COVID-19 IMPACT

Major initiatives from HLFG & all operating businesses across the group

- To ensure business continuity during the MCO, we increased resources to provide laptops, VPN access and facility support to staff from Group companies in order to enable them to work remotely. Various modes of digital tools including audio, video, web etc. were increasingly used during the MCO period. The Group also increased its cyber security vigilance to keep our online transactions and networks secure.

MATERIAL SUSTAINABILITY MATTERS

HELPING CLIENTS SUCCEED

III. CYBER SECURITY AND DATA PRIVACY (continued)

Major initiatives from HLB

- We invest heavily in our digital and technological systems for cyber security and are involved with national and international early warning systems for cyber security risks, including the Financial Services – Information Sharing and Analysis Centre and Recorded Future.

- We are conscious that customers and employees remain a major point of risk for data loss. Stakeholders are informed about the Bank's handling of confidential personal information entrusted to us by our customers, employees and business partners, via the Bank's Privacy Notice. The Privacy Notice serves to help these individuals understand how the Bank handles their personal information and what rights and protection they are entitled to as a data owner.

- By improving staff awareness of cyber security measures and practices, we are able to strengthen the first line of defence against cyber-attacks and scams. We strive to fortify this by building a data security culture in which customers and employees have sufficient knowledge to protect themselves and the Bank from risk.

- HLB has established a Group Data Protection and Customer Secrecy Policy to govern the secure receipt, storage and protection of customers' private and sensitive information in compliance with the Personal Data Protection Act (2010) ("PDPA").

Major initiatives/policies from HLCB

- Throughout FY2020, a cyber security awareness program was conducted internally within the group to address the rapid and ever-changing data security threat environment. The program provides for the education, monitoring and ongoing maintenance of security awareness.

- We have engaged in numerous penetration tests on our web portal and corporate website. The penetration test is an authorised simulated cyberattacks on system performed to evaluate the security of the system to identify vulnerabilities, including the potential for unauthorised parties to gain access to the system's features and data.

- Installations of antivirus software on workstations and devices to prevent uninvited threats from emails, external storage or through the network, implementation of file encryption protection on all files retrieved from workstations, and controls on the accessibility of data retrieved from workstations.

MATERIAL SUSTAINABILITY MATTERS

PROVIDING OUR PEOPLE WITH THE BEST OPPORTUNITIES

IV. EMPLOYEE EXPERIENCE

Creating a positive employee experience helps us to attract and retain the best talent, which is essential in any services business.

Serving our communities is not only integral to running a business successfully but is also our responsibility to build a diverse and inclusive workplace that reflects the diversity of the communities in which we serve. The Group continues to support communities in meaningful ways that improve the company's culture, relationship and reputation.

In order to retain talent, we provide suitable career progression and we encourage employees to maintain a reasonable work-life balance. Employees are encouraged to develop their skill sets with the aid of training opportunities which the Company provides.

COVID-19 IMPACT	**Major initiatives from HLFG & all operating businesses across the group** • We activated Business Continuity Plans across all our operating businesses, with all the necessary preventative measures adopted in accordance with comprehensive standard operating procedures (SOP). • An effective communication strategy is crucial during these times. Therefore, our management and HR increased staff communications to ensure employees understand the risk and consequences of the pandemic. The safety, health and well-being of our workforce are paramount and how we reacted and adapted measures and steps in face of the COVID-19 pandemic. • The Group introduced Split Operations amongst the staff and increased VPN access was provided to enable staff to Work-from-Home (WFH) on a rotating basis. Our staff was also allowed to operate under flexible working hours with the use of digital meeting tools and visual app calls. • At our work premises, masks provided to front liners and customer service officers. We assist staff and visitors with temperature screening at entry points to buildings, lift social distancing spots setup and make sure ample sanitizers are available at multiple points in the offices and customer interaction points. Glass panels have also been installed at work stations to improve social distancing.

MATERIAL SUSTAINABILITY MATTERS

PROVIDING OUR PEOPLE WITH THE BEST OPPORTUNITIES

IV. EMPLOYEE EXPERIENCE (continued)

Major initiatives from HLB

- We aim to create an optimum and positive work environment which supports employee well-being to ensure a healthy and engaged workforce. Our Code of Conduct and Ethics guides the establishment of a safe and inclusive workplace, strictly prohibiting discrimination of any kind.
- The launch of Workday marks our next chapter in terms of workplace readiness. All employees are now able to have mobile-first access to a secure network for Human Resources related functions and we have successfully implemented HLB@Workday to all 6 countries in which the Bank Group operates. In April 2020, we launched a new series of curated external digital courses via Workday platform. Since the programme launched, 89% of our employees have adopted this platform on a regular basis and 1,660 employees have completed these courses.
- At HLB, we are committed to nurturing a high performance culture. Our focus is on ensuring that we add value in our dealings with all stakeholders. An example of this is the enrolment of our employees in design thinking workshops to upskill them.
- A key component of our competency-building strategy is SmartUp, a mobile and web-based micro learning app, which delivers fun, bite-sized learning content to our workforce.
- For FY2020, we held a series of wellness initiatives and events guided by three pillars of Engagement, Appreciation and Wellbeing with activity supported by an overarching communications plan deploying the hashtag #HLBCares. Over 1,189 employees took part in the health and wellness programmes.

Major initiatives/policies from HLCB

- To ensure we nurture and retain the best talents, we have put in place robust initiatives for the wellbeing and development of our people. HLCB has introduced a HiPo ("High Potential") program as one of the initiatives under its talent management strategy. In FY2020, the Group continued its effort to build a sustainable workforce with the aim to build a strong succession pipeline of bright and skilled future leaders and maintain a high retention rate.
- As part of the development programme, HLCB has developed a Competency Structure for each category of employee to drive the company's workforce to achieve a high level of professionalism. The Competency Structure defines the skills and knowledge required for successful job performance at all levels. We designed the structure based on expected traits and demand in upcoming market workforce.

Sustainability Statement

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

V. GOOD GOVERNANCE

Good governance is essential to ensure that the operations of the Group are managed with integrity in a manner where all stakeholders are treated fairly.

Major initiatives from HLFG (company level)

- Besides our Whistleblowing and Code of Conduct & Ethics policies, we focused this year on launching the Anti-Bribery and Corruption (ABC) Policy. As part of our efforts to maintain a high standard of professionalism, ethics and integrity, HLFG's Compliance Team introduced a "Learn your ABC" weekly compliance training held over a month to help the employees understand what bribery and corruption is all about and what to do if they spot such activity.
- The Group takes a zero-tolerance position on bribery and corruption and an Anti-Bribery and Corruption Policy for the prevention of corruption and bribery is firmly in place at HLFG and across all our operating businesses. To foster a compliance culture, regular compliance training is delivered across the Group companies. We work to ensure that the standards set out are embedded throughout the organisation.

Major initiatives from HLB

- At HLB, our experienced Board of Directors provides strong leadership and independent oversight in line with best practices for corporate governance. Along with our management team, the Board plays an important role in overseeing the implementation of the Bank's stringent principles and policies for responsible business conduct. These include policies and procedures related to whistleblowing, PDPA, anti-money laundering, anti-bribery and corruption and ethical conduct, among others. Policies are frequently reviewed and updated to ensure that we continue to meet best practice standards.
- The Code of Conduct and Ethics applies to all Bank employees, subsidiaries and affiliates of HLB's vendors and business partners. In order to ensure employees' adherence to the Code of Conduct and Ethics, new employees are provided with awareness training on its contents during the on-boarding programme.

Major initiatives/policies from HLAH

- We are committed to upholding fair business practices at every stage of our business cycle and in compliance with relevant regulations. The Client Charter published in our corporate website demonstrates our culture, values and commitments in delivering services and outcomes that is fair to our customers. Our intermediaries are constantly being reminded on the importance of providing advice or recommendation on a product, which should be based on the customer's financial objectives, needs, knowledge and experience, considering the complexity of the product and the risks associated with it. In the event of a dispute, customers are given the access to complaints and claims handling mechanisms that are fair and efficient to resolve their disputes and claims against us without any undue delay or burden.

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

V. GOOD GOVERNANCE (continued)

HLCB HLAH

Major initiatives/policies from HLCB and HLAH

- Training is provided to employees on Compliance Policy, Anti-Money Laundering and Counter Financing of Terrorism ("AMLCFT") Policy, Material Information Policy, Whistleblowing Policy, Anti-bribery and corruption and Code of Conduct & Ethics. This includes updating the Standard Operating Policies and Procedures ("SOPP") to remain relevant to changes of the laws and regulations.

- We ensure there is adequate segregation of duties among the employees with proper check and balance so that the employees do not have any conflict of interest in performing their duties.

VI. COMMUNITY BANKING

As a financial services provider, the most significant way in which we can make a positive social impact is by the provision of quality service that helps our local communities better manage and enhance their financial well-being. To this end, we are conscious of having products that meet the needs of customers from all income brackets and to provide access to our banking services to less served segments of the community, as well as in supporting under-served entrepreneurs, particularly start-ups. We seek to engage and help local communities develop via programs that have been designed to meet their specific needs.

Beyond access to our products and services, we feel it is our duty as a responsible corporate organisation to play a role in elevating the standard of living of the more marginalised pockets of community. This is achieved through various philanthropic and social outreach programmes supported by our Group philanthropic arm, Hong Leong Foundation. Through these initiatives, we also provide our employees an avenue to contribute in a meaningful way to the community.

COVID-19 IMPACT

Major initiatives from HLFG & all operating businesses across the group

- Our subsidiaries (banking and insurance businesses) increased non-contact lines of communications to reach out their respective communities during the MCO and loan moratorium period. The initiatives including the set-up of support centers in key areas to support business transactions. Under this arrangement, our sales representatives managed to reach out their customers and offer assistance. We also attended to the communities pro-actively to support Opt-in/ Opt-out messages and FAQs developed for BNM moratorium purposes and the insurance industry.

Sustainability Statement

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

VI. COMMUNITY BANKING (continued)

Major initiatives from HLFG (company level)

- To support the financial sector giving back to the community, HLFG initiated an employee/ company partnership amongst its financial group companies to support and sponsor staff entry teams into a local run organised by Bursa Malaysia as a charity fund raising event. This event aims to raise awareness and promote financial literacy and entrepreneurship whilst also raising funds to help improve the lives of underprivileged communities. HLFG also coordinated across its subsidiary group companies to ensure we collectively contributed in effort for this charity event.

Major initiatives from HLB

- In FY2020, HLB became the first financial institution in Malaysia to offer Self-Service Terminals with speech functions for visually impaired customers. Including both a braille keypad and headphone jack, the HLB Talking ATMs enable visually impaired customers to be guided through transactions using personal headphones to receive instruction in one of three different languages.

- HLB Talking ATMs have been strategically located in the Brickfields, Kuala Lumpur and Pulau Tikus, Penang communities where the Society of the Blind, Malaysia operate. The ATMs were developed with the assistance of visually impaired employees, reflecting the Bank's commitment to a customer-centric approach to designing and delivering products.

- HLB continues its active role towards supporting the growth of Malaysia's SME sector, by providing financial support to SMEs as well as enabling avenues and opportunities that addresses their non-financial needs. In FY2020, we focused on developing and upgrading two of our key sustainability initiatives for the SMEs and social enterprises, namely HLB LaunchPad and iStart@HLB.

- Under HLB LaunchPad initiative, high-potential technology start-ups from ASEAN are selected to collaborate with HLB to develop and present solutions to real banking challenges. While iStart@HLB is a special programme of the Bank to reach out to all SMEs – including the underserved young SMEs such as entrepreneurs and start-ups – through strategic collaborations with ecosystem partners such as Cradle and MaGIC.

- In order to serve our community better, HLB JumpStart, our flagship CSR programme was launched in September 2018 to support social enterprises by empowering them with the knowledge, skills and tools needed to succeed.

- HLB JumpStart@65 is a new community space managed by HLB's Digital Innovation Office. The space is currently refurbished as a platform to build networks of people, including both HLB employees and social enterprises, who can co-create innovative solutions to issues faced by communities.

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

VI. COMMUNITY BANKING (continued)

Major initiatives/policies from HLAH

- HLA-HLMT FIT Charity Run 2019 Raises RM60,000 for Children's Home of Hope. Co-organised by HLA and Hong Leong MSIG Takaful, with the support of Hong Leong Foundation ("HLF"), the run was aimed at encouraging Malaysians to lead a healthy and active lifestyle, while playing their part in giving back to the underprivileged society. The Run raised RM60,000 for National Cancer Society of Malaysia's Children's Home of Hope, which provides accommodation to children with cancer who are currently undergoing cancer treatment, and their caregivers.

- HLA and HLF came together to call on the Children's Home of Hope to spend quality time with the children and their caregivers. A collection of books and toys were also brought over for the children and staff to read and play with.

- In its pursuit to provide insurance coverage for cancer survivors, HLA introduced the HLA Beyond Cancer Plan.

- In support of LIAM's Nationwide Blood Donation Campaign 2019, HLA PJ City and HLA Penang organised a Blood Donation Drive to promote public awareness on the importance of donating blood and saving lives.

VII. PRODUCT RESPONSIBILITY

Product responsibility and fair banking are about the responsible development and marketing of financial products. This involves thorough evaluation of products before they are brought to market and proper communication to consumers of what these products entail. We educate the public and business enterprises about the products that are available in the market so they are aware of their options and are able to make informed choices in selecting products that will enhance their financial well-being.

Major initiatives from HLB

- Any new product or product variant that HLB introduces has to be approved by HLB's Product and Evaluation Approval Committee ("PEAC") which is also applicable to its overseas subsidiaries (HLB subsidiaries and branches in Vietnam, Cambodia, Singapore and China) and HLISB. The committee evaluates and scrutinizes each product at length from various angles including giving attention to compliance requirements from various regulators prior to making a final decision on the product.

Sustainability Statement

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

VII. PRODUCT RESPONSIBILITY (continued)

Major initiatives/policies from HLAH

- Being a licensed insurer, HLA is required to comply with various policy and guideline requirements relating to insurance products set by regulator. To that aim, we have our Product Committees to deliberate and evaluate the various aspects of any new product proposal including compliance to the requirements prior to deciding on its introduction to the market.

Major initiatives/policies from HLCB

- We emphasise on transparency when dealing with clients, agents or business partners. Our employees are prohibited from offering or receiving gifts or favours in any form that could compromise the decisions made by the employee or their corresponding party.

- We ensure the scope of work, pricing or fees, terms and conditions as well as any associated risks are laid out in written documents with mutual agreement between both parties. In addition, HLCB also conducts on-going assessments with regards to fair banking regulations issued by authorities as one of the proactive measures.

VIII. MANAGING THE ENVIRONMENTAL FOOTPRINT

We are concerned about environmental issues such as pollution and climate change which affects everyone's quality of life today and in the future. Although the financial services industry does not have a significant direct impact on the environment, we believe in playing our part to minimise as far as possible our environmental footprint by adopting a responsible approach in terms of resource use. We also seek to ensure that our employees are aware of the role every individual can play towards protecting and enhancing the environment. Our efforts to operate in an environmentally sustainable manner not only serve to protect our natural resources but also provide a channel through which our employees can work together for a common good, thus enhancing team spirit and a sense of pride in belonging to HLFG.

Our present head office, Menara Hong Leong ("MHL"), is a certified Green Building. The MHL building management implemented a Green Building Guideline to promote awareness of energy conservation and to better control energy consumption of the building's operations. In order to minimize electricity consumption in MHL, several energy efficient technology have been installed such as (1) photocell sensors are installed in the building to activate lighting only when ambient lighting levels are low; (2) motion sensors for lighting are installed to activate lighting only when room is being occupied; (3) digital electrical sub-meters are used to efficiently track electricity usage. (4) Carbon Dioxide ("CO2") levels are being monitored and controlled by introducing fresh air monitor system: when CO2 levels exceed 800ppm, the system is activated.

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

VIII. MANAGING THE ENVIRONMENTAL FOOTPRINT (continued)

Major initiatives from HLFG (company level)

- HLFG Group discontinued producing its FY2020 Annual Reports in compact disc ("CD") format. The annual reports for HLFG, HLB and HLCB will be available for downloading via corporate website or QR scan, except for a small number of copies to cater to shareholders who specifically request a printed hard copy. This saves the printing of several thousand copies of annual reports every year.

- To promote energy conservation and efficiency, our staffs are encouraged to conserve electricity wherever possible.

- Started last financial year, HLFG initiated a "Zero Plastic Bags in the Office" position at the company level. All employees are encouraged to play a positive role in support of this sustainability initiative to reduce this toxic waste from our environment and adopt reusable carrier bags as an alternative.

Major initiatives from HLB

- In FY2020 we launched our Responsible Consumption Activation Plan to guide our efforts in this area, with the aim of creating a cultural shift among our employees towards greater environmental responsibility.

- The Responsible Consumption Activation Plan sets out annual performance targets to increase our recycling rate by 20%, reduce electricity consumption by 5% and reduce water consumption by 10% compared to the previous year for Hong Leong Tower.

- At our two main corporate buildings, PJ City Tower and Hong Leong Tower, we track our electricity consumption and water consumption, as well as the fuel consumed by our company-owned vehicles. This year we recorded a decrease in the electricity consumed by both our towers compared to FY2019 levels.

- Our electricity consumption for PJ City Tower showed an 8.8% decrease compared to 2017 baseline levels, marking the achievement of our goal to reduce electricity consumption in that facility by 5% by 2020 through the retrofitting and upgrading of aging equipment.

Sustainability Statement

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

VIII. MANAGING THE ENVIRONMENTAL FOOTPRINT (continued)

Major initiatives from HLB (continued)

- Initiatives implemented in FY2020 to support this goal included increasing the efficiency of our heating, ventilation and air-conditioning system as well as replacing existing lighting with LED bulbs.
- We have undertaken several measures to reduce paper use by customers and our internal bank operations. These include reducing the distribution of passbooks, fixed deposit certificates and cheques issued as well as promoting e-payment solutions. Internally, we continue to use 100% recycled paper for letterhead material and 100% FSC certified paper for our copier machines and computer forms.

Major initiatives/policies from HLAH

- HLA head office in PJ City has invested in ecologically-sound LED lighting that helps reduce energy consumption as well as having a longer replacement lifespan. Less energy use reduces the demand from power plants and decreases greenhouse gas emissions.
- To better manage the recycling and reduction of paper wastage, HLA has appointed a vendor to supply recycling bins to each floor to recycle used paper in a secure and cost-effective manner.

Major initiatives/policies from HLCB

- In FY2020, ongoing initiatives were carried out throughout the Group to reduce energy and paper consumption with the aim to achieve higher cost and operational efficiency in our daily business operations.
- Fuel consumption has reduced by 22%, while electricity consumption reduced by 3% from FY2018 to FY2020. We believe it requires a collective effort throughout the organisation to achieve efficient energy consumption.

	FY2020	FY2019	FY2018
Fuel Consumption	**27**	35	35
Electricity Consumption	**486**	497	472
Total Energy Consumption	**513**	532	507

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

IX. ENVIRONMENTAL AND SOCIAL ASSESSMENT OF PRODUCTS AND SERVICES

We strive to ensure that all our Group products and services have a balanced impact on the environment and the societies we operate within. One of our major thrusts within this area is responsible lending.

Responsible lending is about ensuring we only support socially, financially and environmentally responsible business behaviour. It also means considering the social implications of our products and services and not financing individuals or organisations whose actions create negative impacts on society.

Major initiatives from HLB

- HLB considers the protection and healthy growth of our nation and communities throughout all stages of our banking operations. This includes who we choose to lend to as well as how our operations in areas like procurement and marketing reflect a socially and environmentally responsible culture. Due diligence activities that we practice include site visits, environmental record assessments and third-party reviews of potentially harmful business proposals.

- Our Business and Corporate Banking Credit Policy ("BCB Credit Policy"), which governs the credit risk function of the Bank for corporate and commercial loans and financing, aims to build a healthy and cohesive credit culture.

- In line with the national agenda to accelerate the growth of Malaysia's green technology industry, HLB supports the country's Green Technology Financing scheme ("GTFS"). As at June 2020, we have supported close to 20 projects worth approximately RM 140 million of financing under GTFS to support local companies' and entrepreneurs' green technology-based projects. Our financing has focused on projects involved in the production of green energy, including energy derived from Solar Photovoltaic, Biomass and Biogas sources. The Bank will continue to participate in GTFS and aims to develop its human capital for greater engagement with stakeholders to further grow this sector.

Major initiatives/policies from HLCB

- HLCB is mindful of the impact of our stock recommendations, professional advice given to our clients as well as the screening of clients and businesses to minimise engagement that could potentially result in adverse environmental or social impacts.

- We are working on proposals to raise funds for several green and socially responsible projects as we believe that ESG financing and investing are essential to sustain the Group's competitive advantage and growth over long term. Moving forward, we will continue to look into integration of ESG consideration into the Group financing and investing processes as well as promoting solutions which prioritise sustainability development and are aligned with our sustainability pledge.

Sustainability Statement

ESG

ENVIRONMENTAL

- We keep our environmental footprint low and promote responsible consumption to limit negative environmental externalities.
- Initiatives include minimizing the environmental impact of energy efficiency, reduce paper usage and wastage.
- To manage environmental risks within our financing activities, we have established an Environmental Sustainability Risk set of policies in the HLB's BCB Credit Policy. These encompass risks posed to the physical environment as well as social risks related to people and communities.
- Menara Hong Leong was awarded a Green Building Index (GBI) Silver rating and the internationally recognised LEED Gold rating.

SOCIAL

- We support grassroots organisations through our community welfare and partner programmes, small enterprise programme and community building fund to assist local underserved communities.
- Hong Leong Foundation believes that supporting community-based initiatives and providing access by giving out scholarships for tertiary and master education, supporting after school care programmes and forming partnership with charities will create long-term and sustainable social impact.
- Hong Leong Foundation's total expenditure in FY2020: RM3.45 million (Education programmes: RM1.42 million; and community development programme: RM2.03 million)
- HLB endorsed the development of an ESG Policy for corporate, commercial and SME client segments. The policy will be served as a guidance to assess the environmental and social risks associated with lending and financing activities.
- The ESG policy will also take into account BNM's Value-based Intermediation (VBI) Financing and Investment Impact Assessment Framework, ensuring that financing granted to the Bank' customers is also in compliance with Shariah requirements or criteria.
- HLIB Research, a division of HLCB, started to incorporate ESG impact in their research reports and plan to increase coverage related to ESG. It is accepted that the equity price performance of companies that incorporate sustainability practices is better than other companies. Increasingly, institutional investors prefer to invest in companies that embrace sustainability goals.

GOVERNANCE

- We aim to create a strong culture of ethics and integrity in our business conduct in accordance with company policies including our Code of Conduct and Ethics, Gifts and Entertainment, Donation and Whistleblowing policies.
- The Group takes a zero-tolerance position on bribery and corruption and an Anti-Bribery and Corruption Policy for the prevention of corruption and bribery is firmly in place at HLFG and across all our operating businesses.

Sustainability Statement

CONTENT INDEX

Sustainability Statement

CONTENT INDEX

Corporate **Information**

DIRECTORS

YBhg Tan Sri Quek Leng Chan *(Chairman)*

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

Ms Leong Ket Ti

YM Raja Noorma binti Raja Othman

Ms Chong Chye Neo

YBhg Dato' Noorazman bin Abd Aziz

GROUP COMPANY SECRETARY

Mr Jack Lee Tiong Jie
MAICSA 7060133
SSM PC No. 202008001704

AUDITORS

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

REGISTRAR

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

REGISTERED OFFICE

Level 30, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2080 9888
Fax : 03-2080 9801

WEBSITE

www.hlfg.com.my

Board of Directors' Profile

YBHG TAN SRI QUEK LENG CHAN

Position

Chairman/Non-Executive/Non-Independent

Nationality / Age / Gender

Malaysian / 77 / 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 a member of the Remuneration Committee ("RC") and Nomination Committee ("NC") of HLFG.

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") and Hong Leong Foundation, both public companies. He is also the Chairman of the Council of Members of Hong Leong Bank Vietnam Limited ("HLBVN").

MR TAN KONG KHOON

Position

President & Chief Executive Officer/Non-Independent

Nationality / Age / Gender

Singaporean / 63 / 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

MS LEONG KET TI

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 57 / 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 Officer, 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 HLFG on 8 March 2019 and is a member of Board Audit & Risk Management Committee ("BARMC") of HLFG.

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

YM RAJA NOORMA BINTI RAJA OTHMAN

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 61 / 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, and 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 ("CIMB London") 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 Head of CIMB London and 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 JPMorgan, a position she held for over 5 years. She was attached to JPMorgan's offices in Hong Kong, Singapore and Malaysia as both industry and client coverage banker. At JPMorgan, she originated and executed several transactions involving corporate advisory, equity and debt capital markets, private equity, cross border mergers and acquisitions as well as initial public offerings. She also served Telekom Malaysia Berhad for 10 years where the last post she held was as Head of Corporate Finance.

YM Raja Noorma was appointed to the Board of HLFG on 10 May 2019 and is a member of the Group Board Information and Technology Committee ("Group BITC") of HLFG.

YM Raja Noorma is also a Director of YTL Corporation Berhad, a company listed on the Main Market of Bursa Securities, and HLIB, a public company. Effective from February 2020, she is also an Independent Investment Committee Member of Mapletree Australia Commercial Private Trust ("MASCOT"), a private equity real estate fund (managed by Mapletree Real Estate Advisors Pte. Ltd. of Singapore) which holds a portfolio of commercial office properties in Australia.

Board of Directors' Profile

MS CHONG CHYE NEO

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 57 / Female

Ms Chong Chye Neo holds a Bachelor of Science (Hons) in Computer Science from Universiti Sains Malaysia.

Ms Chong has been part of the information technology industry for more than 30 years, having been with IBM Malaysia Sdn Bhd ("IBM Malaysia") since 1989 until her retirement in December 2018. 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. She was appointed to the role of Managing Director/Chief Executive Officer ("MD/CEO") of IBM Malaysia in 2015, the first woman to helm the company in its 57-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 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 was also appointed to the Board of Governors of American Malaysian Chamber of Commerce and served until her retirement. Ms Chong speaks regularly at national and international forums on topics ranging from Women in Leadership to Digital Disruptions and Impact of Industry Revolution 4.0.

Ms Chong was appointed to the Board of HLFG on 28 November 2019. She is the Chairman of Group BITC and a member of the BARMC and RC of HLFG.

Ms Chong currently also serves as an Independent Non-Executive Director of Bursa Malaysia Berhad and HLB, companies listed on the Main Market of Bursa Securities.

YBHG DATO' NOORAZMAN BIN ABD AZIZ

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 64 / Male

YBhg Dato' Noorazman bin Abd Aziz holds a Degree in Finance from Louisiana State University, USA, and is a practicing member of the Chartered Institute of Islamic Finance Professionals and a member of the Australian Institute of Company Directors.

YBhg Dato' Noorazman currently serves as Chairman of the Board of Trustees of Yayasan UEM, the philanthropic arm of UEM Group Berhad, and Chairman of Board of Trustees of International Centre for Education in Islamic Finance (INCEIF). He is also a member of the Investment Panel of Kumpulan Wang Persaraan (KWAP) and sits on the Advisory Boards of Ancora Fund Management Co. in Indonesia and Creador Sdn. Bhd.

He has over 37 years of experience in banking & finance, investments and capital markets having served as Executive Director, Investments in Khazanah Nasional Berhad, Managing Director of Fajr Capital Ltd. (a Khazanah investee company) and held key positions in Citigroup, Bank Islam Malaysia Berhad, Kuala Lumpur Stock Exchange and Labuan Offshore Financial Services Authority (LOFSA), to name a few. In 2005, he was named as the winner of the first Asian Banker Achievement Award for Islamic Finance.

YBhg Dato' Noorazman was appointed to the Board of HLFG on 20 April 2020. He is the Chairman of the RC and NC of HLFG.

YBhg Dato' Noorazman is the Chairman of UEM Sunrise Berhad and an Independent Non-Executive Director of UEM Edgenta Berhad and Kumpulan Perangsang Selangor Berhad, companies listed on the Main Market of Bursa Securities; and PLUS Malaysia Berhad, a public company.

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 2020.

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**

MR CHEW SEONG AUN

Position

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

Nationality / Age / Gender

Malaysian / 56 / Male

Mr Chew Seong Aun obtained a Bachelor of Science (Eng) in Civil Engineering (Honours) degree in 1986 from Imperial College, University of London and is an ICAEW qualified Chartered Accountant (FCA) which he obtained subsequently via training and working with KPMG London.

Mr Chew joined HLFG on 1 November 2006 as its Chief Financial Officer ("CFO") and is presently the Group CFO of HLFG.

Mr Chew has over 30 years of experience in finance and banking. He spent 5½ years with KPMG London and then worked with Gulf International Bank in their London and Bahrain offices for approximately 6 years of which his last position was the Head of Financial Audit. Mr Chew then returned to Malaysia working in Citibank's Consumer Business as its Business Controller before being its Consumer CFO. He spent 8 years with Citibank Malaysia. He then spent about a year as a General Manager at Vsource Asia Berhad, a business process outsourcing firm before returning to banking as UOB Malaysia's CFO in September 2005.

Mr Chew is the Chairman of Hong Leong Asset Management Bhd, a public company.

MR DOMENIC FUDA

Position

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

Nationality / Age / Gender

Australian / 53 / Male

Mr Domenic Fuda holds a Bachelor of Economics from Macquarie University, Sydney, as well as a Master of Business (Banking & Finance) and a Master of Business Administration (M.B.A.), both from University of Technology, Sydney. Mr Fuda is a Chartered Banker of the Asian Institute of Chartered Bankers ("AICB").

Mr Fuda was appointed as the Group Managing Director and Chief Executive Officer of HLB on 5 February 2016. Mr Fuda is a member of the Credit Supervisory Committee and Executive Committee of HLB. He is also a Director of Hong Leong Islamic Bank Berhad and Hong Leong Bank (Cambodia) PLC as well as a Council Member of Hong Leong Bank Vietnam Limited. He is also a Council Member of AICB.

Before joining HLB, Mr Fuda served as Deputy Group Head of Consumer Banking & Wealth Management at DBS Bank and was a member of the DBS Group Management Committee, where he was responsible for driving business growth and digitisation of the business across its six regional markets. Prior to his position in DBS Bank, he spent 16 years at Citigroup covering various senior roles in Australia and Asia.

Key Senior Management of the Group

MS LEE JIM LENG

Position

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

Nationality / Age / Gender

Malaysian / 57 / 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 has served as the Group Managing Director/Chief Executive Officer of HLIB since 24 November 2009.

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 LOH GUAT LAN

Position

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

Nationality / Age / Gender

Malaysian / 55 / Female

Ms Loh Guat Lan holds a Bachelor of Science in Human Development (major in Food Nutrition) and is the fellow member of Life Management Institute (FLMI), Customer Service Management (CSM) and Life Office Management (LOMA). 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 and Hong Leong Insurance (Asia) Limited, all public companies. She is also the President of Life Insurance Association of Malaysia (LIAM) and a Board Member of Financial Industry Collective Outreach (FINCO) and Financial Services Professional Board (FSPB).

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 HLFG.

2. **Conflict of Interest**
   None of the Key Senior Management has any conflict of interest with HLFG.

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 2020.

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

MS LEONG KET TI
(Independent Non-Executive Director)

MS CHONG CHYE NEO
(Independent Non-Executive Director)
(Appointed with effect from 28 August 2020)

MS LIM LEAN SEE
(Chairman, Independent Non-Executive Director)
(Retired with effect from 22 August 2020)

MR SAW KOK WEI
(Independent Non-Executive Director)
(Retired with effect from 22 August 2020)

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.

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, Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, 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 Executive Directors and management.

The BARMC will also engage privately with the Chief Compliance Officer, Chief Internal Auditor and Chief Risk Officer on a regular basis to provide the opportunity for the Chief Compliance Officer, Chief Internal Auditor and Chief Risk Officer to discuss issues faced by compliance, internal audit and risk management functions.

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 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 2020 ("FY2020"), five (5) BARMC meetings were held and the attendance of the BARMC members were as follows:

Member	Attendance
Ms Lim Lean See[1]	5/5
Mr Saw Kok Wei[1]	4/5
Ms Leong Ket Ti	5/5

Ms Chong Chye Neo was appointed as BARMC member with effect from 28 August 2020, after the close of the FY2020, and as such, did not attend any of the BARMC meetings held during the FY2020.

Note:

(1) *Retired with effect from 22 August 2020*

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 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 FY2020 is PricewaterhouseCoopers PLT ("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 auditor's audit findings and investigations. The BARMC also had two (2) separate sessions with the external auditors without the presence of Executive Directors 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 paid to PwC for the FY2020 amounted to RM4,335,794 of which RM519,789 was payable in respect of non-audit services. Non-audit services accounted for 12% 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 its re-appointment as auditors for the FY2020 and considered PwC to be independent:

(a) level of knowledge, capabilities, experience and quality of previous work;

(b) level of engagement with 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 HLFG; 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 FY2020 and the measures used to control the quality of their work.

The BARMC has therefore 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 2020 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.

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.

Board Audit and Risk Management Committee Report

During the financial year, BARMC noted that the various internal audit departments 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 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's findings and recommendations. Recommendations were made by BARMC to ensure that the root causes raised by internal audits 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, credit risk, market risk, liquidity risk, operational risk and IT 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 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 2020, the world experienced and is continuing to experience unprecedented challenges arising from the COVID-19 pandemic. Operationally, the financial group implemented personnel health and occupational safety measures as well as invoked business continuity plans, with critical operations functioning from multiple split office and work-from-home configurations. In this regard, the financial service businesses of the Group are generally classified as essential services in the countries that the group operates in. These countries also implemented various measures of movement controls and precautionary health measures that has an ancillary adverse impact on the economy. There is also large scale governmental support measures launched across many countries to mitigate the economic and financial impact of the pandemic. In this regard, the BARMC reviewed and deliberated on reports of management's analysis, and guided on management's risk mitigation actions in relation to the Group's operational concerns, credit exposure, liquidity risks, market risks and capital adequacy.

The BARMC also reviewed the Group's implementation of business continuity management actions and processes to ensure that the Group's businesses and personnel operate effectively and safely in all the countries that the group operates in.

COMPLIANCE

The BARMC considered reports on compliance for the purpose of overseeing and reporting to the Board on the compliance functions of the Group as part of its responsibilities to monitor the Group's compliance with regulatory requirements and internal policies.

The Chief Compliance Officer was invited to present to the BARMC the compliance reports and deliberations on significant compliance issues were made.

INTERNAL AUDIT FUNCTION

The various internal audit functions within the Group entities 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. These audits are performed in line with the Bank Negara Malaysia's Guidelines on Internal Audit Function.

During the FY2020, the following internal audits were carried out:

- Financial Holding Company: audits on finance, company secretarial, compliance and risk management functions.
- Banking: audits on cybersecurity management, anti-money laundering/ counter financing of terrorism ("AML/CFT"), branches, personal financial services, business corporate banking and global markets businesses, group operations and technology, group functions and other assignments as directed including investigations. Shariah audits were performed on Islamic banking business as well.
- Investment Banking/ Stockbroking/ Fund Management / Unit Trust: audits on operations involving investment banking, stockbroking, branches, fund management and unit trust business activities, IT general control and application systems, cybersecurity, AML/CFT framework, cyber risk management, corporate governance and other assignments as required by regulatory bodies.
- Insurance: covering key audit areas in actuarial, operational, investment, information system, risk management, branches and regulatory compliance audit.

The cost incurred for the various internal audit functions within the Group for the FY2020 was RM18.03 million.

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

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 enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst 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") namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Report 2020 of the Company in relation to this statement is published on the Company's website, www.hlfg.com.my ("the Company's Website").

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

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 periodically by the Board. The Board Charter is published on the Company's Website. 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.

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 ("KPAs") 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 KPAs 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 report any concerns about any improper conducts, wrongful acts or malpractice committed within the Company.

B. BOARD COMPOSITION

The Board currently comprises six (6) Directors. The six (6) Directors are made up of one (1) Executive Director and five (5) Non-Executive Directors, of whom four (4) are independent. The profiles of the members of the Board are set out in this Annual Report.

The Company is guided by BNM CG Policy and 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 six (6) Directors, of whom three (3) are women directors. The Board will continue to maintain women participation on the Board in line with the MCCG.

Based on the review of the Board composition in July 2020, 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. The Board will continue to review and strengthen the composition of the Board from time to time to ensure alignment with the Group's strategic direction and to commensurate with the complexity, scope and operations of the Group's business.

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:

- YBhg Dato' Noorazman bin Abd Aziz *(Chairman)*
  (Appointed as NC Chairman with effect from 28 August 2020)

- YBhg Tan Sri Quek Leng Chan

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 Fit and Proper ("F&P") Policy as a guide for the following process and procedure for assessment of (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:

Identification of candidates	▶	Meeting with candidates	▶	• Assessment against Assessment Criteria and BNM Guidelines • F&P Declaration by candidates • Relevant Credit Bureau Checks • CTOS (Bankruptcy) search • Independent Background Checks • Recommendation by the NC	▶	Deliberation by the Board and decision thereof

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 the 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.

C. BOARD COMMITTEES (continued)

(B) NC (continued)

(i) New appointments (continued)

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:

• Assessment against Assessment Criteria and BNM Guidelines • F&P Declaration • Relevant Credit Bureau Checks • CTOS (Bankruptcy) search • Independent Background Checks • Recommendation by the NC	►	Deliberation by the Board and decision thereof

For re-appointments, the Chairman, Directors and CEO will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations and time commitment. The NC will also consider the results of the Annual Board Assessment (as defined below) results, 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 Committee Appointments

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

Identification of Directors for Board Committees membership	►	• Assessment against Assessment Criteria and BNM Guidelines • Recommendation by the NC	►	Deliberation by the Board and decision thereof

The assessment for Board Committee 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:

- Directors/CEO to complete:
  - the Board Annual Assessment Form
  - the F&P Declaration
- The Company to conduct Independent Background Checks

▶

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

▶

Deliberation by the Board and decision thereof

A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual Director on an annual basis ("Annual Board Assessment") in conjunction with the annual F&P assessment of Chairman, Directors and CEO per 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 Chairman, Directors and CEO, 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 Committees 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.

C. BOARD COMMITTEES (continued)

(B) NC (continued)

During the financial year ended 30 June 2020 ("FY2020"), two (2) NC meetings were held and the attendance of the NC members were as follows:

Member	Attendance
Mr Saw Kok Wei[(1)]	2/2
YBhg Tan Sri Quek Leng Chan	2/2
Ms Lim Lean See[(2)]	2/2

(1) *Retired as NC Chairman with effect from 22 August 2020.*
(2) *Retired as NC member with effect from 22 August 2020.*

YBhg Dato' Noorazman bin Abd Aziz was appointed as NC Chairman with effect from 28 August 2020, after the close of the FY2020, and as such, did not attend any of the NC meetings held during the FY2020.

The NC carried out the following activities in the discharge of its duties in accordance with its TOR during the FY2020:

- 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; and

- Reviewed the appointments of Directors in accordance with the F&P Policy, BNM CG Policy and MMLR and recommended to the Board for consideration and approval.

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:

- YBhg Dato' Noorazman bin Abd Aziz *(Chairman)*
  (Appointed as RC Chairman with effect from 28 August 2020)
- YBhg Tan Sri Quek Leng Chan
- Ms Chong Chye Neo
  (Appointed as RC member with effect from 28 August 2020)

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

During the FY2020, three (3) RC meetings were held and the attendance of the RC members were as follows:

Member	Attendance
Mr Saw Kok Wei(1)	3/3
YBhg Tan Sri Quek Leng Chan	3/3
Ms Lim Lean See(2)	3/3

(1) *Retired as RC Chairman with effect from 22 August 2020.*
(2) *Retired as RC member with effect from 22 August 2020.*

YBhg Dato' Noorazman bin Abd Aziz and Ms Chong Chye Neo were appointed as RC Chairman and RC member respectively with effect from 28 August 2020, after the close of the FY2020, and as such, did not attend any of the RC meetings held during the FY2020.

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. The fees of Directors are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting ("AGM").

The detailed remuneration of each Director during the FY2020 is as set out in Note 42 of the Audited Financial Statements in this Annual Report.

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, risk and compliance management as part of the key performance indicators for remuneration decisions.

C. BOARD COMMITTEES (continued)

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

Remuneration (continued)

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 Management Officers and other material risk takers are reviewed and approved by the RC and Board annually. The Board maintains and regularly reviews a list of officers who fall within the definition of "other material risk takers".

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 Management 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.

The remuneration of the CEO, Senior Management Officers and other Material Risk Takers of the Company for FY2020 is shown in the table below:

	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of Outstanding deferred remuneration as at 30.6.2020 (RM)	Total amount of Outstanding deferred remuneration paid out (vested) in FY2020 (RM)
Fixed Remuneration					
• Cash-based	4	5,305,860	-	-	-
• Shares and share-linked instruments	-	-	-	-	-
• Other	-	-	-	-	-
Variable Remuneration					
• Cash-based	4	6,250,335	2,705,455	2,705,455	-
• Shares and share-linked instruments*	2	-	29,381,520	29,381,520	-
• Other	-	-	-	-	-

Note:

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

Corporate Governance Overview, Risk Management & Internal Control Statement

D. INDEPENDENCE

The Board takes cognisance of the provisions of the MCCG, which states that the tenure of an Independent Director should not exceed a cumulative term of 9 years and upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. It further states that in the event the Board wishes to retain an Independent Director who has served a cumulative term of 9 years and above, shareholders' approval shall be annually sought with justification. In the event the Board wishes to retain an Independent Director who has served a cumulative term of 12 years and above, shareholders' approval shall be annually sought 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. 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. 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.

Corporate Governance Overview, Risk Management & Internal Control Statement

E. COMMITMENT (continued)

The Board met six (6) times for the FY2020 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 Lim Lean See(1)	6/6
Mr Saw Kok Wei(1)	6/6
Ms Leong Ket Ti	6/6
YM Raja Noorma binti Raja Othman	6/6
Ms Chong Chye Neo(2)	1/2
YBhg Dato' Noorazman bin Abd Aziz(3)	1/1

(1) *Retired as Director with effect from 22 August 2020*
(2) *Appointed as Director with effect from 28 November 2019*
(3) *Appointed as Director with effect from 20 April 2020*

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.

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, internal control and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During the FY2020, the Directors received regular briefings and updates on the Group's businesses, 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 FY2020, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Anti-Money Laundering Training 2019
- Asia School of Business – "9th Series: Creating Jobs In The Post-Covid World"
- Asset-Liability and Risk Management – Regulatory Principles and Market Best Practice
- BNM-FIDE Forum Dialogue on Key Aspects of Fintech and Regulation
- Corruption Risk Management Awareness Session for Board and Top Management
- FIDE Forum – Challenging Times: What Role Must the Board Play?
- FIDE Forum – COVID-19 and Current Economic Reality: Implications for Financial Stability
- FIDE Forum – Digital Banking: Why Does It Matter?
- FIDE Forum – Digital To The Core
- FIDE Forum – Leadership in A Disruptive World: The Changing Role of Boards

Corporate Governance Overview, Risk Management & Internal Control Statement

E. COMMITMENT (continued)

- FIDE Forum – Outthink The Competition: Excelling in a Post COVID-19 World
- IBFIM – Islamic Jurisprudence and Its Application in Islamic Finance
- ICDM – International Directors Summit 2019 – The Trust Compass: Resetting the Course
- ICLIF – Board & Executive Pay During and Post COVID-19
- ICLIF – Cybersecurity & Work-From-Home Security Challenges Amidst COVID-19 Pandemic
- ICLIF – Environmental, Social and Governance (ESG) Trends & Regulatory Developments
- ICLIF – FIDE Core Programme
- ICLIF – Force Majeure & COVID-19: How are Contractual Relationships Affected and Managed?
- ICLIF – Raising Defences: Section 17A, Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Act 2018")
- Integrated Reporting for Directors of Public Listed Companies
- ISRA Consultancy – Islamic Finance for Board of Directors Programme
- MACC Act 2018 Section 17A, Adequate Procedure & ISO 37001: 2016
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- SIDC – Capital Market Director Programme
- The Malaysian Institute of Integrity – Executive Talk on Integrity and Governance
- Workshop on the Internal Capital Adequacy Assessment Process (ICAAP)
- YTL Leadership Conference 2019.

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.

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.

F. ACCOUNTABILITY AND AUDIT (continued)

III RELATIONSHIP WITH AUDITORS (continued)

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 Executive Directors and management.

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.

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.

The Company has a website at 'www.hlfg.com.my' which the shareholders can access for information which includes the Board Charter, TORs of Board Committees, corporate information, announcements/ press releases/ briefings, financial information and investor relations. A summary of the key matters discussed at the AGM is published on the Company's Website.

The Board has identified Ms Leong Ket Ti, a member 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

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. All persons who were then Directors of the Company and the CEO attended the last AGM held on 31 October 2019.

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at general meetings will be put to a vote by way of a poll and the voting results will be announced at the meetings and through Bursa.

The Company has adopted electronic voting for the conduct of poll on all resolutions at the AGM.

Corporate Governance Overview, Risk Management & Internal Control Statement

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 FY2020 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 Group's Risk Officers administer the Risk Management Framework of the Group. The primary responsibilities of the Group's Risk Officers 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.

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 policies, reporting standards and control procedures of the Group.

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 (continued)

The Group's Compliance Officers monitor daily operations of licensed subsidiaries to ensure compliance with regulatory requirements and internal policies. All breaches and exceptions are brought to the attention of the respective audit committees within the Group and they are kept informed of the causes and the remedial measures taken.

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 medium-term business plans and budgets. The key strategies to achieve these business plans and budgets are approved by the Board. The management performs monthly 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 major risks that has significant impact on its operations, namely; credit risk, market risk, liquidity risk, operational risk, legal and compliance risk. Each operating unit has a number of functional departments and/or units that will be responsible for managing and monitoring these 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.

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

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of its financial results and cash flows 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 FY2020, 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 2020

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 2020.

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 RM'000	The Company RM'000
Net profit after taxation:		
- Owners of the parent	1,857,502	722,613
- Non-controlling interests	921,453	-
	2,778,955	722,613

DIVIDENDS

Since the last financial year ended 30 June 2019, an interim single-tier dividend of 13 sen per share, amounting to RM147,924,516 in respect of the financial year ended 30 June 2020, was paid on 27 December 2019.

The Directors now propose a final single-tier dividend of 25 sen per share in respect of the financial year ended 30 June 2020. The financial statements for the current financial year do not reflect this proposed dividend and will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2021.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 57 to the financial statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Significant events subsequent to the financial year are disclosed in Note 58 to the financial statements.

CREDIT RATING

On 12 December 2019, RAM Rating Services Berhad has reaffirmed AA_1/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_1/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_1/Stable
ii. Tier-2 Subordinated Notes	AA_2/Stable
iii. Additional Tier-1 Capital Securities	A_1/Stable
Commercial Papers Programme of up to RM3.0 billion*	P1
Commercial Papers Programme/Medium Term Notes of up to RM1.8 billion	AA_1/Stable/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, Risk Management and Internal Control Statement.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Executive Non-Independent)
Mr Tan Kong Khoon	(President & Chief Executive Officer, Non-Independent)
Ms Leong Ket Ti	(Independent Non-Executive Director)
YM Raja Noorma binti Raja Othman	(Independent Non-Executive Director)
Ms Chong Chye Neo (Appointed with effect from 28 November 2019)	(Independent Non-Executive Director)
YBhg Dato' Noorazman bin Abd Aziz (Appointed with effect from 20 April 2020)	(Independent Non-Executive Director)
Ms Lim Lean See (Retired with effect from 22 August 2020)	(Independent Non-Executive Director)
Mr Saw Kok Wei (Retired with effect from 22 August 2020)	(Independent Non-Executive Director)

The subsidiaries' Directors' names and their remuneration details are set out in the subsidiaries' statutory accounts and the said names and details are deemed incorporated herein by such reference and made a part hereof.

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

Directors' Report
for the financial year ended 30 June 2020

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****				
	Nominal value per share RM (unless indicated)	As at 01.07.2019	Acquired	Sold	As at 30.06.2020
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	(1)	390,000	-	-	390,000
Hong Leong Financial Group Berhad	(1)	5,438,664	-	-	5,438,664
Guoco Group Limited	USD0.50	1,056,325	-	-	1,056,325
GuocoLand Limited	(2)	13,333,333	-	-	13,333,333
GuocoLand (Malaysia) Berhad	(1)	19,506,780	-	-	19,506,780
GL Limited	USD0.20	735,000	-	-	735,000
The Rank Group Plc	GBP13$^{8/9}$p	285,207	-	-	285,207
Interests of Tan Kong Khoon in:					
Hong Leong Financial Group Berhad		8,000,000*	-	-	8,000,000*

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****				
	Nominal value per share RM (unless indicated)	**As at 01.07.2019**	**Acquired**	**Sold**	**As at 30.06.2020**
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	(1)	7,651,455(6)	-	-	7,651,455(6)
Hong Leong Financial Group Berhad	(1)	894,718,726(6)	-	-	894,718,726(6)
Hong Leong Capital Berhad	(1)	200,805,058	-	-	200,805,058
Hong Leong Bank Berhad	(1)	1,346,237,169	-	(209,960)	1,346,027,209
		800,000,000***	-	-	800,000,000***
		1,500,000,000****	-	-	1,500,000,000****
Hong Leong MSIG Takaful Berhad	(1)	130,000,000	-	-	130,000,000
Hong Leong Assurance Berhad	(1)	140,000,000	-	-	140,000,000
Hong Leong Islamic Bank Berhad		400,000,000***	-	-	400,000,000***
		400,000,000****	-	-	400,000,000****
Hong Leong Industries Berhad	(1)	242,700,470(6)	132,500	(44,167)	242,788,803(6)
Hong Leong Yamaha Motor Sdn Bhd	(1)	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	(1)	19,600,000	-	-	19,600,000
Malaysian Pacific Industries Berhad	(1)	108,853,457	175,500	(74,167)	108,954,790
Carter Resources Sdn Bhd	(1)	5,640,607	-	-	5,640,607
Carsem (M) Sdn Bhd	(1)	84,000,000	-	-	84,000,000
	(1)	22,400(7)	-	-	22,400(7)
Hume Industries Berhad	(1)	350,231,658(6)	-	-	350,231,658(6)
	(1)	195,510,374**(6)	-	(3,571,428)**(6)	191,938,946**(6)
		3,830,000*(6)	-	-	3,830,000*(6)
Guoco Group Limited	USD0.50	237,124,930	-	-	237,124,930
GuocoLand Limited	(2)	818,093,030(6)	18,475,308	-	836,568,338(6)
		238,000*(6)	-	-	238,000*(6)
Southern Steel Berhad	(1)	292,169,709	140,076,337(10)	(15,000,000)	417,246,046
	(1)	140,076,337**	-	(140,076,337)**(10)	Nil
Southern Pipe Industry (Malaysia) Sdn Bhd	(1)	124,964,153	-	-	124,964,153

Directors' Report
for the financial year ended 30 June 2020

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****				
	Nominal value per share RM (unless indicated)	As at 01.07.2019	Acquired	Sold	As at 30.06.2020
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
TPC Commercial Pte. Ltd.	(2)	189,600,000	200,000,000	-	389,600,000
TPC Hotel Pte. Ltd.	(2)	62,400,000	-	-	62,400,000
Wallich Residence Pte. Ltd.	(2)	24,000,000	-	-	24,000,000
GLL A Pte. Ltd.	(2)	10	-	-	10
GLL Chongqing 18 Steps Pte. Ltd.	(2)	149,597,307	49,060,065	-	198,657,372
Guoco Midtown Pte. Ltd.	(2)	184,000,000	-	-	184,000,000
Midtown Bay Pte. Ltd.	(2)	32,000,000	-	-	32,000,000
MTG Apartments Pte. Ltd.	(2)	Nil	69,180,000(9)	-	69,180,000
MTG Retail Pte. Ltd.	(2)	Nil	3,000,000(9)	-	3,000,000
GGL Asset Management (Singapore) Pte Ltd	(2)	1,700,000	-	(1,700,000)(8)	Nil
Hillcrest Hives Limited	-	700	-	-	700
Beijing Ming Hua Property Co., Ltd	(3)	3,750,000	-	-	3,750,000
Shanghai Xinhaojia Property Development Co., Ltd	(3)	315,000,000	-	-	315,000,000
Shanghai Xinhaozhong Holding Co., Ltd	(3)	490,000	-	-	490,000
JB Parade Sdn Bhd	(1)	28,000,000	-	-	28,000,000
	(1)	97,390,000(7)	-	-	97,390,000(7)
Lam Soon (Hong Kong) Limited	(5)	140,008,659	-	-	140,008,659
Guangzhou Lam Soon Food Products Limited	(4)	6,570,000	-	(6,570,000)(8)	Nil
GuocoLand (Malaysia) Berhad	(1)	455,574,796	-	-	455,574,796
Guoman Hotel & Resort Holdings Sdn Bhd	(1)	277,000,000	-	-	277,000,000
GLM Emerald Industrial Park (Jasin) Sdn Bhd	(1)	34,408,000	-	-	34,408,000
	(1)	123,502,605(7)	-	-	123,502,605(7)
GL Limited	USD0.20	955,011,334(6)	24,125,900	-	979,137,234(6)
		930,000*(6)	-	-	930,000*(6)
The Rank Group Plc	GBP13 8/9p	219,282,221	-	-	219,282,221

DIRECTORS' INTERESTS (continued)

Notes:

(1) Concept of par value was abolished with effect from 31 January 2017 pursuant to the Companies Act 2016

(2) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005

(3) Capital contribution in RMB

(4) Capital contribution in HKD

(5) Concept of par value was abolished with effect from 3 March 2014 pursuant to the New Companies Ordinance (Chapter 622), Hong Kong

(6) Inclusive of interest pursuant to Section 59(11)(c) of the Companies Act 2016 in shares held by family member

(7) Redeemable Preference Shares/Cumulative Redeemable Preference Shares

(8) Dissolved/struck off during the financial year

(9) Incorporated during the financial year

(10) Mandatory conversion of 5-Year 5% Redeemable Convertible Unsecured Loan Stocks upon maturity

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 42 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.

Directors' Report
for the financial year ended 30 June 2020

EXECUTIVE SHARE SCHEME ("ESS")

The ESS 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 ("ESOS") and the Executive Share Grant Scheme ("ESGS").

(a) ESOS

The ESOS which was approved by the shareholders of the Company on 30 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

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.

The ESOS 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.

(b) ESGS

The ESGS 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.

The ESGS 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.

At any point of time during the existence of the ESS, the aggregate number of shares comprised in the options and grants under the ESS 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").

There were no options granted under the ESS of the Company during the financial year ended 30 June 2020.

As at 30 June 2020, a total of 32,839,819 options had been granted under the ESS, out of which 2,882,000 options had been exercised, with 12,425,000 options remaining outstanding (adjusted following the completion of the Company's rights issue). The aggregate options granted to Directors and chief executives of the Group under the ESS amounted to 18,081,823, out of which 1,600,000 options had been exercised, with 9,100,000 options remain outstanding.

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

As at 30 June 2020, the actual percentage of total options granted to Directors and senior management of the Group under the ESS was 2.54% of the total number of issued shares (excluding treasury shares) of the Company.

EXECUTIVE SHARE SCHEME ("ESS") (continued)

A trust has been set up for the ESS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the 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 ESOS" 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, refer to Note 56 on Equity compensation benefits.

SHARE CAPITAL

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2020, the issued share capital of the Company is RM2,267,008,045 comprise of 1,147,516,890 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; or

- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

- 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 2020

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 2020 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 the Shariah compliance and confirmation by the Shariah Advisory Committee consisting of 3 scholars, at all times, 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 subsidiaries are set out in Note 11 to the financial statements.

DIRECTORS' REMUNERATION

Details of Directors' remuneration and the total amount of indemnity given are set out in Note 42 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 39 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 22 September 2020.

TAN KONG KHOON
Director

LEONG KET TI
Director

Kuala Lumpur
22 September 2020

Statements of Financial Position

as at 30 June 2020

		The Group		The Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets					
Cash and short-term funds	2	**11,299,078**	8,613,481	**15,810**	84,496
Deposits and placements with banks and other financial institutions	3	**9,078,939**	10,062,870	**3,360**	3,360
Securities purchased under resale agreements		**50,172**	-	**-**	-
Financial assets at fair value through profit or loss	4	**23,721,031**	24,422,067	**292,671**	-
Financial investments at fair value through other comprehensive income	5	**28,549,073**	24,965,425	**-**	-
Financial investments at amortised cost	6	**20,969,566**	15,888,863	**-**	-
Derivative financial instruments	21	**1,176,645**	570,185	**-**	-
Loans, advances and financing	7	**145,520,789**	137,057,616	**-**	-
Clients' and brokers' balances	8	**575,973**	482,445	**-**	-
Other receivables	9	**1,811,640**	1,332,662	**45,802**	3,455
Amount due from subsidiary companies	52	**-**	-	**34**	702
Statutory deposits with Central Banks	10	**418,120**	4,626,092	**-**	-
Tax recoverable		**12,792**	224	**10,748**	-
Investment in subsidiary companies	11	**-**	-	**19,497,956**	19,498,076
Investment in associated companies	12	**5,625,998**	5,280,376	**-**	-
Deferred tax assets	24	**-**	-	**83**	135
Property and equipment	13	**1,461,528**	1,540,533	**3,578**	4,179
Right-of-use assets	14	**243,990**	-	**5,955**	-
Investment properties	15	**472,610**	489,500	**-**	-
Goodwill arising on consolidation	16	**2,410,644**	2,410,644	**-**	-
Intangible assets	17	**204,598**	139,628	**2**	3
Total assets		**253,603,186**	237,882,611	**19,875,999**	19,594,406

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

Statements of Financial Position

as at 30 June 2020

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Liabilities					
Deposits from customers	18	**171,237,064**	161,887,885	**-**	-
Investment accounts of customers	19	**356,475**	2,235	**-**	-
Deposits and placements of banks and other financial institutions	20	**8,574,291**	9,780,544	**-**	-
Obligations on securities sold under repurchase agreements		**3,124,132**	2,333,916	**-**	-
Bills and acceptances payable		**134,053**	393,022	**-**	-
Derivative financial instruments	21	**1,401,916**	732,443	**-**	135
Clients' and brokers' balances		**305,385**	282,521	**-**	-
Payables and other liabilities	22	**15,197,187**	13,234,447	**7,855**	33,918
Amount due to subsidiary companies	52	**-**	-	**714**	-
Lease liabilities	23	**231,268**	-	**5,905**	-
Recourse obligations on loans/financing sold to Cagamas Berhad		**1,049,005**	253,591	**-**	-
Provision for claims		**223,029**	132,442	**-**	-
Provision for taxation		**213,569**	113,705	**-**	766
Deferred tax liabilities	24	**174,012**	230,248	**-**	-
Borrowings	25	**1,152,827**	1,398,277	**1,208,506**	1,453,881
Subordinated obligations	26	**1,906,982**	2,160,432	**1,600,594**	1,600,205
Innovative Tier 1 capital securities	27	**-**	464,273	**-**	-
Multi-currency Additional Tier 1 capital securities	28	**806,499**	806,376	**805,639**	805,236
Insurance funds	29	**16,462,741**	15,075,217	**-**	-
Total liabilities		**222,550,435**	209,281,574	**3,629,213**	3,894,141
Equity attributable to owners of the parent					
Share capital	30	**2,267,008**	2,267,008	**2,267,008**	2,267,008
Reserves	31	**18,869,838**	16,991,491	**14,160,365**	13,585,401
Treasury shares for ESOS	32	**(238,834)**	(161,909)	**(180,587)**	(152,144)
		20,898,012	19,096,590	**16,246,786**	15,700,265
Non-controlling interests		**10,154,739**	9,504,447	**-**	-
Total equity		**31,052,751**	28,601,037	**16,246,786**	15,700,265
Total equity and liabilities		**253,603,186**	237,882,611	**19,875,999**	19,594,406
Commitments and contingencies	46	**154,878,884**	174,185,694	**-**	100,000

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

Statements of Income

for the financial year ended 30 June 2020

		The Group		The Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest income	33	**6,246,377**	6,638,000	**111,504**	53,062
Interest income for financial assets at fair value through profit or loss	34	**316,685**	449,813	**-**	-
Interest expense	35	**(3,591,570)**	(4,113,247)	**(162,299)**	(105,162)
Net interest income/(expense)		**2,971,492**	2,974,566	**(50,795)**	(52,100)
Income from Islamic banking business	36	**846,540**	707,269	**-**	-
		3,818,032	3,681,835	**(50,795)**	(52,100)
Non-interest income	38	**1,439,793**	1,596,175	**784,233**	693,084
		5,257,825	5,278,010	**733,438**	640,984
Overhead expenses	39	**(2,359,403)**	(2,380,884)	**(19,032)**	(44,524)
Operating profit before allowances		**2,898,422**	2,897,126	**714,406**	596,460
Allowance for impairment losses on loans, advances and financing and other losses	40	**(329,631)**	(12,294)	**-**	-
(Allowance for)/writeback of impairment losses on other assets	41	**(237)**	1,108	**3**	(2,146)
		2,568,554	2,885,940	**714,409**	594,314
Share of results of associated companies	12	**730,967**	619,700	**-**	-
Profit before taxation		**3,299,521**	3,505,640	**714,409**	594,314
Taxation	43	**(520,566)**	(591,379)	**8,204**	(4,107)
Net profit for the financial year		**2,778,955**	2,914,261	**722,613**	590,207
Attributable to:					
Owners of the parent		**1,857,502**	1,919,359	**722,613**	590,207
Non-controlling interests		**921,453**	994,902	**-**	-
		2,778,955	2,914,261	**722,613**	590,207
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	44	**163.6**	167.8	**63.5**	51.5

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 2020

		The Group		The Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net profit for the financial year		**2,778,955**	2,914,261	**722,613**	590,207
Other comprehensive income/(loss):					
Items that will not be reclassified to profit or loss:					
Equity instruments at fair value through other comprehensive income					
- Net fair value changes		**15,763**	11,796	**-**	-
- Net gain on disposal		**43**	105	**-**	-
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		**84,035**	(19,048)	**-**	-
Share of other comprehensive income of associated companies		**21,255**	22,637	**-**	-
Net fair value changes in cash flow hedge		**(7,633)**	(4,531)	**-**	-
Debt instruments at fair value through other comprehensive income					
- Net fair value changes		**212,229**	333,905	**-**	-
- Net (loss)/gain on disposal		**(6,930)**	455	**-**	-
- Changes in expected credit losses		**700**	(924)	**-**	-
Income tax relating to components of other comprehensive income	59	**(43,448)**	(73,550)	**-**	-
Other comprehensive income for the financial year, net of tax		**276,014**	270,845	**-**	-
Total comprehensive income for the financial year, net of tax		**3,054,969**	3,185,106	**722,613**	590,207
Attributable to:					
Owners of the parent		**2,042,646**	2,103,805	**722,613**	590,207
Non-controlling interests		**1,012,323**	1,081,301	**-**	-
		3,054,969	3,185,106	**722,613**	590,207

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 2020

The Group	Share capital RM'000	Regulatory reserves* RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Other reserves RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Treasury shares for ESOS RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	← Attributable to owners of the parent →											
As at 1 July 2019	**2,267,008**	**869,923**	**116,503**	**(1,790)**	**213,314**	**86,129**	**510,959**	**15,196,453**	**(161,909)**	**19,096,590**	**9,504,447**	**28,601,037**
Comprehensive income												
Net profit for the financial year	-	-	-	-	-	-	-	1,857,502	-	1,857,502	921,453	2,778,955
Currency translation differences	-	-	-	-	-	-	57,143	-	-	57,143	26,892	84,035
Share of other comprehensive income of associated companies	-	-	15,754	-	-	-	-	-	-	15,754	5,501	21,255
Financial investments measured at fair value through other comprehensive income												
- Equity instruments												
- Net fair value changes	-	-	10,336	-	-	-	-	-	-	10,336	5,427	15,763
- Net gain on disposal	-	-	-	-	-	-	-	36	-	36	7	43
- Debt instruments												
- Net fair value changes	-	-	105,326	-	-	-	-	-	-	105,326	54,854	160,180
- Changes in expected credit losses	-	-	329	-	-	-	-	-	-	329	173	502
Net fair value changes in cash flow hedge	-	-	-	(3,780)	-	-	-	-	-	(3,780)	(1,984)	(5,764)
Total comprehensive income/(loss)	**-**	**-**	**131,745**	**(3,780)**	**-**	**-**	**57,143**	**1,857,538**	**-**	**2,042,646**	**1,012,323**	**3,054,969**

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 2020

		Attributable to owners of the parent											
The Group	Note	Share capital RM'000	Regulatory reserves* RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Other reserves RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Treasury shares for ESOS RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Transaction with owners													
Transfer from regulatory reserve		-	(9,419)	-	-	-	-	-	9,419	-	-	-	-
Allocation of other reserves to non-controlling interests		-	-	-	-	-	-	-	(10,670)	-	(10,670)	10,670	-
Dividends paid:													
- interim dividend for the financial year ended 30 June 2020	45	-	-	-	-	-	-	-	(147,924)	-	(147,924)	-	(147,924)
Non-controlling interests share of dividend		-	-	-	-	-	-	-	-	-	-	(377,174)	(377,174)
Non-controlling interests share of subsidiary's treasury shares		-	-	-	-	-	-	-	-	-	-	4,473	4,473
Options charge arising from executive share scheme		-	-	-	-	-	(3,892)	-	-	-	(3,892)	-	(3,892)
Purchase of treasury shares	56	-	-	-	-	-	-	-	-	(76,958)	(76,958)	-	(76,958)
Exercise of executive share scheme		-	-	-	-	-	(7,342)	-	5,529	33	(1,780)	-	(1,780)
Total transaction with owners		-	(9,419)	-	-	-	(11,234)	-	(143,646)	(76,925)	(241,224)	(362,031)	(603,255)
As at 30 June 2020		2,267,008	860,504	248,248	(5,570)	213,314	74,895	568,102	16,910,345	(238,834)	20,898,012	10,154,739	31,052,751

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 2020

	← Attributable to owners of the parent →											
The Group	**Share capital RM'000**	**Regulatory reserves* RM'000**	**Fair value reserve RM'000**	**Cash flow hedge reserve RM'000**	**Other reserves RM'000**	**Share options reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Retained profits RM'000**	**Treasury shares for ESOS RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
As at 1 July 2018	2,267,008	755,010	109,284	544	213,314	50,254	521,299	13,910,419	(22,686)	17,804,446	8,875,277	26,679,723
Effect of adopting MFRS 9	-	6,391	(190,324)	-	-	-	-	(50,960)	-	(234,893)	(124,355)	(359,248)
As restated	2,267,008	761,401	(81,040)	544	213,314	50,254	521,299	13,859,459	(22,686)	17,569,553	8,750,922	26,320,475
Comprehensive income												
Net profit for the financial year	-	-	-	-	-	-	-	1,919,359	-	1,919,359	994,902	2,914,261
Currency translation differences	-	-	-	-	-	-	(10,340)	-	-	(10,340)	(8,708)	(19,048)
Share of other comprehensive income/(loss) of associated companies	-	-	18,366	-	-	-	-	(525)	-	17,841	4,796	22,637
Financial investments measured at fair value through other comprehensive income												
- Equity instruments												
- Net fair value changes	-	-	7,737	-	-	-	-	-	-	7,737	4,059	11,796
- Net gain on disposal	-	-	(33)	-	-	-	-	102	-	69	36	105
- Debt instruments												
- Net fair value changes	-	-	172,038	-	-	-	-	-	-	172,038	87,737	259,775
- Changes in expected credit losses	-	-	(565)	-	-	-	-	-	-	(565)	(297)	(862)
Net fair value changes in cash flow hedge	-	-	-	(2,334)	-	-	-	-	-	(2,334)	(1,224)	(3,558)
Total comprehensive income/(loss)	-	-	197,543	(2,334)	-	-	(10,340)	1,918,936	-	2,103,805	1,081,301	3,185,106

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 2020

The Group	Note	Share capital RM'000	Regulatory reserves* RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Other reserves RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Treasury shares for ESOS RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Attributable to owners of the parent →											
Transaction with owners													
Transfer to regulatory reserve		-	108,522	-	-	-	-	-	(108,522)	-	-	-	-
Allocation of other reserves to non-controlling interests		-	-	-	-	-	-	-	(9,255)	-	(9,255)	9,255	-
Dividends paid:													
- first interim dividend for the financial year ended 30 June 2019	45	-	-	-	-	-	-	-	(149,047)	-	(149,047)	-	(149,047)
- second interim dividend for the financial year ended 30 June 2019	45	-	-	-	-	-	-	-	(331,040)	-	(331,040)	-	(331,040)
Non-controlling interests subscription of shares		-	-	-	-	-	-	-	-	-	-	35,000	35,000
Non-controlling interests share of dividend		-	-	-	-	-	-	-	-	-	-	(376,481)	(376,481)
Non-controlling interests share of subsidiary's treasury shares		-	-	-	-	-	-	-	-	-	-	4,450	4,450
Options charge arising from executive share scheme		-	-	-	-	-	41,129	-	-	-	41,129	-	41,129
Purchase of treasury shares	56	-	-	-	-	-	-	-	-	(152,141)	(152,141)	-	(152,141)
Exercise of executive share scheme		-	-	-	-	-	(5,254)	-	15,922	12,918	23,586	-	23,586
Total transaction with owners		-	108,522	-	-	-	35,875	-	(581,942)	(139,223)	(576,768)	(327,776)	(904,544)
As at 30 June 2019		2,267,008	869,923	116,503	(1,790)	213,314	86,129	510,959	15,196,453	(161,909)	19,096,590	9,504,447	28,601,037

* Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM849,259,000 (30 June 2019: RM858,678,000) 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 (30 June 2019: 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 2020

The Company	Note	← Share capital RM'000	Non-distributable Other capital reserve RM'000	Share options reserve RM'000	→ Treasury shares for ESOS RM'000	Distributable Retained profits RM'000	Total equity RM'000
As at 1 July 2019		**2,267,008**	**254,991**	**16,676**	**(152,144)**	**13,313,734**	**15,700,265**
Net profit for the financial year		**-**	**-**	**-**	**-**	**722,613**	**722,613**
Dividends paid							
- Interim dividend for the financial year ended 30 June 2020	45	**-**	**-**	**-**	**-**	**(147,924)**	**(147,924)**
Options charge arising from executive share scheme		**-**	**-**	**275**	**-**	**-**	**275**
Purchase of treasury shares	56	**-**	**-**	**-**	**(28,443)**	**-**	**(28,443)**
As at 30 June 2020		**2,267,008**	**254,991**	**16,951**	**(180,587)**	**13,888,423**	**16,246,786**
As at 1 July 2018		2,267,008	254,991	4,169	(3)	13,206,499	15,732,664
Effect of adopting MFRS 9		-	-	-	-	(2,885)	(2,885)
As restated		2,267,008	254,991	4,169	(3)	13,203,614	15,729,779
Net profit for the financial year		-	-	-	-	590,207	590,207
Dividends paid							
- first interim dividend for the financial year ended 30 June 2019	45	-	-	-	-	(149,047)	(149,047)
- second interim dividend for the financial year ended 30 June 2019	45	-	-	-	-	(331,040)	(331,040)
Options charge arising from executive share scheme		-	-	12,507	-	-	12,507
Purchase of treasury shares	56	-	-	-	(152,141)	-	(152,141)
As at 30 June 2019		2,267,008	254,991	16,676	(152,144)	13,313,734	15,700,265

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 2020

	The Group	
	2020	**2019**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before taxation	**3,299,521**	3,505,640
Adjustments for:		
Unearned premium reserves	**16,607**	10,750
Life fund - underwriting surplus	**1,583,743**	2,220,910
Depreciation of property and equipment	**141,702**	139,467
Depreciation of right-of-use assets	**55,211**	-
Amortisation of intangible assets	**63,387**	59,854
Intangible assets written off	**8,357**	37
Property and equipment written off	**26,399**	8,844
Net gain on sale of property and equipment	**(4,200)**	(1,552)
Loss on revaluation of investment properties	**15,000**	6,594
Net realised gain from sales of financial assets at fair value through profit or loss	**(141,792)**	(126,024)
Net realised gain from sales of financial investments at fair value through other comprehensive income	**(391,143)**	(168,261)
Net realised gain from redemption of financial investments at amortised cost	**-**	(15,902)
Net realised loss arising from derivative financial instruments	**27,588**	257,356
Net unrealised loss/(gain) on revaluation of financial assets at fair value through profit or loss and derivative financial instruments	**162,845**	(84,350)
Net realised loss on fair value changes arising from fair value hedges	**2,994**	504
Net gain on divestment of joint venture	**-**	(90,106)
Net loss on fair value changes arising from fair value hedges	**1,531**	305
Allowances for/(writeback of) impairment losses on financial investments	**237**	(1,108)
Allowances for impairment losses on loans, advances and financing and other losses	**503,890**	221,318
Impaired loans and financing written off	**17,976**	17,679
Interest expense on borrowings	**48,278**	51,556
Interest expense on subordinated obligations	**96,654**	142,104
Interest expense on Innovative Tier 1 capital securities	**8,413**	41,053
Interest expense on Multi-currency Additional Tier 1 capital securities	**40,262**	25,828
Interest expense on recourse obligations on loans/financing sold to Cagamas Berhad	**26,783**	8,239
Interest expense on lease liabilities	**10,570**	-
Interest income from financial assets at fair value through profit or loss	**(316,685)**	(449,813)
Interest income from financial investments at fair value through other comprehensive income	**(728,038)**	(872,786)
Interest income from financial investments at amortised cost	**(445,319)**	(454,193)

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 2020

	The Group	
	2020 RM'000	2019 RM'000
Cash flows from operating activities (continued)		
Dividend income from financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income	(58,399)	(94,436)
Share option expenses	(3,892)	41,129
Surplus transferred from life insurance business	(203,722)	(279,938)
Share of results of associated companies	(730,967)	(619,700)
	(165,730)	(4,642)
Operating profit before working capital changes	3,133,791	3,500,998
Decrease/(increase) in operating assets		
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	3,875,593	(7,514,556)
Securities purchased under resale agreements	(50,172)	35,124
Financial assets at fair value through profit or loss	1,404,896	(2,781,757)
Loans, advances and financing	(8,972,551)	(8,771,042)
Derivative financial instruments	(141,463)	(271,273)
Clients' and brokers' balances	(93,528)	43,111
Other assets	(330,187)	(259,772)
Statutory deposits with Central Banks	4,207,972	(261,110)
Increase/(decrease) in operating liabilities		
Deposits from customers	9,351,603	5,059,826
Investment accounts of customers	354,240	2,235
Deposits and placements of banks and other financial institutions	(1,206,253)	484,151
Obligations on securities sold under repurchase agreements	790,216	(1,597,607)
Bills and acceptances payable	(258,969)	(151,428)
Payables and other liabilities	2,055,293	1,576,400
Provision for claims	90,587	(18,036)
Clients' and brokers' balances	22,864	(68,209)
	11,100,141	(14,493,943)
Cash generated from/(used in) operating activities	14,233,932	(10,992,945)
Income tax paid	(601,729)	(712,210)
Interest received	972	822
	(600,757)	(711,388)
Net cash generated from/(used in) operating activities	13,633,175	(11,704,333)

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 2020

	The Group	
	2020 RM'000	2019 RM'000
Cash flows from investing activities		
Net (purchases)/sales of financial investments at fair value through other comprehensive income	(3,014,098)	2,088,475
Net (purchases)/sales of financial investments at amortised cost	(5,080,703)	442,671
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	1,173,357	1,326,979
Dividends received on financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income	58,399	94,436
Dividends received from associated companies	27,984	164,392
Proceeds from divestment of joint venture	-	60,606
Net proceeds from disposal of property and equipment	6,363	2,116
Purchase of property and equipment	(199,357)	(136,507)
Purchase of intangible assets	(32,892)	(16,029)
Net cash (used in)/generated from investing activities	(7,060,947)	4,027,139
Cash flows from financing activities		
Interest paid on subordinated obligations	(100,104)	(141,619)
Interest paid on borrowings	(48,728)	(48,650)
Interest paid on Multi-currency Additional Tier 1 capital securities	(40,306)	(20,821)
Interest paid on Innovative Tier 1 capital securities	(19,374)	(39,258)
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	(24,766)	(7,600)
Interest paid on lease liabilities	(11,137)	-
(Repayment)/drawdown of revolving credit	(225,000)	220,000
Proceeds from medium term notes and commercial papers	125,000	220,000
Repayment of medium term notes and commercial papers	-	(520,000)
Repayment of term loans	(145,000)	(200,000)
Purchase of treasury shares	(76,958)	(152,141)
Proceeds from senior notes	-	375,000
Repayment of Innovative Tier 1 capital securities	(453,200)	(10,000)
Proceeds from subordinated obligations	300,000	1,100,000
Repayment of subordinated obligations	(550,000)	(1,740,500)
Proceeds from Multi-currency Additional Tier 1 capital securities	-	400,000
Cash received from ESS exercised	2,414	23,589
Repayment of lease liabilities	(46,940)	-
Proceeds from recourse obligations on financing sold to Cagamas Berhad	993,447	50,000
Repayment of recourse obligations on loans sold to Cagamas Berhad	(200,050)	-
Non-controlling interests subscription of rights shares	-	35,000

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 2020

	Note	The Group 2020 RM'000	The Group 2019 RM'000
Cash flows from financing activities (continued)			
Dividends paid to			
- owners of the parent		**(147,924)**	(480,087)
- non-controlling interest		**(377,174)**	(376,481)
Net cash used in financing activities		**(1,045,800)**	(1,313,568)
Net increase/(decrease) in cash and cash equivalents		**5,526,428**	(8,990,762)
Effects of exchange rate changes		**50,831**	66,831
Cash and cash equivalents at beginning of financial year		**6,760,957**	15,684,888
Cash and cash equivalents at end of financial year		**12,338,216**	6,760,957
Analysis of cash and cash equivalents			
Cash and short-term funds	2	**11,299,078**	8,613,481
Deposits and placements with banks and other financial institutions	3	**9,078,939**	10,062,870
		20,378,017	18,676,351
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months		**(8,039,801)**	(11,915,394)
		12,338,216	6,760,957

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 2020

	The Company	
	2020 RM'000	2019 RM'000
Cash flows from operating activities		
Profit before taxation	**714,409**	594,314
Adjustments for:		
Depreciation of property and equipment	**748**	1,124
Depreciation of right-of-use assets	**940**	-
Amortisation of intangible assets	**1**	1
Loss on disposal of property and equipment	**-**	54
Loss on disposal of financial assets at fair value through profit or loss	**35**	51
Gain from distribution on liquidation of subsidiary	**(83)**	(21)
Finance costs on lease liabilities	**342**	-
Net unrealised gain on revaluation of derivative financial instruments	**-**	(192)
Net realised gain arising from derivative financial instruments	**(135)**	-
(Writeback of)/allowance for impairment loss on investment in debt instruments issued by subsidiary companies	**(3)**	2,146
Interest expense	**161,957**	105,162
Interest income	**(111,504)**	(53,062)
Dividend income from financial assets at fair value through profit or loss	**(1,800)**	(1,287)
Dividend income from subsidiary companies	**(773,246)**	(681,419)
Share option expenses	**275**	12,507
	(722,473)	(614,936)
Operating loss before working capital changes	**(8,064)**	(20,622)
(Increase)/decrease in operating assets		
Other assets	**(41,815)**	338
Financial assets at fair value through profit or loss	**(292,706)**	-
(Decrease)/increase in operating liabilities		
Payables and other liabilities	**(25,680)**	19,959
	(360,201)	20,297
Cash used in operating activities	**(368,265)**	(325)
Income tax paid	**(3,258)**	(5,372)
Interest received	**972**	1,213
	(2,286)	(4,159)
Net cash used in operating activities	**(370,551)**	(4,484)

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 2020

	Note	The Company 2020 RM'000	The Company 2019 RM'000
Cash flows from investing activities			
Dividends received from other investments		**1,800**	1,287
Dividends received from subsidiary companies		**773,246**	681,419
Net proceeds from disposal of property and equipment		**-**	1
Purchase of property and equipment		**(147)**	(26)
Purchase of intangible assets		**-**	(3)
Proceeds from liquidation		**83**	21
Investment in debt instrument issued by subsidiary companies			
- Multi-currency Additional Tier 1 capital securities		**-**	(400,000)
- Subordinated obligations		**-**	(1,100,000)
Interest received from investment in debt instruments issued by subsidiary companies			
- Multi-currency Additional Tier 1 capital securities		**39,503**	20,520
- Subordinated obligations		**71,152**	24,300
Net cash generated from/(used in) investing activities		**885,637**	(772,481)
Cash flows from financing activities			
Interest paid on borrowings		**(48,727)**	(48,670)
Interest paid on Multi-currency Additional Tier 1 capital securities		**(40,306)**	(21,685)
Interest paid on subordinated obligations		**(72,277)**	(26,422)
Interest paid on lease liabilities		**(330)**	-
(Repayment)/drawdown of revolving credit		**(225,000)**	220,000
Proceeds from medium term notes and commercial papers		**125,000**	220,000
Repayment of medium term notes and commercial papers		**-**	(575,000)
Repayment of term loans		**(145,000)**	(200,000)
Proceeds from Multi-currency Additional Tier 1 capital securities		**-**	400,000
Proceeds from subordinated obligations		**-**	1,100,000
Proceeds from senior notes		**-**	400,000
Repayment of lease liabilities		**(765)**	-
Dividends paid to shareholders of the Company		**(147,924)**	(480,087)
Purchase of treasury shares		**(28,443)**	(152,141)
Net cash (used in)/generated from financing activities		**(583,772)**	835,995
Net (decrease)/increase in cash and cash equivalents		**(68,686)**	59,030
Cash and cash equivalents at beginning of financial year		**84,556**	25,526
Cash and cash equivalents at end of financial year		**15,870**	84,556
Analysis of cash and cash equivalents			
Cash and short-term funds	2	**15,810**	84,496
Deposits and placements with banks and other financial institutions	3	**3,360**	3,360
		19,170	87,856
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months		**(3,300)**	(3,300)
		15,870	84,556

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 2020

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	Innovative Tier 1 capital securities RM'000	Multi-currency Additional Tier 1 capital securities RM'000	Lease liabilities RM'000
2020						
As at 1 July	**253,591**	**1,398,277**	**2,160,432**	**464,273**	**806,376**	**-**
Effect of adopting MFRS 16	**-**	**-**	**-**	**-**	**-**	**273,967**
As at 1 July, as restated	**253,591**	**1,398,277**	**2,160,432**	**464,273**	**806,376**	**273,967**
Proceeds	**993,447**	**125,000**	**300,000**	**-**	**-**	**-**
Repayments	**(200,050)**	**(370,000)**	**(550,000)**	**(453,200)**	**-**	**(46,940)**
Interest paid	**(24,766)**	**(48,728)**	**(100,104)**	**(19,374)**	**(40,306)**	**(11,137)**
Accrued interest	**26,783**	**48,235**	**95,437**	**7,911**	**40,311**	**11,137**
Amortisation	**-**	**43**	**1,217**	**502**	**118**	**-**
Other non-cash	**-**	**-**	**-**	**(112)**	**-**	**4,241**
As at 30 June	**1,049,005**	**1,152,827**	**1,906,982**	**-**	**806,499**	**231,268**
2019						
As at 1 July	202,952	1,300,371	2,800,447	474,612	401,369	-
Proceeds	50,000	815,000	1,100,000	-	400,000	-
Repayments	-	(720,000)	(1,740,500)	(10,000)	-	-
Interest paid	(7,600)	(48,650)	(141,619)	(39,258)	(20,821)	-
Accrued interest	8,239	51,468	141,824	39,116	25,786	-
Amortisation	-	88	280	1,937	42	-
Other non-cash	-	-	-	(2,134)	-	-
As at 30 June	253,591	1,398,277	2,160,432	464,273	806,376	-

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 2020

Analysis of changes in liabilities arising from financing activities as follows: (continued)

The Company	Borrowings RM'000	Subordinated obligations RM'000	Multi-currency Additional Tier 1 capital securities RM'000	Lease liabilities RM'000
2020				
As at 1 July	**1,453,881**	**1,600,205**	**805,236**	**-**
Effect of adopting MFRS 16	**-**	**-**	**-**	**6,670**
As at 1 July, as restated	**1,453,881**	**1,600,205**	**805,236**	**6,670**
Proceeds	**125,000**	**-**	**-**	**-**
Repayments	**(370,000)**	**-**	**-**	**(765)**
Interest paid	**(48,727)**	**(72,277)**	**(40,306)**	**(330)**
Accrued interest	**48,234**	**72,148**	**40,311**	**330**
Amortisation	**118**	**518**	**398**	**-**
As at 30 June	**1,208,506**	**1,600,594**	**805,639**	**5,905**
2019				
As at 1 July	1,385,934	499,599	400,751	-
Proceeds	840,000	1,100,000	400,000	-
Repayments	(775,000)	-	-	-
Interest paid	(48,670)	(26,422)	(21,685)	-
Accrued interest	51,488	26,853	25,885	-
Amortisation	129	175	285	-
As at 30 June	1,453,881	1,600,205	805,236	-

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 2020

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 60.

(a) Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Company

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 July 2019:

- MFRS 16 "Leases"
- Amendments to MFRS 9 "Prepayment Features with Negative Compensation"
- Amendments to MFRS 128 "Long-term Interests in Associates and Joint Ventures"
- Amendments to MFRS 119 "Plan Amendment, Curtailment or Settlement"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The Group and the Company have adopted MFRS 16 for the first time in the 2020 financial statements, which resulted in changes in accounting policies. The Group has elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16 as summarised in Note I.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

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)

Under the simplified retrospective transition method, the 2019 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Interpretation 4 "Determining whether an Arrangement Contains a Lease".

The impact of adoption of MFRS 16 of the Group is summarised in Note 61.

Other than that, the adoption of other amendments to published standards above did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective

(i) Financial year beginning on/after 1 July 2020

- Amendments to MFRS 3 "Definition of a Business" (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term "outputs" is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as "concentration test" that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

- Amendments to MFRS 101 and MFRS 108 clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

  The definition of "material" has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

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)

(i) Financial year beginning on/after 1 July 2020 (continued)

- Amendments to MFRS 101 and MFRS 108 clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting. (continued)

  The amendments also:

  - clarify that an entity assesses materiality in the context of the financial statements as a whole.

  - explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.

  - clarify the meaning of "primary users of general purpose financial statements" to whom those financial statements are directed, by defining them as "existing and potential investors, lenders and other creditors" that must rely on general purpose financial statements for much of the financial information they need.

  The amendments shall be applied prospectively.

- The Conceptual Framework for Financial Reporting (Revised 2018)

  The Framework was revised with the primary purpose to assist the International Accounting Standards Board ("IASB") to develop IFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS. The Framework is not an IFRS, and does not override any IFRSs.

  Key changes to the Framework are as follows:

  - Objective of general purpose financial reporting - clarification that the objective of financial reporting is to provide useful information to the users of financial statements for resource allocation decisions and assessment of management's stewardship.

  - Qualitative characteristics of useful financial information - reinstatement of the concepts of prudence when making judgement of uncertain conditions and "substance over form" concept to ensure faithful representation of economic phenomenon.

  - Clarification on reporting entity for financial reporting - introduction of new definition of a reporting entity, which might be a legal entity or a portion of a legal entity.

  - Elements of financial statements - the definitions of an asset and a liability have been refined. Guidance in determining unit of account for assets and liabilities have been added, by considering the nature of executory contracts and substance of contracts.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

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)

(i) Financial year beginning on/after 1 July 2020 (continued)

- The Conceptual Framework for Financial Reporting (Revised 2018) (continued)

  Key changes to the Framework are as follows: (continued)

  - Recognition and derecognition - the probability threshold for asset or liability recognition has been removed. New guidance on de-recognition of asset and liability have been added.

  - Measurement - explanation of factors to consider when selecting a measurement basis have been provided.

  - Presentation and disclosure - clarification that statements of income is the primary source of information about an entity's financial performance for a reporting period. In principle, recycling of income/expense included in other comprehensive income to income statements is required if this results in more relevant information or a more faithful representation of statements of income.

  Amendments to References to the Conceptual Framework in MFRS Standards

  The MASB also issued Amendments to References to the Conceptual Framework in MFRS Standards ("Amendments"), to update references and quotations to fourteen (14) Standards so as to clarify the version of Conceptual Framework these Standards refer to, for which the effective date above applies.

  The amendments should be applied retrospectively in accordance with MFRS 108 unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to MFRS 7, MFRS 9 and MFRS 139 - Interest Rate Benchmark Reform

  "Highly probable" requirement

  The relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Hence, where the hedged cash flows may change as a result of IBOR reform (for example, where the future interest payments on a hedged forecast debt issuance might be Sterling Overnight Index Average ("SONIA") + X% rather than LIBOR + Y%), this will not cause the "highly probable" test to be failed.

  Prospective assessment

  Under the amendments, an entity assumes that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based is not altered by IBOR reform. Accordingly, this will not cause the forward-looking prospective assessment to apply hedge accounting to fail.

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)

(i) Financial year beginning on/after 1 July 2020 (continued)

- Amendments to MFRS 7, MFRS 9 and MFRS 139 - Interest Rate Benchmark Reform (continued)

MFRS 139(*) retrospective effectiveness test exception

IBOR reform might cause a hedge to fall outside the required 80-125% range. MFRS 139(*) has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this required 80-125% range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met.

For hedge accounting to be applied, both MFRS 9 and MFRS 139(*) require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship.

Disclosures

The amendment requires disclosure of the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

An entity shall apply the amendments retrospectively. This retrospective application applies only to the following:

- hedging relationships that existed at the beginning of the reporting period in which an entity first applies those amendments or were designated thereafter; and
- the amount accumulated in the cash flow hedge reserve that existed at the beginning of the reporting period in which an entity first applies those requirements.

(*) When entity first applied MFRS 9, it may choose as its accounting policy to continue to apply the hedge accounting requirements of MFRS 139 instead of the requirements in Chapter 6 of MFRS 9. Accordingly, the hedging rules in MFRS 139 remain relevant.

The adoption of the above amendments to published standards is not expected to give rise to any material financial impact to the Group and the Company.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

(c) Changes in regulatory requirements

(i) BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions

On 27 September 2019, BNM issued the revised policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions with updates to clarify on the classification of a credit facility as credit impaired including where the credit facility is rescheduled and restructured, effective 1 October 2019.

The application of the revised policy document will affect disclosure, measurement and classification of a rescheduled and restructured credit facility as credit impaired.

(ii) Measures to Assist Individuals, Small-Medium Enterprises ("SMEs") and Corporates Affected by COVID-19

On 25 March 2020, BNM had announced a number of regulatory and supervisory measures in support of efforts by banking institutions to assist individuals, SMEs and corporations to manage the impact of the COVID-19 outbreak.

Banking institutions will grant an automatic moratorium on all loans/financing repayments for a period of 6 months, with effect from 1 April 2020 to all individuals and SMEs. This offer is applicable to performing loans, denominated in Malaysian Ringgit, that have not been in arrears for more than 90 days as at 1 April 2020. For credit card facilities, banking institutions will offer the option to convert the outstanding balances into term loan of not more than 3 years.

Banking institutions will also facilitate requests by corporations to defer or restructure their loans/financing repayments in a way that will enable viable corporations to preserve jobs and resume economic activities when conditions improve.

To further support lending/financing activities, banking institutions are allowed to drawdown on the capital conservation buffer of 2.5%, to operate below the minimum liquidity coverage ratio of 100% and to reduce the regulatory reserves held against expected losses to 0%.

The implementation of the Net Stable Funding Ratio ("NSFR") which will be effective on 1 July 2020 is lowered to 80%. Banking institutions are expected to restore their buffer to the minimum regulatory requirements and comply with a 100% NSFR ratio from 30 September 2021.

The moratorium should not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment.

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.

B CONSOLIDATION (continued)

(i) Subsidiaries (continued)

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, the 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 arising from such remeasurement are recognised in statements of income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 in 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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

B CONSOLIDATION (continued)

(i) Subsidiaries (continued)

Inter-company 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 transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with 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.

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control any retained interest in the entity is remeasured to its fair value, 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 or losses on 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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

B CONSOLIDATION (continued)

(iv) Joint arrangements (continued)

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.

(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 profit or loss, 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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

B CONSOLIDATION (continued)

(v) Associated companies (continued)

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 or 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.

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).

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

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 have satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Group 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.

(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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

D RECOGNITION OF FEES AND OTHER INCOME (continued)

(vii) Management expenses, commission expenses and wakalah fees. (continued)

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.

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.

E FINANCIAL ASSETS (continued)

(i) Classification (continued)

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

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the 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:

(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 40 and Note 41) in the statements of income.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

E FINANCIAL ASSETS (continued)

(iii) Measurement (continued)

Debt instruments (continued)

(b) Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the financial assets' cash flows represent SPPI, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest/profit income and foreign exchange gains and losses which are recognised in statements of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statements of income and recognised in net realised gain or loss on financial instruments. Interest/profit income from these financial assets is included in interest income and income from Islamic banking business using the effective interest rate method. Foreign exchange gains and losses are presented in other income (as per Note 38) 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.

(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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

F FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost, except for trading liabilities and 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 classified 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.

G PROPERTY AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are initially stated at cost, net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. With effect from 1 June 2018, GST is reduced from 6% to 0%.

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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

G PROPERTY AND EQUIPMENT AND DEPRECIATION (continued)

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.

Accounting policies applied from 1 July 2019

From 1 July 2019, 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.

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.

(iii) Other intangible assets

Other intangible assets include core deposits and customer relationships. These intangible assets were acquired in a business combination and are valued using income approach methodologies. These intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of the intangible assets are as follows:

Core deposit: 7 years
Customer relationships: 10 years

I LEASES

<u>Accounting policies applied until 30 June 2019</u>

(i) Finance lease

Assets purchased under lease which in substance transfers the risks and benefits of ownership of the assets to the Group or the Company are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term. Such leased assets are subject to depreciation on the same basis as other property and equipment.

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to statements of income.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

I LEASES (continued)

Accounting policies applied until 30 June 2019 (continued)

(ii) Operating lease

Leases of assets under which all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statements of income on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Accounting policies applied from 1 July 2019

In applying MFRS 16 for the first time, the Group and the Company have applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term 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.

I LEASES (continued)

Accounting policies applied from 1 July 2019 (continued)

ROU assets

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the 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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

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 costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the statements of income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount of non-financial assets (other than goodwill) is recognised in the statements of income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

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 substantially 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, 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 ventures. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

K CURRENT AND DEFERRED INCOME TAXES (continued)

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 investments at fair value through other comprehensive income, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statements of income together with the deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

L DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group and the Company have 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.

At the inception of the transaction, the Group document the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

L DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

(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.

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 periods in which the hedged item will affect statements of income.

When a hedging instrument expires or is sold or terminated, 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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

M CURRENCY TRANSLATIONS (continued)

(ii) Foreign currency transactions and balances (continued)

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.

(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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

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.

(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 Employee Share Option Scheme ("ESOS") and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the 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 ESOS holders are recorded as "Treasury Shares for ESOS" in equity on the statements of financial position. The cost of operating the ESOS would be charged to the statements of income when incurred in accordance with accounting standards.

N EMPLOYEE BENEFITS (continued)

(iii) Share-based compensation (continued)

When the options are exercised, the Group transfers the Treasury Shares for ESOS to the ESOS 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.

O 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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

O IMPAIRMENT OF FINANCIAL ASSETS (continued)

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.

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 rate or an approximation thereof.

O 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)

Measurement of ECL (continued)

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. No MEV was incorporated into LGD estimation due to insufficient data points and lack of solid statistical results supporting the said application.

The measurement of ECL incorporates a broad range of forward-looking information as economic inputs, such as but not limited to:

- Gross Domestic Product ("GDP")
- Unemployment Rate
- Consumer Price Index
- House Price Index

The Group and the 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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

O 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)

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 discussed in Note 33 and Note 36.

(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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

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 de-recognition 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.

T BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the banking subsidiaries’ own bills and acceptances rediscounted and outstanding in the market.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

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 statement 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.

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.

X SHARE CAPITAL (continued)

(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 liabilities 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 in the financial statements 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.

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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

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 2020

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 2020

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 2020

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 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 2020

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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cash and balances with banks and other financial institutions	**2,929,003**	2,158,943	**14**	7
Money at call and deposit placements maturing within one month	**8,370,232**	6,455,047	**15,796**	84,489
	11,299,235	8,613,990	**15,810**	84,496
Less: Expected credit losses	**(157)**	(509)	**-**	-
	11,299,078	8,613,481	**15,810**	84,496

Inclusive in cash and short-term funds of the Group are accounts held in trust for dealer's representative amounting to RM13,465,000 (2019: RM13,011,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Bank Negara Malaysia ("BNM")	**132,584**	-	**-**	-
Licensed banks	**8,946,418**	10,063,122	**3,360**	3,360
	9,079,002	10,063,122	**3,360**	3,360
Less: Expected credit losses	**(63)**	(252)	**-**	-
	9,078,939	10,062,870	**3,360**	3,360

The Company has placed a fixed deposit of RM3,300,000 (2019: RM3,300,000) with a bank for the RM200 million revolving credit facility and RM5 million term loan 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.

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Money market instruments				
Government treasury bills	579,866	21,900	-	-
Malaysian Government securities	2,122,321	3,770,728	-	-
Malaysian Government investment certificates	1,376,527	1,957,141	-	-
Negotiable instruments of deposit	1,567,157	1,472,835	-	-
Khazanah bonds	19,999	136,726	-	-
Cagamas bonds	166,697	81,403	-	-
Other Government securities	5,596,569	5,382,979	-	-
	11,429,136	12,823,712	-	-
Quoted securities				
Shares in Malaysia	2,718,986	2,732,371	-	-
Shares outside Malaysia	510,842	297,944	-	-
Wholesale fund/unit trust investments	1,029,029	634,762	292,671	-
Foreign currency bonds in Malaysia	159,401	60,375	-	-
Foreign currency bonds outside Malaysia	145,069	108,167	-	-
Investment-linked funds	311	285	-	-
Loan stocks	1,336	1,178	-	-
	4,564,974	3,835,082	292,671	-
Unquoted securities				
Shares in Malaysia	354,383	326,621	-	-
Foreign currency bonds outside Malaysia	343,648	332,979	-	-
Corporate bonds and sukuk	7,003,890	7,072,807	-	-
Redeemable preference shares	25,000	30,866	-	-
	7,726,921	7,763,273	-	-
	23,721,031	24,422,067	292,671	-

Notes to the Financial Statements

for the financial year ended 30 June 2020

5 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	The Group	
	2020 RM'000	**2019 RM'000**
At fair value		
(a) Debt instruments	**28,488,979**	24,921,094
(b) Equity instruments	**60,094**	44,331
	28,549,073	24,965,425
(a) Debt instruments		
Money market instruments		
Government treasury bills	**487,768**	-
Malaysia Government securities	**2,148,086**	1,656,380
Malaysia Government investment certificates	**8,339,999**	6,334,482
Negotiable instruments of deposit	**950,404**	1,197,900
Other Government securities	**312,507**	694,508
Khazanah bonds	**529,373**	272,685
Cagamas bonds	**1,717,798**	1,367,584
	14,485,935	11,523,539
Quoted securities		
Foreign currency bonds in Malaysia	**2,131,473**	1,776,207
Foreign currency bonds outside Malaysia	**1,353,402**	1,638,380
	3,484,875	3,414,587
Unquoted securities		
Malaysia Government sukuk	**554,124**	350,898
Corporate bonds and sukuk	**9,160,750**	7,995,442
Foreign currency bonds in Malaysia	**306,295**	973,343
Foreign currency bonds outside Malaysia	**497,000**	663,285
	10,518,169	9,982,968
	28,488,979	24,921,094

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 RM2,925,732,000 (2019: 2,387,337,000).

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.

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 12 months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2020				
As at 1 July	**1,872**	**-**	**16,550**	**18,422**
New financial assets originated or purchased	**2,082**	**-**	**-**	**2,082**
Financial assets derecognised	**(1,177)**	**-**	**-**	**(1,177)**
Changes due to change in credit risk	**(215)**	**-**	**-**	**(215)**
Changes in models/risk parameters	**(20)**	**-**	**-**	**(20)**
Exchange differences	**(3)**	**-**	**447**	**444**
As at 30 June	**2,539**	**-**	**16,997**	**19,536**
2019				
As at 1 July	-	-	-	-
Effect of adopting MFRS 9	2,633	-	16,569	19,202
As at 1 July, as restated	2,633	-	16,569	19,202
New financial assets originated or purchased	1,026	-	-	1,026
Financial assets derecognised	(1,451)	-	(166)	(1,617)
Changes due to change in credit risk	(377)	-	-	(377)
Exchange differences	41	-	147	188
As at 30 June	1,872	-	16,550	18,422

(b) Equity instruments

	The Group 2020 RM'000	 2019 RM'000
Unquoted securities		
Shares in Malaysia	**60,094**	44,331

Notes to the Financial Statements
for the financial year ended 30 June 2020

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 RM'000	Dividend income recognised during the financial year RM'000
2020		
Securities:		
RAM Holdings Berhad	**9,357**	**3,683**
Payments Network Malaysia Sdn Bhd	**49,554**	**-**
Others	**1,183**	**-**
	60,094	**3,683**
2019		
Securities:		
RAM Holdings Berhad	7,444	203
Payments Network Malaysia Sdn Bhd	35,875	-
Others	1,012	-
	44,331	203

6 FINANCIAL INVESTMENTS AT AMORTISED COST

	The Group	
	2020 RM'000	2019 RM'000
Money market instruments		
Government treasury bills	**-**	53,820
Malaysian Government securities	**3,056,052**	260,010
Malaysian Government investment certificates	**11,405,182**	9,200,311
Khazanah bonds	**316,038**	304,266
Other Government securities	**456,623**	326,179
	15,233,895	10,144,586
Quoted securities		
Foreign currency bonds in Malaysia	**857,780**	845,592
Foreign currency bonds outside Malaysia	**145,577**	151,587
	1,003,357	997,179

6 FINANCIAL INVESTMENTS AT AMORTISED COST (continued)

	The Group	
	2020 RM'000	2019 RM'000
Unquoted securities		
Malaysia Government sukuk	**2,659,375**	2,657,094
Corporate bonds and sukuk	**2,056,192**	2,037,237
Foreign currency bonds outside Malaysia	**16,964**	53,810
	4,732,531	4,748,141
Less: Expected credit losses	**(217)**	(1,043)
	20,969,566	15,888,863

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 RM218,408,000 (2019: RM Nil).

Movements in expected credit losses of financial investments at amortised cost are as follows:

The Group	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2020				
As at 1 July	**216**	**-**	**827**	**1,043**
Financial assets derecognised	**(22)**	**-**	**-**	**(22)**
Changes due to change in credit risk	**20**	**-**	**-**	**20**
Amount written off	**-**	**-**	**(827)**	**(827)**
Exchange differences	**3**	**-**	**-**	**3**
As at 30 June	**217**	**-**	**-**	**217**
2019				
As at 1 July	-	-	-	-
Effect of adopting MFRS 9	27	-	827	854
As at 1 July, as restated	27	-	827	854
New financial assets originated or purchased	189	-	-	189
As at 30 June	216	-	827	1,043

Notes to the Financial Statements

for the financial year ended 30 June 2020

7 LOANS, ADVANCES AND FINANCING

	The Group	
	2020	**2019**
	RM'000	**RM'000**
Overdrafts	**3,590,801**	3,863,555
Term loans/financing		
- Housing and shop loans/financing	**82,482,204**	76,495,886
- Syndicated/term loans or financing	**13,850,875**	11,740,501
- Hire purchase receivables	**17,006,512**	17,634,182
- Ijarah receivables	**161,188**	-
- Other term loans/financing	**8,962,217**	8,192,827
Credit/charge card receivables	**3,094,683**	3,597,974
Bills receivable	**2,680,254**	1,061,015
Trust receipts	**1,476,882**	421,884
Policy and premium loans	**509,817**	544,109
Claims on customers under acceptance credits	**5,235,605**	8,029,521
Revolving credits	**7,202,385**	6,227,550
Staff loans/financing	**143,111**	138,804
Other loans/financing	**365,302**	371,329
Gross loans, advances and financing	**146,761,836**	138,319,137
Fair value changes arising from fair value hedges	**21,714**	3,473
Allowance for impairment losses:		
- Expected credit losses	**(1,262,761)**	(1,264,994)
Total net loans, advances and financing	**145,520,789**	137,057,616

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM1,023,078,000 (2019: RM 236,439,000).

(a) The maturity structure of loans, advances and financing is as follows:

	The Group	
	2020	**2019**
	RM'000	**RM'000**
Maturing within:		
- one year	**27,045,478**	26,983,273
- over one year to three years	**5,735,396**	5,920,568
- over three years to five years	**10,647,842**	9,612,277
- over five years	**103,333,120**	95,803,019
Gross loans, advances and financing	**146,761,836**	138,319,137

7 LOANS, ADVANCES AND FINANCING (continued)

(b) The loans, advances and financing are disbursed to the following types of customers:

	The Group	
	2020	**2019**
	RM'000	**RM'000**
Domestic non-bank financial institutions other than stockbroking companies	**1,434,866**	953,920
Domestic business enterprises:		
- Small medium enterprises	**22,700,453**	21,504,631
- Others	**20,773,294**	19,303,934
Government and statutory bodies	**1,892**	2,037
Individuals	**98,751,873**	94,057,634
Other domestic entities	**975,756**	418,282
Foreign entities	**2,123,702**	2,078,699
Gross loans, advances and financing	**146,761,836**	138,319,137

(c) Loans, advances and financing analysed by their interest rate/profit rate sensitivity are as follows:

	The Group	
	2020	**2019**
	RM'000	**RM'000**
Fixed rate:		
- Housing and shop loans/financing	**1,577,809**	1,641,152
- Hire purchase receivables	**16,847,128**	17,413,826
- Credit card	**3,094,683**	3,597,974
- Other fixed rate loans/financing	**3,956,432**	3,321,420
Variable rate:		
- Base rate/base lending rate plus	**102,135,209**	94,502,743
- Cost plus	**18,241,362**	17,225,281
- Other variable rates	**909,213**	616,741
Gross loans, advances and financing	**146,761,836**	138,319,137

Notes to the Financial Statements

for the financial year ended 30 June 2020

7 LOANS, ADVANCES AND FINANCING (continued)

(d) Loans, advances and financing analysed by their economic purposes are as follows:

	The Group	
	2020 RM'000	2019 RM'000
Purchase of securities	**1,046,022**	1,010,286
Purchase of transport vehicles	**16,769,222**	17,489,214
Residential property (housing)	**73,336,190**	67,438,186
Non-residential property	**17,244,621**	16,369,237
Purchase of fixed assets (excluding landed properties)	**1,102,078**	988,287
Personal use	**3,437,021**	3,389,881
Credit card	**3,094,683**	3,597,974
Construction	**2,612,109**	2,006,223
Mergers and acquisition	**151,784**	312,445
Working capital	**25,983,290**	23,798,349
Other purposes	**1,984,816**	1,919,055
Gross loans, advances and financing	**146,761,836**	138,319,137

(e) Loans, advances and financing analysed by their geographical distribution are as follows:

	The Group	
	2020 RM'000	2019 RM'000
In Malaysia	**138,992,892**	131,208,547
Outside Malaysia		
- Singapore	**5,250,416**	5,224,287
- Vietnam	**909,213**	616,741
- Cambodia	**1,609,315**	1,269,562
Gross loans, advances and financing	**146,761,836**	138,319,137

7 LOANS, ADVANCES AND FINANCING (continued)

(f) Impaired loans, advances and financing analysed by their economic purposes are as follows:

	The Group	
	2020 RM'000	2019 RM'000
Purchase of securities	**650**	51
Purchase of transport vehicles	**71,145**	122,231
Residential property (housing)	**341,330**	376,570
Non-residential property	**150,277**	169,127
Purchase of fixed assets (excluding landed properties)	**4,648**	5,325
Personal use	**24,479**	44,470
Credit card	**24,568**	32,505
Construction	**9,663**	17,350
Working capital	**200,678**	305,350
Other purposes	**68,838**	5,030
Gross impaired loans, advances and financing	**896,276**	1,078,009

(g) Impaired loans, advances and financing analysed by their geographical distribution are as follows:

	The Group	
	2020 RM'000	2019 RM'000
In Malaysia	**887,929**	1,070,808
Outside Malaysia		
- Singapore	**1,256**	1,512
- Vietnam	**1,808**	1,621
- Cambodia	**5,283**	4,068
Gross impaired loans, advances and financing	**896,276**	1,078,009

Notes to the Financial Statements
for the financial year ended 30 June 2020

7 LOANS, ADVANCES AND FINANCING (continued)

(h) Movements in expected credit losses for loans, advances and financing are as follows:

The Group	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2020				
As at 1 July	**369,855**	**498,326**	**396,813**	**1,264,994**
Changes in ECL due to transfer within stages	**(89,949)**	**(133,376)**	**223,325**	**-**
- Transfer to Stage 1	**16,041**	**(15,936)**	**(105)**	**-**
- Transfer to Stage 2	**(105,849)**	**206,827**	**(100,978)**	**-**
- Transfer to Stage 3	**(141)**	**(324,267)**	**324,408**	**-**
New financial assets originated	**55,633**	**2,236**	**4,170**	**62,039**
Financial assets derecognised	**(19,753)**	**(40,717)**	**(25,130)**	**(85,600)**
Changes due to change in credit risk	**262,813**	**117,887**	**192,992**	**573,692**
Changes in models/risk parameters	**(28,743)**	**(8,852)**	**(10,855)**	**(48,450)**
Amount written off	**-**	**-**	**(501,536)**	**(501,536)**
Exchange differences	**309**	**324**	**1,313**	**1,946**
Other movements	**-**	**-**	**(4,324)**	**(4,324)**
As at 30 June	**550,165**	**435,828**	**276,768**	**1,262,761**
2019				
As at 1 July				1,007,692
Effect of adopting MFRS 9				360,630
As at 1 July, as restated	418,458	487,760	462,104	1,368,322
Changes in ECL due to transfer within stages	(101,393)	(144,113)	245,506	-
- Transfer to Stage 1	23,088	(22,843)	(245)	-
- Transfer to Stage 2	(124,380)	219,695	(95,315)	-
- Transfer to Stage 3	(101)	(340,965)	341,066	-
New financial assets originated	53,868	4,019	110	57,997
Financial assets derecognised	(34,800)	(42,683)	(29,024)	(106,507)
Changes due to change in credit risk	33,265	193,217	42,597	269,079
Amount written off	-	-	(282,501)	(282,501)
Exchange differences	457	126	1,578	2,161
Other movements	-	-	(43,557)	(43,557)
As at 30 June	369,855	498,326	396,813	1,264,994

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 12 months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2020				
As at 1 July	**130,436,799**	**6,804,329**	**1,078,009**	**138,319,137**
Total transfer within stages	**(2,329,069)**	**1,718,569**	**610,500**	**-**
- Transfer to Stage 1	**1,906,776**	**(1,885,144)**	**(21,632)**	**-**
- Transfer to Stage 2	**(4,104,687)**	**5,233,649**	**(1,128,962)**	**-**
- Transfer to Stage 3	**(131,158)**	**(1,629,936)**	**1,761,094**	**-**
New financial assets originated	**16,671,596**	**30,624**	**7,990**	**16,710,210**
Financial assets derecognised	**(3,926,513)**	**(283,987)**	**(106,806)**	**(4,317,306)**
Changes due to change in credit risk	**(2,134,041)**	**(825,104)**	**(191,395)**	**(3,150,540)**
Modifications to contractual cash flows of financial asset*	**(432,686)**	**(43,264)**	**-**	**(475,950)**
Amount written off	**-**	**-**	**(503,360)**	**(503,360)**
Exchange differences	**178,013**	**294**	**1,338**	**179,645**
As at 30 June	**138,464,099**	**7,401,461**	**896,276**	**146,761,836**
2019				
As at 1 July	122,628,821	6,100,610	1,132,048	129,861,479
Total transfer within stages	(2,456,896)	1,834,466	622,430	-
- Transfer to Stage 1	1,949,760	(1,959,802)	10,042	-
- Transfer to Stage 2	(4,379,356)	5,314,381	(935,025)	-
- Transfer to Stage 3	(27,300)	(1,520,113)	1,547,413	-
New financial assets originated	17,571,122	34,016	1,446	17,606,584
Financial assets derecognised	(5,068,303)	(336,271)	(76,519)	(5,481,093)
Changes due to change in credit risk	(2,582,661)	(832,894)	(321,424)	(3,736,979)
Amount written off	-	-	(282,811)	(282,811)
Exchange differences	344,716	4,402	2,839	351,957
As at 30 June	130,436,799	6,804,329	1,078,009	138,319,137

* The amount of loans, advances, and financing whose cash flows were modified during the year was RM15,338,525,000.

Notes to the Financial Statements
for the financial year ended 30 June 2020

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	
	2020 RM'000	2019 RM'000
Performing accounts	**574,348**	482,063
Impaired accounts	**3,651**	602
	577,999	482,665
Less: Allowances for bad and doubtful debts		
- Expected credit losses	**(2,026)**	(220)
	575,973	482,445

Movements of impaired accounts are as follows:

	The Group	
	2020 RM'000	2019 RM'000
As at 1 July	**602**	2,828
New financial assets originated	**358**	181
Financial assets derecognised	**(331)**	(184)
Impaired during the financial year	**7,126**	16,323
Allowance written back	**(4,104)**	(18,536)
Amount written off	**-**	(10)
As at 30 June	**3,651**	602

Movements in expected credit losses/allowance on clients' and brokers' balances are as follows:

The Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
2020			
As at 1 July	**4**	**216**	**220**
New financial assets originated	**113**	**391**	**504**
Financial assets derecognised	**(130)**	**(338)**	**(468)**
Impaired during the financial year	**49**	**2,247**	**2,296**
Allowance written back	**(6)**	**(520)**	**(526)**
As at 30 June	**30**	**1,996**	**2,026**

8 CLIENTS' AND BROKERS' BALANCES (continued)

Movements in expected credit losses/allowance on clients' and brokers' balances are as follows: (continued)

The Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
2019			
As at 1 July	28	351	379
New financial assets originated	78	47	125
Financial assets derecognised	(104)	(117)	(221)
Impaired during the financial year	33	548	581
Allowance written back	(31)	(603)	(634)
Amount written off	-	(10)	(10)
As at 30 June	4	216	220

9 OTHER RECEIVABLES

		The Group		The Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Foreclosed properties		**18,447**	21,839	**-**	-
Sundry debtors and other prepayments		**777,965**	450,480	**45,802**	3,455
Amount due from subsidiary companies		**-**	-	**34**	702
Treasury related receivables		**370,435**	242,617	**-**	-
Cash collateral pledged for derivative transactions		**528,766**	308,969	**-**	-
Fee income receivables net of allowance for impairment losses of RM1,428,000 (2019: RM1,370,000)	(a)	**4,748**	7,511	**-**	-
Other receivables net of allowance for impairment losses of RM2,518,000 (2019: RM5,898,000)	(b)	**111,279**	301,246	**-**	-
		1,811,640	1,332,662	**45,836**	4,157

Notes to the Financial Statements

for the financial year ended 30 June 2020

9 OTHER RECEIVABLES (continued)

(a) Movements in expected credit losses/allowance for fee income receivables are as follows:

The Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Individual assessment allowance RM'000	Total ECL RM'000
2020				
As at 1 July	**5**	**1,365**	**-**	**1,370**
New financial assets originated	**3**	**-**	**-**	**3**
Financial assets derecognised	**(4)**	**-**	**-**	**(4)**
Impaired during the financial year	**1**	**58**	**-**	**59**
As at 30 June	**5**	**1,423**	**-**	**1,428**
2019				
As at 1 July	-	-	1,473	1,473
Effect of adopting MFRS 9	2	1,473	(1,473)	2
As at 1 July, as restated	2	1,473	-	1,475
New financial assets originated	4	50	-	54
Financial assets derecognised	(1)	(169)	-	(170)
Impaired during the financial year	-	11	-	11
As at 30 June	5	1,365	-	1,370

(b) Movements in expected credit losses/allowance for other receivables are as follows:

The Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Individual assessment allowance RM'000	Total ECL RM'000
2020				
As at 1 July	**543**	**5,355**	**-**	**5,898**
New financial assets originated	**1,522**	**-**	**-**	**1,522**
Financial assets derecognised	**-**	**(4,902)**	**-**	**(4,902)**
Amount written off	**-**	**-**	**-**	**-**
As at 30 June	**2,065**	**453**	**-**	**2,518**
2019				
As at 1 July	-	-	2,998	2,998
Effect of adopting MFRS 9	498	10,027	(2,998)	7,527
As at 1 July, as restated	498	10,027	-	10,525
New financial assets originated	45	-	-	45
Financial assets derecognised	-	(1,429)	-	(1,429)
Amount written off	-	(3,243)	-	(3,243)
As at 30 June	543	5,355	-	5,898

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	
	2020	**2019**
	RM'000	**RM'000**
Investment in subsidiary companies, at cost		
Unquoted shares	**262,980**	262,980
Shares quoted in Malaysia	**16,843,880**	16,843,880
	17,106,860	17,106,860
Investment in debt instrument issued by subsidiary companies, at amortised cost		
Multi-currency Additional Tier 1 capital securities	**806,666**	806,661
Subordinated obligations	**1,602,438**	1,602,566
	19,515,964	19,516,087
Less: Allowance for impairment losses	**(18,008)**	(18,011)
	19,497,956	19,498,076

Movements in the allowance for impairment losses are as follows:

	The Company	
	2020	**2019**
	RM'000	**RM'000**
As at 1 July	**18,011**	12,980
Effect of adopting MFRS 9	**-**	2,885
As at 1 July, as restated	**18,011**	15,865
Expected credit losses made during the financial year	**(3)**	2,146
As at 30 June	**18,008**	18,011

Notes to the Financial Statements
for the financial year ended 30 June 2020

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 2020 %	2019 %	Principal activities
(a) HLA Holdings Sdn Bhd and its subsidiary companies:	Malaysia	**100.00**	100.00	Investment holding
(i) Hong Leong Assurance Berhad	Malaysia	**70.00**	70.00	Life insurance business
- Unincorporated trust for ESOS[Ω*]	Malaysia	**-**	-	Special purpose vehicle for ESOS
(ii) Hong Leong Insurance (Asia) Limited*	Hong Kong	**100.00**	100.00	General insurance business
(iii) Hong Leong MSIG Takaful Berhad	Malaysia	**65.00**	65.00	Family takaful business
(iv) RC Holdings Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
(v) HL Assurance Pte. Ltd.*	Singapore	**100.00**	100.00	General insurance business
(b) HLFG Assets Sdn Bhd	Malaysia	**-**	100.00	Dissolved
(c) Unincorporated trust for ESOS[Ω*]	Malaysia	**-**	-	Special purpose vehicle for ESOS
(d) HLFG Principal Investments (L) Limited	Malaysia	**100.00**	100.00	Investment holding
(e) Hong Leong Capital Berhad and its subsidiary companies:	Malaysia	**83.22**	83.22	Investment holding
(i) HLG Securities Sdn Bhd	Malaysia	**83.22**	83.22	In members' voluntary liquidation
(ii) HLG Capital Markets Sdn Bhd	Malaysia	**83.22**	83.22	In members' voluntary liquidation
(iii) Hong Leong Investment Bank Berhad and its subsidiary companies:	Malaysia	**83.22**	83.22	Investment banking, stockbroking business, futures broking and related financial services
- SSSB Jaya (1987) Sdn Bhd	Malaysia	**83.22**	83.22	In creditors' voluntary liquidation
- HLIB Nominees (Tempatan) Sdn Bhd	Malaysia	**83.22**	83.22	Nominee and custodian services for Malaysian clients
- HLIB Nominees (Asing) Sdn Bhd	Malaysia	**83.22**	83.22	Nominee and custodian services for foreign clients

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 2020 %	2019 %	Principal activities
(e) Hong Leong Capital Berhad and its subsidiary companies: (continued)				
(iv) HLCB Assets Sdn Bhd	Malaysia	**83.22**	83.22	In members' voluntary liquidation
(v) Hong Leong Asset Management Bhd and its subsidiary company:	Malaysia	**83.22**	83.22	Unit trust management, fund management and sale of unit trusts
- Hong Leong Islamic Asset Management Sdn Bhd (formerly known as Hong Leong Fund Management Sdn Bhd)	Malaysia	**83.22**	83.22	Islamic fund management services
(vi) Unincorporated trust for ESOS[Ω*]	Malaysia	**-**	-	Special purpose vehicle for ESOS purpose
(f) Hong Leong Bank Berhad and its subsidiary companies:	Malaysia	**65.57**	65.59	All aspects of commercial banking business and provision of related services
(i) Hong Leong Islamic Bank Berhad	Malaysia	**65.57**	65.59	Islamic banking business and related financial services
(ii) DC Tower Sdn Bhd	Malaysia	**65.57**	65.59	Property management
(iii) Hong Leong Bank Vietnam Limited[*+]	Vietnam	**65.57**	65.59	Commercial banking business
(iv) Hong Leong Bank (Cambodia) PLC[*+]	Cambodia	**65.57**	65.59	Commercial banking business
(v) HLF Credit (Perak) Bhd and its subsidiary companies:	Malaysia	**65.57**	65.59	Investment holding
- Gensource Sdn Bhd and its subsidiary company:	Malaysia	**65.57**	65.59	Investment holding
• Pelita Terang Sdn Bhd	Malaysia	**65.57**	65.59	Dormant
- WTB Corporation Sdn Bhd	Malaysia	**-**	65.59	Dissolved
- Chew Geok Lin Finance Sdn Bhd	Malaysia	**-**	65.59	Dissolved
- Hong Leong Leasing Sdn Bhd[*]	Malaysia	**65.57**	65.59	Dormant
- HL Leasing Sdn Bhd	Malaysia	**65.57**	65.59	Dormant
- HLB Realty Sdn Bhd	Malaysia	**65.57**	65.59	Property investment

Notes to the Financial Statements
for the financial year ended 30 June 2020

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 2020 %	2019 %	Principal activities
(f) Hong Leong Bank Berhad and its subsidiary companies: (continued)				
(vi) HLB Nominees (Tempatan) Sdn Bhd	Malaysia	**65.57**	65.59	Agent and nominee for Malaysian clients
(vii) HLB Nominees (Asing) Sdn Bhd	Malaysia	**65.57**	65.59	Agent and nominee for foreign clients
(viii) HL Bank Nominees (Singapore) Pte Ltd*+	Singapore	**65.57**	65.59	Dormant
(ix) HLB Trade Services (Hong Kong) Limited*+	Hong Kong	**65.57**	65.59	Ceased operations
(x) HLB Principal Investments (L) Limited and its subsidiary company:	Malaysia	**65.57**	65.59	Investment Holding
- Promino Sdn Bhd	Malaysia	**65.57**	65.59	Holding of pooled motor vehicles for HLB group's usage
(xi) Promilia Berhad	Malaysia	**65.57**	65.59	Holding of motor vehicles for HLB group's usage
(xii) EB Nominees (Tempatan) Sendirian Berhad	Malaysia	**65.57**	65.59	Nominee services
(xiii) EB Nominees (Asing) Sendirian Berhad	Malaysia	**65.57**	65.59	In members' voluntary liquidation
(xiv) EB Realty Sendirian Berhad	Malaysia	**65.57**	65.59	Property investment
(xv) OBB Realty Sdn Bhd	Malaysia	**65.57**	65.59	Property investment
(xvi) Unincorporated trust for ESOSΩ*	Malaysia	**-**	-	Special purpose vehicle
(g) Hong Leong Wholesale Bond FundΩ	Malaysia	**76.30**	95.44	Unit trust funds
(h) Hong Leong Money Market FundΩ	Malaysia	**43.80**	56.45	Unit trust funds
(i) Hong Leong Income FundΩ	Malaysia	**74.14**	100.00	Unit trust funds
(j) Hong Leong Value FundΩ	Malaysia	**45.77**	-	Unit trust funds
(k) Hong Leong Asia-pacific Dividend FundΩ	Malaysia	**85.58**	-	Unit trust funds
(l) Hong Leong Strategic FundΩ	Malaysia	**28.80**	-	Unit trust funds

* Not audited by PricewaterhouseCoopers PLT

\+ Audited by member firms of PricewaterhouseCoopers International

Ω Deemed subsidiary companies pursuant to MFRS 10 "Consolidated Financial Statements"

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 interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2020 %	2019 %	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Hong Leong Bank Berhad	**34.43**	34.41	**858,554**	916,434	**9,376,769**	8,765,738
Hong Leong Capital Berhad	**16.78**	16.78	**15,805**	11,362	**141,004**	133,839
Hong Leong Assurance Berhad	**30.00**	30.00	**42,372**	66,315	**564,512**	537,140
Individually immaterial subsidiaries with non-controlling interests			**4,722**	791	**72,454**	67,730
			921,453	994,902	**10,154,739**	9,504,447

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.

	Hong Leong Assurance Berhad		Hong Leong Bank Berhad		Hong Leong Capital Berhad	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Total assets	**21,975,597**	20,442,918	**221,277,917**	207,369,415	**4,288,378**	4,581,194
Total liabilities	**(20,094,327)**	(18,652,890)	**(194,043,618)**	(181,895,028)	**(3,448,068)**	(3,783,587)
Net assets	**1,881,270**	1,790,028	**27,234,299**	25,474,387	**840,310**	797,607
Equity attributable to owners of the Company	**(1,316,758)**	(1,252,888)	**(17,857,530)**	(16,708,649)	**(699,306)**	(663,768)
Non-controlling interests	**(564,512)**	(537,140)	**(9,376,769)**	(8,765,738)	**(141,004)**	(133,839)
Revenue	**166,977**	289,521	**4,778,356**	4,725,835	**232,725**	198,876
Profit before taxation	**166,438**	285,654	**2,989,397**	3,186,020	**95,750**	76,732
Taxation	**(25,196)**	(64,604)	**(494,800)**	(521,513)	**(1,563)**	(9,020)
Other comprehensive income	**-**	-	**263,189**	246,707	**1,598**	9,185
Total comprehensive income	**141,242**	221,050	**2,757,786**	2,911,214	**95,785**	76,897

Notes to the Financial Statements
for the financial year ended 30 June 2020

11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

(ii) Details of subsidiary companies that have material non-controlling interests: (continued)

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. (continued)

	Hong Leong Assurance Berhad		Hong Leong Bank Berhad		Hong Leong Capital Berhad	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net cash (used in)/ generated from investing activities	**(9,361)**	(6,814)	**(6,661,171)**	3,934,152	**(183,022)**	302,870
Net cash (used in)/ generated from financing activities	**(276,854)**	(122,500)	**(935,891)**	(2,114,415)	**(113,209)**	51,504
Net cash generated from/ (used in) operating activities	**872,248**	217,510	**10,213,113**	(1,320,734)	**133,736**	38,636
Net increase/(decrease) in cash and cash equivalents	**586,033**	88,196	**2,616,051**	499,003	**(162,495)**	393,010
Profit allocated to non-controlling interests of the Group	**42,372**	66,315	**858,554**	916,434	**15,805**	11,362
Dividends to non-controlling interests of the Group	**15,000**	30,000	**353,269**	338,790	**8,905**	7,691

12 INVESTMENT IN ASSOCIATED COMPANIES

	The Group	
	2020 RM'000	2019 RM'000
Quoted shares and unit trust investments	**938,311**	1,196,771
Unquoted shares investments	**643,323**	643,323
Cumulative share of results, net of dividend received	**3,541,080**	2,987,933
Cumulative share of changes in other comprehensive income	**39,149**	17,894
Exchange fluctuation reserve	**464,135**	434,455
	5,625,998	5,280,376

12 INVESTMENT IN ASSOCIATED COMPANIES (continued)

(a) Information about associated companies

Name of companies	Country of incorporation	Principal activities	The Group Percentage (%) of equity held 2020 %	2019 %
Bank of Chengdu Co., Ltd	China	Commercial banking	**18**	18
Community CSR Sdn Bhd	Malaysia	Investment holding	**20**	20
Sichuan Jincheng Consumer Finance Limited Company	China	Consumer financing	**12**	12
MSIG Insurance (Malaysia) Bhd	Malaysia	Insurance	**30**	30
Hong Leong Dana Maa'rof Fund	Malaysia	Unit trust	**19**	16
Hong Leong Value Fund	Malaysia	Unit trust	**-**	39
Hong Leong Asia-pacific Dividend Fund	Malaysia	Unit trust	**-**	56
Hong Leong Strategic Fund	Malaysia	Unit trust	**-**	25

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%.

The market value of BOCD's shares held by the Group is RM3.15 billion (2019: RM3.46 billion) at RM4.85 (2019: RM5.32) per share as at 30 June 2020.

As at 30 June 2020, 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 2020 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.

Notes to the Financial Statements

for the financial year ended 30 June 2020

12 INVESTMENT IN ASSOCIATED COMPANIES (continued)

(a) Information about associated companies (continued)

Nature of relationship (continued)

(i) Bank of Chengdu Co., Ltd ("BOCD") (continued)

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 2021 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 4.41% (2019: 6.12%) representing the forecasted Gross Domestic Product growth rate of the country.

The discount rate of 11.5% (2019: 12.0%) used in determining the recoverable amount is derived based on a capital asset pricing model calculation, using 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 HLB 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 HLB 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.

(iv) MSIG Insurance (Malaysia) Bhd ("MSIM")

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 ("MSIM"), a subsidiary of MSIJ and one of the largest general insurance in Malaysia, satisfied via the issuance of new shares 30% of the ordinary issued and paid-up capital of MSIM.

12 INVESTMENT IN ASSOCIATED COMPANIES (continued)

(a) Information about associated companies (continued)

Nature of relationship (continued)

(v) Hong Leong Dana Maa'rof Fund

Deemed associated companies pursuant to MFRS 128 "Investments in Associates and Joint Ventures".

CCSR and MSIM 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	
	2020 RM'000	2019 RM'000
Total assets	**375,244,230**	324,735,826
Total liabilities	**(349,865,251)**	(302,292,283)
Net assets	**25,378,979**	22,443,543
Interest income	**13,204,465**	11,914,756
Interest expense	**(6,662,149)**	(5,758,006)
Non-interest income	**1,484,300**	1,247,857
Profit before taxation	**3,904,320**	3,358,001
Profit after taxation	**3,509,739**	3,081,834
Total comprehensive income	**3,598,544**	3,159,322
Shares of results of associated company (%)	**18%**	18%
Shares of results of associated company (RM'000)	**631,402**	554,422
Dividends from the associated company (RM'000)	**148,467**	123,013

(ii) MSIG Insurance (Malaysia) Bhd

	The Group	
	2020 RM'000	2019 RM'000
Total assets	**5,335,463**	5,361,249
Total liabilities	**(2,063,891)**	(2,309,444)
Net assets	**3,271,572**	3,051,805
Interest income	**40,026**	46,168
Non-interest income	**574,386**	460,699
Profit before taxation	**346,601**	248,954
Profit after taxation	**295,447**	188,631
Total comprehensive income	**313,046**	217,619
Shares of results of associated company (%)	**30%**	30%
Shares of results of associated company (RM'000)	**88,634**	56,589
Dividends from the associated company (RM'000)	**27,984**	36,979

Notes to the Financial Statements
for the financial year ended 30 June 2020

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:

(i) Bank of Chengdu Co., Ltd

	The Group	
	2020 RM'000	2019 RM'000
Opening net assets as at 1 July	**22,443,543**	20,295,116
Profit for the financial year	**3,509,739**	3,081,834
Other comprehensive income for the financial year	**88,805**	77,488
Dividends	**(825,275)**	(683,785)
Exchange fluctuation reserve	**162,167**	(327,110)
Closing net assets as at 30 June	**25,378,979**	22,443,543
Interest in associated company (%)	**18%**	18%
Interest in associated company (RM'000)	**4,565,678**	4,037,593

(ii) MSIG Insurance (Malaysia) Bhd

	The Group	
	2020 RM'000	2019 RM'000
Opening net assets as at 1 July	**3,051,805**	2,957,449
Profit for the financial year	**295,447**	188,631
Other comprehensive income for the financial year	**17,600**	28,988
Dividends	**(93,280)**	(123,263)
Closing net assets as at 30 June	**3,271,572**	3,051,805
Interest in associated company (%)	**30%**	30%
Interest in associated company (RM'000)	**981,471**	915,541

The information presented above 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.

The summarised financial information above represents amount shown in the material associate's financial statements prepared in accordance with MFRSs (adjusted by the Group for equity accounting purposes).

13 PROPERTY AND EQUIPMENT

The Group 2020	Note	Land and building* RM'000	Office and computer equipment RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
As at 1 July		1,014,582	1,243,613	471,867	12,674	50,785	2,793,521
Exchange fluctuation		2,611	2,378	742	17	44	5,792
Reclassification/transfer		-	3,420	23,189	-	(26,609)	-
Reclassification to intangible assets	17	-	(68,077)	-	-	(67,697)	(135,774)
Additions		18,122	32,128	10,951	1,408	136,748	199,357
Disposals/write-off		(2,429)	(24,736)	(23,627)	(2,297)	(4,529)	(57,618)
As at 30 June		1,032,886	1,188,726	483,122	11,802	88,742	2,805,278
Accumulated depreciation							
As at 1 July		100,399	809,690	333,853	9,046	-	1,252,988
Exchange fluctuation		520	1,502	585	16	-	2,623
Reclassification/transfer		-	(57)	57	-	-	-
Reclassification to intangible assets	17	-	(29,513)	-	-	-	(29,513)
Disposals/write-off		(702)	(22,652)	(3,317)	(2,295)	-	(28,966)
Charge during the financial year		17,116	97,986	29,921	1,595	-	146,618
As at 30 June		117,333	856,956	361,099	8,362	-	1,343,750
Net book value as at 30 June 2020		915,553	331,770	122,023	3,440	88,742	1,461,528

* Land and building consists of the following:

	Freehold		Long-term leasehold		Short-term leasehold		
The Group 2020	**land RM'000**	**building RM'000**	**land^ RM'000**	**building RM'000**	**land^ RM'000**	**building RM'000**	**Total RM'000**
Cost							
As at 1 July	138,913	589,867	43,543	238,531	1,092	2,636	1,014,582
Exchange fluctuation	-	-	-	2,611	-	-	2,611
Additions	-	-	600	17,522	-	-	18,122
Disposals	(916)	(1,513)	-	-	-	-	(2,429)
As at 30 June	137,997	588,354	44,143	258,664	1,092	2,636	1,032,886
Accumulated depreciation							
As at 1 July	-	41,166	5,398	51,965	435	1,435	100,399
Exchange fluctuation	-	-	-	520	-	-	520
Disposals	-	(702)	-	-	-	-	(702)
Charge during the financial year	-	11,771	457	4,852	20	16	17,116
As at 30 June	-	52,235	5,855	57,337	455	1,451	117,333
Net book value as at 30 June 2020	137,997	536,119	38,288	201,327	637	1,185	915,553

^ 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 2020

13 PROPERTY AND EQUIPMENT (continued)

The Group 2019	Note	Land and building* RM'000	Office and computer equipment RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
As at 1 July		1,012,913	1,221,437	480,368	12,905	72,219	2,799,842
Exchange fluctuation		1,883	2,665	693	48	22	5,311
Reclassification/transfer		-	54,888	29,804	-	(84,893)	(201)
Reclassification to intangible assets	17	-	-	-	-	(18,301)	(18,301)
Additions		42	45,441	7,067	2,064	81,893	136,507
Disposals/write-off		(256)	(80,818)	(46,065)	(2,343)	(155)	(129,637)
As at 30 June		1,014,582	1,243,613	471,867	12,674	50,785	2,793,521
Accumulated depreciation							
As at 1 July		84,607	791,102	340,596	9,708	-	1,226,013
Exchange fluctuation		326	1,805	376	50	-	2,557
Reclassification/transfer		-	(69)	10	-	-	(59)
Disposals/write-off		(205)	(79,321)	(38,363)	(2,340)	-	(120,229)
Charge during the financial year		15,671	96,173	31,234	1,628	-	144,706
As at 30 June		100,399	809,690	333,853	9,046	-	1,252,988
Net book value as at 30 June 2019		914,183	433,923	138,014	3,628	50,785	1,540,533

* Land and building consists of the following:

The Group	Freehold		Long-term leasehold		Short-term leasehold		
2019	**land RM'000**	**building RM'000**	**land RM'000**	**building RM'000**	**land RM'000**	**building RM'000**	**Total RM'000**
Cost							
As at 1 July	138,646	590,715	44,163	235,463	1,693	2,233	1,012,913
Exchange fluctuation	-	-	-	1,883	-	-	1,883
Additions	-	-	-	-	5	37	42
Reclassification/transfer	267	(848)	(620)	1,185	(606)	622	-
Disposals	-	-	-	-	-	(256)	(256)
As at 30 June	138,913	589,867	43,543	238,531	1,092	2,636	1,014,582
Accumulated depreciation							
As at 1 July	-	31,201	5,163	45,718	1,414	1,111	84,607
Exchange fluctuation	-	-	-	326	-	-	326
Reclassification/transfer	-	(413)	(249)	1,244	(996)	414	-
Disposals	-	-	-	-	-	(205)	(205)
Charge during the financial year	-	10,378	484	4,677	17	115	15,671
As at 30 June	-	41,166	5,398	51,965	435	1,435	100,399
Net book value as at 30 June 2019	138,913	548,701	38,145	186,566	657	1,201	914,183

13 PROPERTY AND EQUIPMENT (continued)

The Company	Office and computer equipment RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Total RM'000
2020				
Cost				
As at 1 July	**1,003**	**4,409**	**2,468**	**7,880**
Additions	**30**	**117**	**-**	**147**
As at 30 June	**1,033**	**4,526**	**2,468**	**8,027**
Accumulated depreciation				
As at 1 July	**621**	**821**	**2,259**	**3,701**
Charge during the financial year	**206**	**427**	**115**	**748**
As at 30 June	**827**	**1,248**	**2,374**	**4,449**
Net book value as at 30 June 2020	**206**	**3,278**	**94**	**3,578**
2019				
Cost				
As at 1 July	1,323	5,639	2,466	9,428
Additions	19	-	7	26
Disposals/write-off	(339)	(1,230)	(5)	(1,574)
As at 30 June	1,003	4,409	2,468	7,880
Accumulated depreciation				
As at 1 July	754	1,562	1,780	4,096
Disposals/write-off	(339)	(1,175)	(5)	(1,519)
Charge during the financial year	206	434	484	1,124
As at 30 June	621	821	2,259	3,701
Net book value as at 30 June 2019	382	3,588	209	4,179

14 RIGHT-OF-USE ASSETS

The Group 2020	Properties RM'000	Office equipment RM'000	Total RM'000
As at 1 July	**-**	**-**	**-**
Effect of adopting MFRS 16	**297,509**	**526**	**298,035**
As at 1 July, as restated	**297,509**	**526**	**298,035**
Additions	**3,537**	**-**	**3,537**
Charge during the financial year	**(56,974)**	**(166)**	**(57,140)**
Gain on lease modification	**629**	**-**	**629**
Exchange fluctuation	**(1,071)**	**-**	**(1,071)**
As at 30 June	**243,630**	**360**	**243,990**

Notes to the Financial Statements
for the financial year ended 30 June 2020

14 RIGHT-OF-USE ASSETS (continued)

The Company **2020**	**Properties** **RM'000**	**Total** **RM'000**
As at 1 July	-	-
Effect of adopting MFRS 16	**6,895**	**6,895**
As at 1 July, as restated	**6,895**	**6,895**
Charge during the financial year	**(940)**	**(940)**
As at 30 June	**5,955**	**5,955**

15 INVESTMENT PROPERTIES

	The Group	
Fair value	**2020** **RM'000**	**2019** **RM'000**
As at 1 July	**489,500**	494,164
Fair value loss	**(16,890)**	(4,664)
As at 30 June	**472,610**	489,500
The analysis of investment properties is as follows:		
Freehold land and building	**470,000**	487,000
Leasehold land and building	**2,610**	2,500

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 loss attributable to the Group was RM15,000,000 and the fair value loss attributable to insurance fund policy holders was RM1,890,000.

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	
	2020 **RM'000**	**2019** **RM'000**
Level 2	**2,610**	2,500
Level 3	**470,000**	487,000

15 INVESTMENT PROPERTIES (continued)

Description of valuation techniques used and key inputs to valuation on investment properties measured at Level 3:

		The Group	
Valuation technique	**Unobservable input**	**2020**	**2019**
Comparison and	Term yield	**6.00%**	6.00%
Investment method	Revisionary rate	**6.50% - 6.75%**	6.50% - 6.75%
	Discount rate	**6.50% - 6.75%**	6.50% - 6.75%
	Average rental per square feet	**RM2.24 - RM3.73**	RM4.45 - RM6.04
	Estimated value per square feet	**RM524 - RM798**	RM596 - RM829

The investment properties generated rental income and incurred the following direct expenses:

	The Group	
	2020 RM'000	**2019 RM'000**
Rental income	**9,453**	10,255
Direct operating expenses	**10,188**	10,721

16 GOODWILL ARISING ON CONSOLIDATION

	The Group	
	2020 RM'000	**2019 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

The recoverable amount of CGUs is determined based on higher of fair value less costs to sell and value-in-use calculations. 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, less costs of disposal. This estimate is mainly determined, on 30 June 2020, on the basis of available market information such as the fair value of the underlying assets and liabilities which have been marked-to-market.

Notes to the Financial Statements
for the financial year ended 30 June 2020

16 GOODWILL ARISING ON CONSOLIDATION (continued)

Impairment test for goodwill (continued)

(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 2021, 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 (2019: 2 years). Cash flows beyond the 3 years period are extrapolated using an estimated growth rate of 3.55% (2019: 4.67%) 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.

The discount rate used in determining the recoverable amount of the commercial banking CGUs and investment banking and asset management CGUs are 9.58% (2019: 9.14%) and 12.20% (2019: 10.68%) respectively. The pre-tax discount rate reflects the specific risks relating to the CGUs.

(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% (2019: 9.0%).
(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% (2019: 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 unaltered.
(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.

17 INTANGIBLE ASSETS

The Group	Note	Core deposit RM'000	Customer relationship RM'000	Computer software RM'000	Total RM'000
2020					
Cost or valuation					
As at 1 July		**152,434**	**127,426**	**663,978**	**943,838**
Additions		**-**	**-**	**32,892**	**32,892**
Disposals/write-off		**-**	**-**	**(24,266)**	**(24,266)**
Exchange fluctuation		**-**	**-**	**1,559**	**1,559**
Reclassification from property and equipment	13	**-**	**-**	**135,774**	**135,774**
As at 30 June		**152,434**	**127,426**	**809,937**	**1,089,797**
Accumulated amortisation and impairment					
As at 1 July		**152,434**	**104,067**	**547,709**	**804,210**
Amortisation during the financial year		**-**	**12,743**	**53,528**	**66,271**
Disposals/write-off		**-**	**-**	**(15,909)**	**(15,909)**
Exchange fluctuation		**-**	**-**	**1,114**	**1,114**
Reclassification from property and equipment	13	**-**	**-**	**29,513**	**29,513**
As at 30 June		**152,434**	**116,810**	**615,955**	**885,199**
Net book value as at 30 June 2020		**-**	**10,616**	**193,982**	**204,598**
2019					
Cost or valuation					
As at 1 July		152,434	127,426	647,324	927,184
Additions		-	-	16,029	16,029
Disposals/write-off		-	-	(18,632)	(18,632)
Exchange fluctuation		-	-	956	956
Reclassification from property and equipment	13	-	-	18,301	18,301
As at 30 June		152,434	127,426	663,978	943,838
Accumulated amortisation and impairment					
As at 1 July		152,434	91,324	514,885	758,643
Amortisation during the financial year		-	12,743	50,788	63,531
Disposals/write-off		-	-	(18,594)	(18,594)
Exchange fluctuation		-	-	630	630
As at 30 June		152,434	104,067	547,709	804,210
Net book value as at 30 June 2019		-	23,359	116,269	139,628

Notes to the Financial Statements
for the financial year ended 30 June 2020

17 INTANGIBLE ASSETS (continued)

The Company	Computer software 2020 RM'000	2019 RM'000
Cost		
As at 1 July	**350**	843
Additions	**-**	3
Disposals/write-off	**-**	(496)
As at 30 June	**350**	350
Accumulated amortisation		
As at 1 July	**347**	842
Amortisation during the financial year	**1**	1
Disposals/write-off	**-**	(496)
As at 30 June	**348**	347
Net book value as at 30 June	**2**	3

The customer relationship and core deposit arise from the acquisition of EON commercial banking business operations.

Customer relationships acquired in a business combination have value when they represent an identifiable and predictable source of future cash flow to the combined business.

The valuation of business banking customer relationships was determined using an income approach, specifically the multi-period excess earning method ("MEEM"). This was done by discounting forecasted incremental customer revenues attributable to existing business banking customer.

Core deposits comprising savings and current accounts are low cost source of funds. The valuation of core deposits was derived using an income approach, specifically the cost savings method under the incremental cash flow method. This was done by discounting forecast net interest savings from core deposits.

The discount rate used in discounting incremental cash flow was based on the risk associated with the identified intangible assets. The remaining amortisation period of customer relationships is approximately 0.8 years (2019: 2 years).

18 DEPOSITS FROM CUSTOMERS

	The Group	
	2020 RM'000	2019 RM'000
At amortised cost		
Fixed deposits	**93,166,106**	90,777,422
Negotiable instruments of deposits	**8,949,638**	9,823,072
Short-term placements	**19,559,750**	16,571,939
	121,675,494	117,172,433
Demand deposits	**27,331,640**	24,012,738
Savings deposits	**21,018,664**	17,706,562
Others	**748,749**	891,350
	170,774,547	159,783,083
At fair value through profit or loss		
Structured deposits linked to interest rate derivatives	**463,933**	2,159,671
Fair value changes arising from designation at fair value through profit or loss*	**(1,416)**	(54,869)
	462,517	2,104,802
	171,237,064	161,887,885

* 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.

(a) The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:

	The Group	
	2020 RM'000	2019 RM'000
Due within:		
- six months	**100,691,104**	93,925,096
- six months to one year	**19,802,680**	21,763,420
- one year to five years	**999,959**	1,440,321
- more than five years	**181,751**	43,596
	121,675,494	117,172,433

Notes to the Financial Statements
for the financial year ended 30 June 2020

18 DEPOSITS FROM CUSTOMERS (continued)

(b) The deposits are sourced from the following customers:

	The Group	
	2020 RM'000	2019 RM'000
Government and statutory bodies	**9,180,558**	7,940,833
Business enterprises	**66,853,926**	65,288,256
Individuals	**92,528,696**	85,560,723
Others	**2,673,884**	3,098,073
	171,237,064	161,887,885

19 INVESTMENT ACCOUNTS OF CUSTOMERS

	The Group	
	2020 RM'000	2019 RM'000
Unrestricted investment accounts	**356,475**	2,235

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2020 RM'000	2019 RM'000
Licensed banks	**5,492,524**	7,379,378
Licensed investment banks	**75,304**	225,055
Licensed Islamic banks	**-**	140,000
Central banks (Note)	**1,176,258**	12,222
Other financial institutions	**1,830,205**	2,023,889
	8,574,291	9,780,544

Note:
Deposits and placements from central banks includes monies received by the Group under government financing scheme "BNM SRF SME Fund" as part of the government support measure in response to COVID-19 pandemic for the purpose of SME lending at a below market rate with a six-year maturity amounting to RM1,011,970,000. The financing under the government scheme is for lending at concession rates to SMEs.

21 DERIVATIVE FINANCIAL INSTRUMENTS

	Note	The Group		The Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Derivatives at fair value through profit or loss					
- Interest rate swaps		**577,664**	247,904	**-**	-
- Cross currency swaps		**176,282**	156,760	**-**	-
- Foreign currency forwards		**365,696**	125,999	**-**	-
- Foreign currency options		**6,746**	8,129	**-**	-
- Foreign currency swaps		**6,086**	8,731	**-**	-
- Futures		**500**	71	**-**	-
- Equity options		**13,493**	7,830	**-**	-
- Total return swap		**19,960**	1,008	**-**	-
Derivatives designated as fair value hedge					
- Interest rate swaps	(b)	**7,099**	12,890	**-**	-
- Foreign currency forwards		**3,119**	863	**-**	-
Total derivative financial instruments assets		**1,176,645**	570,185	**-**	-
Derivatives at fair value through profit or loss					
- Interest rate swaps		**(952,371)**	(467,971)	**-**	(135)
- Cross currency swaps		**(133,567)**	(65,089)	**-**	-
- Foreign currency forwards		**(203,222)**	(110,057)	**-**	-
- Foreign currency options		**(7,343)**	(4,416)	**-**	-
- Foreign currency swaps		**(4,568)**	(4,228)	**-**	-
- Equity options		**(13,495)**	(7,814)	**-**	-
- Futures		**(65)**	(3,074)	**-**	-
- Swaption		**(12,945)**	(41,201)	**-**	-
- Total return swap		**(19,960)**	(1,008)	**-**	-
Derivatives designated as cash flow hedge					
- Interest rate swaps	(a)	**(11,400)**	(3,385)	**-**	-
Derivatives designated as fair value hedge					
- Interest rate swaps	(b)	**(42,355)**	(24,003)	**-**	-
- Foreign currency forwards		**(625)**	(197)	**-**	-
Total derivative financial instruments liabilities		**(1,401,916)**	(732,443)	**-**	(135)

Notes to the Financial Statements
for the financial year ended 30 June 2020

21 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(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 cashflows of the hedging instruments and the hedged items are detailed below:

	The Group				
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000
As at 30 June 2020					
Cash inflows (hedging instruments)	**-**	**2,022**	**1,890**	**3,552**	**10,814**
Cash outflows (hedged items)	**-**	**(1,898)**	**(1,662)**	**(3,072)**	**(9,499)**
Net cash inflows	**-**	**124**	**228**	**480**	**1,315**
As at 30 June 2019					
Cash inflows (hedging instruments)	1,380	3,062	4,399	5,854	24,384
Cash outflows (hedged items)	(1,369)	(2,778)	(4,110)	(5,349)	(22,630)
Net cash inflows	11	284	289	505	1,754

(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 RM946,432,500 (2019: RM705,004,500) and foreign currency risk of RM452,268,974 (2019: RM322,157,777) 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 loss of RM35,256,000 (2019: loss RM11,113,000) and of the said foreign currency forwards amounted to gain of RM2,494,000 (2019: gain RM666,000).

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	
	2020 RM'000	2019 RM'000
Gain/(loss) on hedging instruments	**13,064**	(7,167)
(Loss)/gain on the hedged items attributable to the hedged risks	**(14,595)**	5,282
	(1,531)	(1,885)

22 PAYABLES AND OTHER LIABILITIES

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Trade payables		**3,425,048**	3,062,424	**-**	-
Post employment benefits obligation					
- defined contribution plan		**1,919**	1,892	**46**	45
Loan advance payment		**3,916,289**	3,351,885	**-**	-
Treasury and cheque clearing		**210,699**	452,626	**-**	-
Treasury related payables		**197,219**	149,347	**-**	-
Sundry creditors and accruals		**352,687**	224,309	**1,627**	20,848
Provision for reinstatement cost		**23,441**	-	**237**	-
Provision for bonus and staff related expenses		**211,345**	222,387	**5,945**	13,025
Expected credit losses on financial guarantee contracts	(a)	**8,480**	7,928	**-**	-
Financial liabilities due to third party investors	(b)	**5,609,138**	4,816,377	**-**	-
Others		**1,240,922**	945,272	**-**	-
		15,197,187	13,234,447	**7,855**	33,918

(a) Movements in expected credit losses of financial guarantee contracts are as follows:

The Group	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2020				
As at 1 July	**2,380**	**5,527**	**21**	**7,928**
Changes in ECL due to transfer within stages	**(53)**	**47**	**6**	**-**
- Transfer to Stage 1	**4**	**(4)**	**-**	**-**
- Transfer to Stage 2	**(57)**	**57**	**-**	**-**
- Transfer to Stage 3	**-**	**(6)**	**6**	**-**
New financial assets originated	**177**	**1**	**-**	**178**
Financial assets derecognised	**(24)**	**(23)**	**-**	**(47)**
Changes due to change in credit risk	**772**	**(481)**	**(19)**	**272**
Exchange differences	**8**	**149**	**-**	**157**
Other movements	**-**	**-**	**(8)**	**(8)**
As at 30 June	**3,260**	**5,220**	**-**	**8,480**

Notes to the Financial Statements
for the financial year ended 30 June 2020

22 PAYABLES AND OTHER LIABILITIES (continued)

(a) Movements in expected credit losses of financial guarantee contracts are as follows: (continued)

The Group	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2019				
As at 1 July				-
Effect of adopting MFRS 9				6,920
As at 1 July, as restated	2,065	4,855	-	6,920
Changes in ECL due to transfer within stages	(13)	(80)	93	-
- Transfer to Stage 1	23	(23)	-	-
- Transfer to Stage 2	(36)	36	-	-
- Transfer to Stage 3	-	(93)	93	-
New financial assets originated	142	2	-	144
Financial assets derecognised	(28)	(12)	-	(40)
Changes due to change in credit risk	220	642	(68)	794
Exchange differences	(6)	120	-	114
Other movements	-	-	(4)	(4)
As at 30 June	2,380	5,527	21	7,928

(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 2020 RM'000	The Company 2020 RM'000
Lease liabilities	**231,268**	**5,905**

Scheduled repayment of lease liabilities, showing contractual undiscounted cash flows:

	The Group 2020 RM'000	The Company 2020 RM'000
Scheduled repayment of lease liabilities		
- Not later than one year	**44,011**	**806**
- Later than one year and not later than five years	**118,302**	**3,687**
- Later than five years	**68,955**	**1,412**
	231,268	**5,905**

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax assets/(liabilities)				
- to be recovered within 12 months	**249,583**	134,009	**83**	135
- to be recovered more than 12 months	**(423,595)**	(364,257)	**-**	-
	(174,012)	(230,248)	**83**	135

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax assets				
- Cash flow hedge reserve	**2,681**	812	**-**	-
- Unutilised tax credit	**82,875**	79,982	**-**	-
- Provision for expenses	**97,410**	60,878	**-**	-
- Expected credit loss	**151,994**	74,733	**-**	-
- Other temporary differences	**96**	2,607	**83**	135
	335,056	219,012	**83**	135
Deferred tax liabilities				
- Property and equipment	**(70,149)**	(75,285)	**-**	-
- Financial investments at FVOCI	**(90,341)**	(45,024)	**-**	-
- Financial assets at FVTPL	**(80,314)**	(80,327)	**-**	-
- Intangible assets	**(2,554)**	(5,606)	**-**	-
- Unallocated surplus	**(258,649)**	(236,785)	**-**	-
- Other temporary differences	**(7,061)**	(6,233)	**-**	-
	(509,068)	(449,260)	**-**	-
Deferred tax (liabilities)/assets net	**(174,012)**	(230,248)	**83**	135

Notes to the Financial Statements

for the financial year ended 30 June 2020

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 RM'000	Financial investments at FVOCI RM'000	Financial assets at FVTPL RM'000	Cash flow hedge reserve RM'000	Intangible assets RM'000	Unutilised tax credit RM'000	Expected credit losses RM'000	Provision for expenses RM'000	Unallocated surplus RM'000	Other temporary differences RM'000	Total RM'000
2020												
As at 1 July		**(75,285)**	**(45,024)**	**(80,327)**	**812**	**(5,606)**	**79,982**	**74,733**	**60,878**	**(236,785)**	**(3,626)**	**(230,248)**
Credited/(charged) to statements of income	43	**5,189**	**-**	**8,312**	**-**	**3,052**	**2,893**	**77,261**	**36,428**	**(21,864)**	**(4,210)**	**107,061**
(Charged)/credited to Insurance funds		**-**	**-**	**(8,299)**	**-**	**-**	**-**	**-**	**-**	**-**	**871**	**(7,428)**
(Charged)/credited to equity	59	**-**	**(45,317)**	**-**	**1,869**	**-**	**-**	**-**	**-**	**-**	**-**	**(43,448)**
Exchange difference		**(53)**	**-**	**-**	**-**	**-**	**-**	**-**	**104**	**-**	**-**	**51**
As at 30 June		**(70,149)**	**(90,341)**	**(80,314)**	**2,681**	**(2,554)**	**82,875**	**151,994**	**97,410**	**(258,649)**	**(6,965)**	**(174,012)**
2019												
As at 1 July		(82,980)	29,785	(1,978)	(161)	(8,665)	82,527	-	103,911	(206,900)	6,152	(78,309)
Effect of adopting MFRS 9		-	(286)	(21,175)	-	-	(173)	1,409	-	(3,153)	5,417	(17,961)
As at 1 July, as restated		(82,980)	29,499	(23,153)	(161)	(8,665)	82,354	1,409	103,911	(210,053)	11,569	(96,270)
Credited/(charged) to statements of income	43	7,755	-	188	-	3,059	(2,372)	73,324	(42,995)	(26,732)	(8,931)	3,296
Charged to Insurance funds		-	-	(57,362)	-	-	-	-	-	-	(6,264)	(63,626)
(Charged)/credited to equity	59	-	(74,523)	-	973	-	-	-	-	-	-	(73,550)
Exchange difference		(60)	-	-	-	-	-	-	(38)	-	-	(98)
As at 30 June		(75,285)	(45,024)	(80,327)	812	(5,606)	79,982	74,733	60,878	(236,785)	(3,626)	(230,248)

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 RM'000	Total RM'000
2020			
As at 1 July		**135**	**135**
Charged to statements of income	43	**(52)**	**(52)**
As at 30 June		**83**	**83**
2019			
As at 1 July		75	75
Credited to statements of income	43	60	60
As at 30 June		135	135

25 BORROWINGS

		The Group		The Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revolving credit	(a)	**205,644**	430,501	**205,644**	430,501
Commercial papers	(b)	**338,975**	214,587	**338,975**	214,587
Medium term notes	(b)	**223,027**	222,950	**253,445**	253,368
Term loans	(c)	**5,001**	150,058	**5,001**	150,058
Senior notes	(d)	**380,180**	380,181	**405,441**	405,367
		1,152,827	1,398,277	**1,208,506**	1,453,881

(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.

The MTNs are issued at par and the issue price is calculated in accordance with the FAST Rules, at the tenure which shall be more than one (1) year as the Company may select.

The CP/MTNs are unsecured and the Company is required to maintain a debt to equity ratio for these facilities.

(c) The Company has an unsecured term loan facility of RM5.0 million maturing on 29 July 2020.

(d) On 6 September 2018, the Company issued an unsecured RM400.0 million in aggregate principal amount of Senior Notes ("the Notes") out of its multi-currency perpetual notes programme. The Notes were issued for a period of three years.

Notes to the Financial Statements
for the financial year ended 30 June 2020

26 SUBORDINATED OBLIGATIONS

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
RM300.0 million Tier 2 subordinated debt, at par	(a)	**300,000**	500,000	**-**	-
Add: Interest payable		**4,683**	8,815	**-**	-
		304,683	508,815	**-**	-
Less: Unamortised discounts		**-**	(1,089)	**-**	-
		304,683	507,726	**-**	-
RM50.0 million Tier 2 subordinated notes, at par	(b)	**-**	50,000	**-**	-
Add: Interest payable		**-**	406	**-**	-
		-	50,406	**-**	-
Less: Unamortised discounts		**-**	(98)	**-**	-
		-	50,308	**-**	-
RM1.6 billion Tier 2 subordinated notes, at par	(c)	**1,600,000**	1,600,000	**1,600,000**	1,600,000
Add: Interest payable		**2,479**	2,608	**2,479**	2,608
		1,602,479	1,602,608	**1,602,479**	1,602,608
Less: Unamortised discounts		**(180)**	(210)	**(1,885)**	(2,403)
		1,602,299	1,602,398	**1,600,594**	1,600,205
		1,906,982	2,160,432	**1,600,594**	1,600,205

(a) On 7 February 2013, Hong Leong Assurance Berhad ("HLA"), a wholly owned subsidiary of HLA Holdings Sdn Bhd and also an indirect subsidiary of HLFG, completed a Subordinated Notes ("Sub-Notes") issuance of RM500.0 million in nominal value. The Sub-Notes were issued for a period of 12 years on a 12 non-callable 7 years basis with a coupon rate of 4.50% per annum.

On 3 February 2020, HLA completed the 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.

The above Sub-Notes are unsecured liabilities and classified as Tier 2 capital under Risk-Based Capital Framework for Insurers.

On 7 February 2020, HLA had called and fully redeemed the RM500.0 million nominal value of Sub-Notes, issued on 7 February 2013.

26 SUBORDINATED OBLIGATIONS (continued)

(b) On 6 November 2014, Hong Leong Investment Bank Berhad ("HLIB"), a wholly owned subsidiary of Hong Leong Capital Berhad and also an indirect subsidiary of HLFG, had completed the first issuance of RM50.0 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50.0 million Sub-Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 5.30% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

The Sub-Notes constitute unsecured liabilities of HLIB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLIB in accordance with the terms and conditions of the issue, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub-Notes. The Sub-Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLIB.

On 6 November 2019, HLIB had fully redeemed the RM50.0 million nominal value of Sub-Notes.

(c) On 25 June 2018, the Company had 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 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.

The Sub-Notes constitute unsecured liabilities of the Company.

Notes to the Financial Statements

for the financial year ended 30 June 2020

27 INNOVATIVE TIER 1 CAPITAL SECURITIES

	The Group	
	2020 RM'000	2019 RM'000
RM500.0 million Innovative Tier 1 capital securities, at par	-	453,200
Add: Interest payable	-	11,463
	-	464,663
Less: Unamortised discounts	-	(502)
Fair value adjustments on completion of business combination accounting	-	112
	-	464,273

On 10 September 2009, Promino Sdn Bhd, an indirect subsidiary of the Company issued the first tranche of Innovative Tier 1 Capital Securities ("IT-1 Capital Securities") amounting to RM500.0 million in nominal value, from its RM1.0 billion IT-1 Capital Securities Programme. The IT-1 Capital Securities is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by BNM.

The RM500.0 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500.0 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500.0 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

On 1 July 2011, the above IT-1 Capital Securities was vested to HLB. The IT-1 Capital Securities constitute unsecured and subordinated obligations of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities which rank equally in, and/or junior to, the rights of payment of the IT-1 Capital Securities. The IT-1 Capital Securities qualify as Tier 1 capital for the purpose of computing the capital adequacy ratio of HLB.

On 10 September 2019, HLB had fully redeemed the RM500.0 million nominal value of IT-1 Capital Securities.

28 MULTI-CURRENCY ADDITIONAL TIER 1 CAPITAL SECURITIES

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
RM800 million Multi-currency Additional Tier 1 capital securities at par	**800,000**	800,000	**800,000**	800,000
Add: Interest payable	**6,804**	6,799	**6,804**	6,799
	806,804	806,799	**806,804**	806,799
Less: Unamortised discounts	**(305)**	(423)	**(1,165)**	(1,563)
	806,499	806,376	**805,639**	805,236

28 MULTI-CURRENCY ADDITIONAL TIER 1 CAPITAL SECURITIES (continued)

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.

Subsequently, 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.

The Capital Securities constitute unsecured liabilities of the Company.

29 INSURANCE FUNDS

	The Group	
	2020 RM'000	**2019 RM'000**
Unearned premium reserves	**91,025**	74,418
Life policyholders' fund	**13,194,425**	12,382,015
Life investment-linked unitholders' fund	**3,177,291**	2,618,784
	16,462,741	15,075,217

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.

Notes to the Financial Statements

for the financial year ended 30 June 2020

30 SHARE CAPITAL

	The Group and the Company			
	2020		2019	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Issued and fully paid capital				
Ordinary shares with no par value	**1,147,517**	**2,267,008**	1,147,517	2,267,008

31 RESERVES

		The Group		The Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Retained profits	(a)	**16,910,345**	15,196,453	**13,888,423**	13,313,734
Regulatory reserves	(b)	**860,504**	869,923	**-**	-
Share options reserve	(c)	**74,895**	86,129	**16,951**	16,676
Exchange fluctuation reserve	(d)	**568,102**	510,959	**-**	-
Other capital reserve	(e)	**213,314**	213,314	**254,991**	254,991
Fair value reserve	(f)	**248,248**	116,503	**-**	-
Cash flow hedge reserve	(g)	**(5,570)**	(1,790)	**-**	-
		18,869,838	16,991,491	**14,160,365**	13,585,401

(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 RM9.4 million at Group has been transferred from regulatory reserves to retained profits (2019: RM108.5 million from retained profits to regulatory reserves).

Included in the Group is the regulatory reserve maintained by the Group's banking subsidiary company in Vietnam of RM11.2 million (2019: RM11.2 million) in line with the requirements of the State Bank of Vietnam.

31 RESERVES (continued)

(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 ESOS are disclosed in Note 56 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.

(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.

		The Group	
		2020	**2019**
	Note	**RM'000**	**RM'000**
As at 1 July		**116,503**	109,284
Effect of adopting MFRS 9		**-**	(190,324)
As at 1 July, as restated		**116,503**	(81,040)
Net gain from change in fair value		**504,880**	470,539
Changes in expected credit losses		**700**	(862)
Reclassification to net profits/retained profits on disposal and impairment		**(283,811)**	(124,496)
Deferred taxation	59	**(45,317)**	(74,523)
Share of fair value reserve of associated companies		**21,255**	23,162
Net change in fair value reserve		**197,707**	293,820
Attributable to non-controlling interests		**(65,962)**	(96,277)
As at 30 June		**248,248**	116,503

(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.

32 TREASURY SHARES FOR ESOS

The Company has entered into a Trust for ESOS purposes established via the signing of a Trust Deed on 23 January 2006 with AmTrustee Berhad in conjunction with the establishment of Executive Share Option Schemes ("ESOS"). 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 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.

Notes to the Financial Statements
for the financial year ended 30 June 2020

32 TREASURY SHARES FOR ESOS (continued)

In accordance with MFRS 132 "Financial Instruments: Presentation", the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS" in the equity on the statements of financial position. The number of shares held by the appointed trustee was 9,636,000 shares (2019: 8,089,200) at an average price of RM18.74 per share (2019: RM18.81). The total consideration paid, including transaction costs was RM180,587,544 (2019: RM152,144,115).

Pursuant to the insurance subsidiary company's ESOS, the insurance subsidiary company also held 4,081,900 (2019: 1,083,900) units of the Company's shares at an average price of RM14.27 (2019: RM9.01) per share with total consideration paid, including transaction costs of RM58,246,303 (2019: RM9,764,421), which have been classified as treasury shares held for ESOS at the Group level.

The main features of the ESOS are disclosed in the Director's Report and details of the ESOS are disclosed in Note 56 to the financial statements.

33 INTEREST INCOME

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loans, advances and financing (Note)	**4,650,372**	4,841,206	**-**	-
Money at call and deposit placements with financial institutions	**398,595**	441,686	**972**	950
Securities purchased under resale agreements	**49**	952	**-**	-
Financial investments at FVOCI	**728,038**	872,786	**-**	-
Financial investments at amortised cost	**445,319**	454,193		
Others	**24,004**	27,177	**110,532**	52,112
	6,246,377	6,638,000	**111,504**	53,062
Of which:				
Accretion of discount less amortisation of premium	**150,279**	237,117	**-**	-
Interest income earned on impaired loans, advances and financing	**3,275**	12,915	**-**	-

Note:
During the financial year, the Group granted an automatic moratorium on certain loan/financing repayments/payments, by individuals and small and medium enterprises (SMEs) for a period of six months from 1 April 2020. This, among other measures, was to assist borrowers experiencing temporary financial constraints due to the COVID-19 pandemic and the introduction of the Movement Control Order implemented by the Malaysian Government to control the spread of the pandemic. As a result of the payment moratorium, the Group recognised a loss from the modification of cash flows of the loan/financing.

The Group also received funding from the Central Bank and/or the Government, for the purpose of on-lending/financing to SMEs at a concessionary rate/below market rate. The lending/financing by the Group is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic. The benefit under the various government schemes for the Group that is recognised in the statements of income is applied to address some of the financial and accounting impact incurred by the Group for COVID-19 related repayments/payments relief measures.

Please refer to Note 37 for the financial effects of the above.

34 INTEREST INCOME FOR FINANCIAL ASSETS AT FVTPL

	The Group	
	2020 RM'000	**2019 RM'000**
Financial assets at FVTPL	**316,685**	449,813

35 INTEREST EXPENSE

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Deposits and placements of banks and other financial institutions	**169,268**	298,538	**-**	-
Deposits from customers	**2,849,212**	3,108,656	**-**	-
Short-term placements	**344,652**	429,986	**-**	-
Borrowings	**48,278**	51,556	**48,352**	51,617
Subordinated obligations	**96,654**	142,104	**72,666**	27,028
Recourse obligations on loans sold to Cagamas Berhad	**6,588**	7,602	**-**	-
Innovative Tier 1 capital securities	**8,413**	41,053	**-**	-
Multi-currency Additional Tier 1 capital securities	**40,262**	25,828	**40,709**	26,170
Others	**28,243**	7,924	**572**	347
	3,591,570	4,113,247	**162,299**	105,162

36 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2020 RM'000	**2019 RM'000**
Income derived from investment of depositors' funds and others (Note)	**1,574,201**	1,455,046
Income derived from investment of shareholders' funds (Note)	**188,049**	176,972
Total distributable income	**1,762,250**	1,632,018
Income derived from investment of investment accounts	**37,536**	12
Income attributable to depositors	**(928,214)**	(924,754)
Income attributable to depositors on investment accounts	**(25,032)**	(7)
	846,540	707,269
Of which:		
Financing income earned on impaired financing and advances	**996**	1,553

Notes to the Financial Statements
for the financial year ended 30 June 2020

36 INCOME FROM ISLAMIC BANKING BUSINESS (continued)

Note:
During the financial year, the Group granted an automatic moratorium on certain financing repayments/payments, by individuals and small and medium enterprises (SMEs) for a period of six months from 1 April 2020. This, among other measures, was to assist borrowers experiencing temporary financial constraints due to the COVID-19 pandemic and the introduction of the Movement Control Order implemented by the Malaysian Government to control the spread of the pandemic. As a result of the payment moratorium, the Group recognised a loss from the modification of cash flows of the financing.

The Group also received funding from the Central Bank and/or the Government, for the purpose of on financing to SMEs at a concessionary rate/below market rate. The financing by the Group is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic. The benefit under the various government schemes for the Group that is recognised in the statements of income is applied to address some of the financial and accounting impact incurred by the Group for COVID-19 related repayments/payments relief measures.

Please refer to Note 37 for the financial effects of the above.

37 FINANCIAL EFFECTS OF LOSS FROM THE MODIFICATION OF CASH FLOWS AND BENEFITS RECOGNISED UNDER THE VARIOUS GOVERNMENT SCHEMES

	The Group	
	2020 RM'000	2019 RM'000
(i) Loss on modification of cash flow		
included in interest income (Note 33)	(285,723)	-
included in income from Islamic banking business (Note 36)	(190,227)	-
Subtotal	(475,950)	-
(ii) Benefits recognised under the various government schemes		
included in interest income (Note 33)	194,972	-
included in income from Islamic banking business (Note 36)	138,511	-
Subtotal	333,483	-
Net effects of (i) and (ii)		
included in interest income (Note 33)	(90,751)	-
included in income from Islamic banking business (Note 36)	(51,716)	-
Total	(142,467)	-

38 NON-INTEREST INCOME

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Insurance income	232,003	318,878	-	-
Brokerage income	75,959	51,868	-	-
Fee income				
Commissions	142,217	148,490	-	-
Service charges and fees	43,739	51,723	-	-
Guarantee fees	13,291	15,488	-	-
Credit card related fees	199,483	239,129	-	-
Corporate advisory fees	3,526	6,499	-	-
Commitment fees	33,150	32,662	-	-
Fee on loans, advances and financing	38,112	37,193	-	-
Placement fees	8,353	5,852	-	-
Arranger fees	3,365	4,363	-	-
Unit trust fee income	56,899	50,199	-	-
Other fee income	135,211	119,102	8,744	10,212
	677,346	710,700	8,744	10,212
Net income from securities				
Net realised gain/(loss) from sale of:				
- financial assets at FVTPL	141,792	126,024	(35)	(51)
- financial investments at FVOCI	391,143	168,261	-	-
- financial investments at amortised cost	-	15,902	-	-
- derivative financial instruments	(27,588)	(257,356)	135	-
Gross dividend income from:				
- financial assets at FVTPL	54,716	94,233	1,800	1,287
- financial investments at FVOCI	3,683	203	-	-
- subsidiary companies	-	-	773,246	681,419
Net unrealised (loss)/gain on revaluation of:				
- financial assets at FVTPL	(13,096)	72,682	-	-
- derivative financial instruments	(149,749)	11,860	-	192
- investment properties	(15,000)	(6,594)	-	-
Net realised loss on fair value changes arising from fair value hedges	(2,994)	(504)	-	-
Net unrealised loss on fair value changes arising from fair value hedges	(1,531)	(305)	-	-
	381,376	224,406	775,146	682,847
Other income				
Foreign exchange gain	45,775	169,372	-	-
Rental income	7,812	9,135	-	-
Net gain/(loss) on disposal of property and equipment	4,200	1,552	-	(54)
Net gain on divestment of joint venture	-	90,106	-	-
Gain on liquidation of a subsidiary	-	-	83	21
Other non-operating income	15,322	20,158	260	58
	73,109	290,323	343	25
	1,439,793	1,596,175	784,233	693,084

Notes to the Financial Statements
for the financial year ended 30 June 2020

39 OVERHEAD EXPENSES

		The Group		The Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Personnel costs	(a)	**1,324,192**	1,320,730	**13,161**	38,177
Establishment costs	(b)	**555,057**	552,337	**2,172**	2,272
Marketing expenses	(c)	**176,173**	213,718	**-**	-
Administration and general expenses	(d)	**303,981**	294,099	**3,699**	4,075
		2,359,403	2,380,884	**19,032**	44,524

(a) Personnel costs comprise the following:

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Salaries, bonus and allowances	**1,213,969**	1,188,062	**11,280**	24,068
Medical expenses	**39,815**	32,373	**104**	139
Training and convention expenses	**16,451**	24,686	**19**	59
Staff welfare	**11,198**	11,286	**566**	608
Other employees benefits	**42,759**	64,323	**1,192**	13,303
	1,324,192	1,320,730	**13,161**	38,177

(b) Establishment costs comprise the following:

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	**141,702**	139,467	**748**	1,124
Depreciation of right-of-use assets	**55,211**	-	**940**	-
Amortisation of intangible assets	**63,387**	59,854	**1**	1
Rental of premises	**4,051**	66,991	**-**	937
Information technology expenses	**189,228**	182,351	**133**	141
Security services	**28,476**	28,807	**-**	-
Electricity, water and sewerage	**24,855**	26,240	**44**	47
Hire of plant and machinery	**13,677**	12,632	**-**	-
Others	**34,470**	35,995	**306**	22
	555,057	552,337	**2,172**	2,272

39 OVERHEAD EXPENSES (continued)

(c) Marketing expenses comprise the following:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Advertisement and publicity	**34,770**	35,434	**-**	-
Sales commission and credit card related fees	**108,683**	128,651	**-**	-
Others	**32,720**	49,633	**-**	-
	176,173	213,718	**-**	-

(d) Administration and general expenses comprise the following:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Teletransmission expenses	**22,829**	20,485	**34**	35
Stationery and printing expenses	**13,653**	15,924	**26**	42
Professional fees	**94,073**	92,861	**1,200**	1,175
Insurance fees	**44,147**	42,102	**-**	-
Stamp, postage and courier	**15,719**	15,431	**3**	2
Credit card fees	**45,771**	43,056	**-**	-
Travelling and transport expenses	**4,442**	4,869	**24**	47
Registration and license fees	**9,420**	10,199	**-**	-
Brokerage and commission	**8,549**	8,425	**-**	-
Others	**45,378**	40,747	**2,412**	2,774
	303,981	294,099	**3,699**	4,075

Notes to the Financial Statements
for the financial year ended 30 June 2020

39 OVERHEAD EXPENSES (continued)

The above expenditure includes the following statutory disclosures:

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Directors' remuneration (Note 42)	**9,363**	13,106	**8,898**	12,621
Auditors' remuneration*:				
(i) PwC Malaysia firm				
- statutory audit	**2,925**	3,393	**149**	140
- regulatory related fees	**809**	741	**32**	32
- other services	**520**	171	**177**	1
- tax compliance	**82**	134	**-**	-
(ii) PwC overseas affiliated firms				
- statutory audit	**655**	694	**-**	-
- regulatory related fees	**186**	189	**-**	-
- tax compliance	**91**	90	**-**	-
Property and equipment written off	**26,399**	8,844	**-**	-
Intangible assets written off	**8,357**	37	**-**	-
Options (writeback)/charge arising from ESOS	**(3,892)**	41,129	**275**	12,507

* There was no indemnity given or insurance effected for the auditors of the Group and the Company during the financial year.

40 ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER LOSSES

	The Group	
	2020 RM'000	2019 RM'000
Allowance for impairment losses on loans, advances and financing		
- expected credit losses	**502,084**	221,467
Allowance for/(writeback of) impairment losses on clients' and brokers' balances		
- expected credit losses	**1,806**	(149)
Impaired loans, advances and financing		
- written off	**17,976**	17,679
- recovered from bad debt written off	**(192,235)**	(226,703)
	329,631	12,294

41 ALLOWANCE FOR/(WRITEBACK OF) IMPAIRMENT LOSSES ON OTHER ASSETS

	The Group	
	2020 RM'000	2019 RM'000
Expected credit losses on:		
- financial investments at FVOCI	**670**	(968)
- financial investments at amortised cost	**(2)**	189
- other receivables	**194**	(302)
- cash and short-term funds	**(371)**	47
- deposits and placements with banks and other financial institutions	**(254)**	(74)
	237	(1,108)

	The Company	
	2020 RM'000	2019 RM'000
Expected credit losses on investment in debt instruments issued by subsidiary companies	**(3)**	2,146

Notes to the Financial Statements

for the financial year ended 30 June 2020

42 DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all Directors for the financial year are as follows:

	The Group				The Company			
2020	Salaries, allowances and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000	Salaries, allowances and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000
Executive Director								
Mr Tan Kong Khoon	8,131	-	22	8,153	8,131	-	22	8,153
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	23	23	-	-	23	23
Ms Lim Lean See (Retired with effect from 22 August 2020)	14	170	-	184	14	170	-	184
Mr Saw Kok Wei (Retired with effect from 22 August 2020)	12	160	-	172	12	160	-	172
Ms Leong Ket Ti	21	265	-	286	11	150	-	161
YM Raja Noorma binti Raja Othman	21	256	-	277	6	110	-	116
Ms Chong Chye Neo (Appointed with effect from 28 November 2019)	10	235	-	245	1	65	-	66
YBhg Dato' Noorazman bin Abd Aziz (Appointed with effect from 20 April 2020)	1	22	-	23	1	22	-	23
	79*	1,108	23	1,210	45*	677	23	745
Total Directors' remuneration	8,210	1,108	45	9,363	8,176	677	45	8,898
Directors of subsidiaries	11,680	4,052	89	15,821				

* Directors' meeting allowances

Notes to the Financial Statements
for the financial year ended 30 June 2020

42 DIRECTORS' REMUNERATION (continued)

Forms of remuneration in aggregate for all Directors for the financial year are as follows: (continued)

2019	The Group Salaries, allowances and other remunerations RM'000	The Group Director fees RM'000	The Group Estimated monetary value for benefits-in-kind RM'000	The Group Total RM'000	The Company Salaries, allowances and other remunerations RM'000	The Company Director fees RM'000	The Company Estimated monetary value for benefits-in-kind RM'000	The Company Total RM'000
Executive Director								
Mr Tan Kong Khoon	12,018	-	29	12,047	12,018	-	29	12,047
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	35	35	-	-	35	35
Ms Lim Lean See	36	386	-	422	12	162	-	174
Mr Saw Kok Wei	11	156	-	167	11	156	-	167
Ms Lim Tau Kien (Retired with effect from 8 April 2019)	20	262	-	282	9	127	-	136
Ms Leong Ket Ti (Appointed with effect from 8 March 2019)	7	116	-	123	2	44	-	46
YM Raja Noorma binti Raja Othman (Appointed with effect from 10 May 2019)	-	30	-	30	-	16	-	16
	74*	950	35	1,059	34*	505	35	574
Total Directors' remuneration	12,092	950	64	13,106	12,052	505	64	12,621
Directors of subsidiaries	10,645	3,820	89	14,554				

* Directors' meeting allowances

Notes to the Financial Statements
for the financial year ended 30 June 2020

42 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 (2019: RM10 million). The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group was RM67,688 (2019: RM67,688) and the apportioned amount of the said premium paid by the Company was RM3,382 (2019: RM3,382).

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.

43 TAXATION

		The Group		The Company	
		2020	**2019**	**2020**	**2019**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Income tax		**635,106**	646,234	**530**	6,200
Deferred taxation	24	**(107,061)**	(3,296)	**52**	(60)
Over accrual in prior years		**(7,479)**	(51,559)	**(8,786)**	(2,033)
Taxation		**520,566**	591,379	**(8,204)**	4,107

A reconciliation of income tax applicable to profit before taxation at the statutory income tax rate to income tax expenses of the Group and the Company is as follows:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before taxation	**3,299,521**	3,505,640	**714,409**	594,314
Tax calculated at a rate of 24% (2019: 24%)	**791,885**	841,354	**171,458**	142,635
Tax effects of:				
- Differences in tax rate of foreign inward and offshore insurance	**961**	(47)	**-**	-
- Income not subject to tax	**(170,986)**	(149,566)	**(212,865)**	(163,887)
- Share of net income of associated companies	**(175,432)**	(148,728)	**-**	-
- Expenses not deductible for tax purposes	**101,277**	106,384	**41,989**	27,392
- Over accrual in prior years	**(7,479)**	(51,559)	**(8,786)**	(2,033)
- Recognition of unutilised tax credit previously not recognised	**(21,303)**	(8,306)	**-**	-
- Origination of temporary differences not recognised	**1,643**	1,847	**-**	-
Taxation	**520,566**	591,379	**(8,204)**	4,107

43 TAXATION (continued)

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses with no expiry period will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2019 can be carried forward for up to 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2026).

44 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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Weighted average number of ordinary shares ('000)	**1,135,392**	1,144,036	**1,137,985**	1,146,293
Net profit attributable to owners of the parent	**1,857,502**	1,919,359	**722,613**	590,207
Basic earnings per share (sen)	**163.6**	167.8	**63.5**	51.5

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.

45 DIVIDENDS

Dividends recognised as distribution to ordinary equity holders of the Company:

	The Group and The Company	
	2020 RM'000	**2019 RM'000**
First interim single-tier dividend of 13 sen per share (2019: 13 sen per share)	**147,924**	149,047
Second interim single-tier dividend of 29 sen per share	**-**	331,040
	147,924	480,087

The Directors now propose a final single-tier dividend of 25 sen per share in respect of the financial year ended 30 June 2020. The financial statements for the current financial year do not reflect this proposed dividend and will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2021.

Notes to the Financial Statements

for the financial year ended 30 June 2020

46 COMMITMENTS AND CONTINGENCIES

(a) 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 their 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		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Commitments and contingencies				
Direct credit substitutes*	**134,166**	118,740	**-**	-
Certain transaction related contingent items	**1,489,056**	1,446,851	**-**	-
Short-term self liquidating trade related contingencies	**538,144**	674,511	**-**	-
Obligations under underwriting agreement	**-**	18,860	**-**	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	**52,352**	-	**-**	-
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:				
- less than one year	**894,438**	750,103	**-**	-
Irrevocable commitments to extend credit:				
- less than one year	**20,856,358**	19,020,280	**-**	-
- more than one year	**17,807,310**	17,720,606	**-**	-
Unutilised credit card lines	**7,463,767**	7,276,500	**-**	-
	49,235,591	47,026,451	**-**	-
Derivative financial instruments				
Foreign exchange related contracts^:				
- less than one year	**42,221,526**	37,642,710	**-**	-
- one year to less than five years	**4,089,668**	3,995,994	**-**	-
- five years and above	**288,397**	301,327	**-**	-
Interest rate related contracts^:				
- less than one year	**20,322,617**	43,078,630	**-**	100,000
- one year to less than five years	**35,309,632**	37,887,050	**-**	-
- five years and above	**2,719,803**	3,415,389	**-**	-
Equity related contracts^:				
- less than one year	**264,263**	627,537	**-**	-
- one year to less than five years	**136,115**	127,853	**-**	-
Credit related contracts^:				
- five years and above	**291,272**	82,753	**-**	-
	105,643,293	127,159,243	**-**	100,000
	154,878,884	174,185,694	**-**	100,000

* Included in direct credit substitutes are the financial guarantee contracts of RM92,904,339 (2019: RM103,153,716), 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 COMMITMENTS AND CONTINGENCIES (continued)

(b) Other commitments and contingencies - unsecured

Hong Leong Asset Management Bhd, a wholly owned subsidiary company of Hong Leong Capital Berhad ("HLCB"), is the Manager of Hong Leong Consumer Products Sector Fund ("Funds"). HLCB provided a guarantee to Deutsche Trustees Malaysia Berhad, the trustee of the Funds, that if the funds falls below the minimum fund size of RM1 million, HLCB would invest cash, equivalent to the shortfall, into the relevant fund.

The size of each of the funds was above the minimum of RM1 million (2019: RM1 million).

47 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	
	2020 RM'000	2019 RM'000
Authorised and contracted for	**192,700**	164,469
Authorised but not contracted for	**28,052**	51,570
	220,752	216,039

48 LEASE COMMITMENTS

The Group and the Company have lease commitments in respect of rented premise, photocopier machine and scanner, all of which are classified as operating leases at 30 June 2019. From 1 July 2019, the Group and the Company have recognised right-of-use assets for these leases, except for short-term and low value leases which are scoped-out of MFRS 16. A summary of the future minimum lease payments, under non-cancellable operating lease commitments are as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Not more than one year	**-**	18,365	**-**	1,095
More than one year but less than five years	**-**	3,339	**-**	325
More than 5 years	**-**	1,298	**-**	-
	-	23,002	**-**	1,420

49 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 2020

50 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.

BNM had issued a letter dated 24 March 2020 on additional measures to assist borrowers/customers affected by the COVID-19 outbreak. These measures allow banking institutions to remain focused on supporting the economy during these exceptional and unprecedented circumstances, by providing flexibilities for banking institutions to respond swiftly to the needs of their customers. To this effect, banking institutions are allowed to drawdown on the capital conservation buffer of 2.500%. However, BNM fully expects banking institutions to restore their buffers within a reasonable period after 31 December 2020 and to be in position to restore their buffers to the minimum regulatory requirements by 30 September 2021.

(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	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Before deducting proposed dividends								
CET 1 capital ratio	**11.432%**	10.903%	**13.950%**	13.627%	**13.761%**	13.266%	**42.128%**	30.907%
Tier 1 capital ratio	**12.399%**	11.895%	**14.523%**	14.585%	**14.118%**	14.074%	**42.128%**	30.907%
Total capital ratio	**15.382%**	14.968%	**16.750%**	16.839%	**16.245%**	16.203%	**52.768%**	43.489%
After deducting proposed dividends								
CET 1 capital ratio	**11.225%**	10.903%	**13.657%**	13.113%	**13.395%**	12.640%	**35.500%**	28.642%
Tier 1 capital ratio	**12.193%**	11.895%	**14.230%**	14.072%	**13.752%**	13.448%	**35.500%**	28.642%
Total capital ratio	**15.175%**	14.968%	**16.456%**	16.326%	**15.879%**	15.577%	**46.139%**	41.224%

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CET 1 capital								
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	**16,910,345**	15,196,453	**18,172,806**	16,686,412	**12,661,472**	12,034,337	**279,828**	237,920
Other reserves	**979,268**	874,076	**1,029,080**	849,361	**433,536**	315,816	**4,207**	3,507
Qualifying non-controlling interests	**5,727,807**	5,398,860	**-**	-	**-**	-	**-**	-
Less: Treasury shares	**(238,834)**	(161,909)	**(723,344)**	(727,817)	**(723,344)**	(727,817)	**-**	-
Less: Other intangible assets	**(190,515)**	(128,331)	**(187,505)**	(125,225)	**(168,060)**	(110,895)	**-**	-
Less: Goodwill	**(2,346,287)**	(2,346,287)	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)	**(31,380)**	(31,129)
Less: Deferred tax assets	**-**	-	**(86,578)**	(16,030)	**(55,984)**	-	**(85,925)**	(80,926)
Less: Investment in subsidiary companies/ associated companies	**(7,332,038)**	(6,661,118)	**(4,644,527)**	(4,106,375)	**(2,727,486)**	(2,726,932)	**(200)**	(200)
Total CET 1 capital	**15,776,754**	14,438,752	**19,467,683**	18,468,077	**15,387,650**	14,752,025	**419,480**	382,122
Tier 1 capital								
Multi-currency Additional Tier 1 capital securities	**799,695**	799,577	**799,654**	799,523	**799,654**	799,523	**-**	-
Innovative Tier 1 capital securities	**-**	-	**-**	499,498	**-**	499,498	**-**	-
Qualifying non-controlling interests	**535,266**	513,375	**-**	-	**-**	-	**-**	-
Tier 1 capital before regulatory adjustments	**1,334,961**	1,312,952	**799,654**	1,299,021	**799,654**	1,299,021	**-**	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	**-**	-	**-**	-	**(400,000)**	(400,000)	**-**	-
Tier 1 capital after regulatory adjustments	**1,334,961**	1,312,952	**799,654**	1,299,021	**399,654**	899,021	**-**	-
Total Tier 1 capital	**17,111,715**	15,751,704	**20,267,337**	19,767,098	**15,787,304**	15,651,046	**419,480**	382,122
Tier 2 Capital								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	**1,578,441**	1,560,449	**1,607,378**	1,554,893	**1,278,446**	1,267,205	**5,940**	5,556
Subordinated obligations	**1,599,820**	1,599,790	**1,499,970**	1,499,970	**1,499,970**	1,499,970	**100,000**	150,000
Qualifying non-controlling interests	**938,135**	909,772	**-**	-	**-**	-	**-**	-
Less: Investment in Tier 2 subordinated sukuk murabahah	**-**	-	**-**	-	**(400,000)**	(400,000)	**-**	-
Total Tier 2 capital	**4,116,396**	4,070,011	**3,107,348**	3,054,863	**2,378,416**	2,367,175	**105,940**	155,556
Total capital	**21,228,111**	19,821,715	**23,374,685**	22,821,961	**18,165,720**	18,018,221	**525,420**	537,678

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Credit risk*	**126,275,278**	120,247,407	**128,590,231**	124,391,420	**102,275,706**	101,376,433	**476,122**	444,468
Market risk	**2,901,209**	3,244,202	**2,496,060**	2,558,573	**2,562,366**	2,595,185	**257,167**	519,266
Operational risk	**8,833,392**	8,936,235	**8,468,140**	8,577,308	**6,983,001**	7,233,933	**262,434**	272,622
Total RWA	**138,009,879**	132,427,844	**139,554,431**	135,527,301	**111,821,073**	111,205,551	**995,723**	1,236,356

* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM238,775,000 (2019: RM1,294,000) 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	
	2020	2019
Before deducting proposed dividends		
CET 1 capital ratio	**10.871%**	10.529%
Tier 1 capital ratio	**12.432%**	12.258%
Total capital ratio	**15.173%**	15.150%
After deducting proposed dividends		
CET 1 capital ratio	**10.871%**	10.529%
Tier 1 capital ratio	**12.432%**	12.258%
Total capital ratio	**15.173%**	15.150%

51 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 2020

51 SEGMENTAL INFORMATION (continued)

Business segment reporting

Set out below is information of the Group by business segments:

The Group 2020	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Eliminations/ consolidation adjustments RM'000	Consolidated RM'000
Revenue						
External revenue	4,764,262	233,003	292,238	(31,678)	-	5,257,825
Inter-segment revenue	14,094	(278)	1,331	755,030	(770,177)	-
Segment revenue	4,778,356	232,725	293,569	723,352	(770,177)	5,257,825
Overhead expenses of which:	(2,103,804)	(134,764)	(125,610)	(9,039)	13,814	(2,359,403)
Depreciation of property and equipment	(134,390)	(3,371)	(3,169)	(772)	-	(141,702)
Amortisation of intangible assets	(59,025)	(1,702)	(2,658)	(2)	-	(63,387)
Allowance for impairment losses on loans, advances and financing	(327,655)	(1,976)	-	-	-	(329,631)
Writeback of/(allowance for) impairment losses on other assets	167	(235)	(169)	-	-	(237)
Segment results	2,347,064	95,750	167,790	714,313	(756,363)	2,568,554
Share of results of associated companies	642,333	-	88,634	-	-	730,967
Profit before taxation	2,989,397	95,750	256,424	714,313	(756,363)	3,299,521
Taxation						(520,566)
Net profit for the financial year						2,778,955
Non-controlling interests						(921,453)
Profit attributable to owners of the parent						1,857,502
Other information						
Segment assets	221,277,917	4,288,378	24,434,003	19,876,055	(16,273,167)	253,603,186
Segment liabilities	194,043,618	3,448,068	21,109,526	3,630,858	318,365	222,550,435
Other significant segment items						
Capital expenditure	208,617	2,258	21,227	147	-	232,249

Note:
Total segment revenue comprises of net interest income, income from Islamic banking business and non-interest income.

51 SEGMENTAL INFORMATION (continued)

Business segment reporting (continued)

Set out below is information of the Group by business segments: (continued)

The Group 2019	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Eliminations/ consolidation adjustments RM'000	Consolidated RM'000
Revenue						
External revenue	4,702,559	199,387	422,471	(46,407)	-	5,278,010
Inter-segment revenue	23,276	(511)	1,942	677,448	(702,155)	-
Segment revenue	4,725,835	198,876	424,413	631,041	(702,155)	5,278,010
Overhead expenses of which:	(2,091,576)	(122,352)	(151,740)	(36,808)	21,592	(2,380,884)
Depreciation of property and equipment	(132,296)	(3,392)	(2,656)	(1,123)	-	(139,467)
Amortisation of intangible assets	(54,189)	(2,761)	(2,903)	(1)	-	(59,854)
(Allowance for)/writeback of impairment losses on loans, advances and financing	(12,323)	29	-	-	-	(12,294)
Writeback of/(allowance for) impairment losses on other assets	973	179	(44)	-	-	1,108
Segment results	2,622,909	76,732	272,629	594,233	(680,563)	2,885,940
Share of results of associated companies	563,111	-	56,589	-	-	619,700
Profit before taxation	3,186,020	76,732	329,218	594,233	(680,563)	3,505,640
Taxation						(591,379)
Net profit for the financial year						2,914,261
Non-controlling interests						(994,902)
Profit attributable to owners of the parent						1,919,359
Other information						
Segment assets	207,369,415	4,581,194	22,623,114	19,594,576	(16,285,688)	237,882,611
Segment liabilities	181,895,028	3,783,587	19,463,500	3,895,806	243,653	209,281,574
Other significant segment items						
Capital expenditure	134,074	5,941	12,637	26	-	152,678

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 2020

51 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 RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
2020				
Malaysia	**4,953,809**	**237,508,374**	**207,668,624**	**222,562**
Overseas operations	**304,016**	**16,094,812**	**14,881,811**	**9,687**
	5,257,825	**253,603,186**	**222,550,435**	**232,249**
2019				
Malaysia	4,959,130	223,099,369	195,739,628	131,938
Overseas operations	318,880	14,783,242	13,541,946	20,740
	5,278,010	237,882,611	209,281,574	152,678

52 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, Hong Leong Share Registration Services Sdn Bhd, HL Management Co Sdn Bhd and GuoLine Capital Assets Limited ("HLCM Group")	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

52 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related parties and relationship (continued)

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: (continued)

Related parties	Relationship
Hume 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 ("HLMG"), Hume Cement Sdn Bhd, Hume Construction Sdn Bhd, Hume Plastics (Malaysia) Sdn Berhad, Hume Quarry (Sarawak) Sdn Bhd, Hongvilla Development Sdn Bhd, HIMB Overseas Limited, HIMB Trading Limited and Delta Touch Limited	Subsidiary companies of ultimate holding company
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements ("GGL Group")	Subsidiary and associated companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements ("GLM Group")	Subsidiary and associated companies of ultimate holding company
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: - All Directors of the Company - Key management personnel of the Company who are in charge of the HLFG Group
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (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 2020

52 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions

Transactions with related parties are as follows:

	The Group			
2020	**Parent company RM'000**	**Associated companies RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Income				
Interest on deposits	-	312	-	-
Interest on loans	-	-	5,956	-
Interest on redeemable preference shares	-	-	3,934	-
Dividend income	-	-	4,012	-
Rental income	-	-	2,303	-
Brokerage fee received	-	-	591	101
Insurance premium received	-	301	1,557	-
Others	-	-	218	236
	-	613	18,571	337
Expenditure				
Rental and maintenance	-	44	10,453	-
Interest on deposits	-	-	-	183
Interest paid on short-term placements	-	-	8,083	4,798
Interest paid on current account and fixed deposits	-	-	2,347	-
Management fees	-	-	34,052	-
Other miscellaneous expenses	-	496	12,018	-
	-	540	66,953	4,981
Amount due from:				
Loans	-	-	137,887	-
Redeemable preference shares	-	-	25,000	-
Insurance premium receivable	-	-	653	-
Credit card	-	-	-	137
Others	-	-	48	-
	-	-	163,588	137
Amount due to:				
Current account and fixed deposits	-	-	13,082	12,891
Short-term placements	-	-	652,434 *	142,090
Others	-	-	22,330	-
	-	-	687,846	154,981

* Transaction with subsidiary companies of ultimate holding company

52 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Group			
2019	**Parent company RM'000**	**Associated companies RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Income				
Interest on deposits	-	511	-	-
Interest on loans	-	-	6,696	2
Brokerage fee received	-	-	471	175
Insurance premium received	-	-	1,346	-
Others	-	-	2,679	26
	-	511	11,192	203
Expenditure				
Rental and maintenance	-	-	9,181	-
Interest on deposits	-	-	-	1,391
Interest paid on short-term placements	-	-	10,541	3,509
Interest paid on current account and fixed deposits	-	-	934	-
Management fees	-	-	39,012	-
Other miscellaneous expenses	-	-	13,052	-
	-	-	72,720	4,900
Amount due from:				
Current account	-	20,414	-	-
Loans	-	-	125,522	-
Redeemable preference shares	-	-	30,866	-
Insurance premium receivable	-	-	124	-
Credit card	-	-	-	191
Others	-	-	166	-
	-	20,414	156,678	191
Amount due to:				
Current account and fixed deposits	-	-	23,117	15,238
Short-term placements	-	-	515,461 *	317,839
Others	-	-	27,205	-
	-	-	565,783	333,077

* Transaction with subsidiary companies of ultimate holding company

Notes to the Financial Statements
for the financial year ended 30 June 2020

52 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Company			
2020	**Parent company RM'000**	**Subsidiary companies RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Income				
Dividend income	-	773,246	-	-
Interest on deposits	-	324	-	-
Interest on debt instruments	-	110,532	-	-
Management fees	-	8,744	-	-
	-	892,846	-	-
Expenditure				
Insurance	-	38	4	-
Management fees	-	-	2,130	-
Interest on lease liabilities	-	330	-	-
Other miscellaneous expenses	-	511	130	-
	-	879	2,264	-
Amount due from:				
Money at call and deposit placements	-	1,796	-	-
Others	-	34	16	-
	-	1,830	16	-
Amount due to:				
Lease liabilities	-	5,905	-	-
Other liabilities	-	714	-	-
	-	6,619	-	-

52 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Company			
2019	**Parent company RM'000**	**Subsidiary companies RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Income				
Dividend income	-	681,419	-	-
Interest on deposits	-	129	-	-
Interest on loans	-	263	-	-
Interest on debt instruments	-	51,849	-	-
Management fees	-	10,212	-	-
	-	743,872	-	-
Expenditure				
Insurance	-	30	4	-
Interest on derivatives	-	310	-	-
Management fees	-	-	2,081	-
Rental and maintenance	-	937	-	-
Other miscellaneous expenses	-	94	120	-
	-	1,371	2,205	-
Amount due from:				
Money at call and deposit placements	-	1,489	-	-
Others	-	702	18	-
	-	2,191	18	-
Amount due to:				
Derivative liabilities	-	135	-	-
	-	135	-	-

The related party transactions of the Company are primarily transacted with related parties domiciled in Malaysia.

	The Group	
	2020 RM'000	**2019 RM'000**
The approved limit on loans, advances and financing for key management personnel	**2,602**	2,602

Notes to the Financial Statements
for the financial year ended 30 June 2020

52 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel

Key management compensation

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries and other short-term employee benefits	**11,586**	15,523	**11,121**	15,038
Executive share schemes expenses	**275**	12,507	**275**	12,507

Included in the above is the Directors' compensation which is disclosed in Note 42.

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.

53 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.

<u>**Commercial Banking**</u>

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.

53 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 Group Risk Management ("GRM") function. The GRM function has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the 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 2020

53 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.

53 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 programs 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.

Pandemic Related Risk Management

Pandemic related risk is the risk of loss arising from infectious diseases spreading locally, regionally or globally at an epidemic level, usually at an undetermined scale and duration. Financial risks may be caused by such disruptions on the Banking Group's customers, on financial markets and on the Banking Group's operations.

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 pandemic. In the continuing COVID-19 pandemic, businesses of the Banking Group which are classified under the essential services sector, operates under specific operating conditions with heightened public health safety and business continuity requirements, as mandated in countries that the Banking Group operates in. In demonstrating preparedness under crisis conditions, the Banking Group has implemented enhanced Business Continuity Management Banking plans and processes to ensure the continuity of its businesses and operations.

In managing credit risk exposures, the Banking Group has implemented changes arising from central banks and governments' supportive action, to introduce loan repayment moratorium or other forms of financial assistance for its customers that may be adversely impacted by the pandemic.

As an additional measure to safeguard the health and safety of its employees, the Banking Group established enhanced standard operating procedures that provides detail guidance to its employees on disease containment measures, work safety arrangements as well as reporting and incident escalation requirements.

Notes to the Financial Statements
for the financial year ended 30 June 2020

53 FINANCIAL INSTRUMENTS (continued)

(a) Financial risk management objectives and policies (continued)

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 Investment Banking 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.

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.

53 FINANCIAL INSTRUMENTS (continued)

(a) Financial risk management objectives and policies (continued)

Investment Banking (continued)

Credit risk (continued)

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.

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.

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 FINANCIAL INSTRUMENTS (continued)

(a) Financial risk management objectives and policies (continued)

Insurance (continued)

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.

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.

53 FINANCIAL INSTRUMENTS (continued)

(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 seeks 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 Increase/(decrease)		The Company Increase/(decrease)	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
2020				
+100 basis points ("bps")	**34,835**	**(806,870)**	**(860)**	**-**
-100 bps	**(12,402)**	**829,303**	**860**	**-**
2019				
+100 bps	(83,255)	(468,857)	(668)	-
-100 bps	102,234	488,041	463	-

Notes to the Financial Statements
for the financial year ended 30 June 2020

53 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 Net receivable/ (payable) exposure	
	2020 RM'000	**2019 RM'000**
United States Dollar ("USD")	**474,780**	381,266
Euro ("EUR")	**3,529**	5,933
Great Britain Pound ("GBP")	**11,042**	13,913
Singapore Dollar ("SGD")	**124,247**	79,655
Chinese Yuan Renminbi ("CNY")	**6,566**	5,234
Hong Kong Dollar ("HKD")	**439,644**	188,172
Japanese Yen ("JPY")	**40**	(51)
Australian Dollar ("AUD")	**(20,278)**	6,220
Others	**109,615**	85,519
	1,149,185	765,861

53 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 Increase/(decrease)	
	2020 RM'000	2019 RM'000
+ 1%		
United States Dollar ("USD")	**1,492**	873
Euro ("EUR")	**27**	45
Great Britain Pound ("GBP")	**76**	104
Singapore Dollar ("SGD")	**869**	595
Chinese Yuan Renminbi ("CNY")	**49**	40
Hong Kong Dollar ("HKD")	**388**	237
Australian Dollar ("AUD")	**(172)**	(133)
Others	**834**	651
	3,563	2,412
- 1%		
United States Dollar ("USD")	**(1,492)**	(873)
Euro ("EUR")	**(27)**	(45)
Great Britain Pound ("GBP")	**(76)**	(104)
Singapore Dollar ("SGD")	**(869)**	(595)
Chinese Yuan Renminbi ("CNY")	**(49)**	(40)
Hong Kong Dollar ("HKD")	**(388)**	(237)
Australian Dollar ("AUD")	**172**	133
Others	**(834)**	(651)
	(3,563)	(2,412)

Notes to the Financial Statements
for the financial year ended 30 June 2020

53 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 on profit after tax RM'000	Impact on equity RM'000
2020		
+ 20% change in equity market price	**64,673**	**57,827**
- 20% change in equity market price	**(64,673)**	**(57,827)**
2019		
+ 20% change in equity market price	61,741	52,367
- 20% change in equity market price	(61,741)	(52,367)

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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 Non-trading book							
2020	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit rate sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets								
Cash and short-term funds	9,012,166	1,031,105	-	-	-	1,255,807	-	11,299,078
Deposits and placements with banks and other financial institutions	17,256	2,366,730	6,199,515	82,809	-	412,629	-	9,078,939
Securities purchased under resale agreements	-	-	49,851	-	-	321	-	50,172
Financial assets at fair value through profit or loss	-	-	-	-	-	5,305,344	18,415,687	23,721,031
Financial investments at fair value through other comprehensive income	956,183	525,826	2,104,500	16,034,070	8,278,073	650,421	-	28,549,073
Financial investments at amortised cost	218,408	110,007	1,001,800	13,446,857	5,880,731	311,763	-	20,969,566
Derivative financial instruments								
- Trading derivatives	-	-	-	-	-	-	1,176,645	1,176,645
Loans, advances and financing								
- Performing	135,781,959	2,772,513	3,226,661	1,719,084	893,989	510,619	-	144,904,825
- Impaired^	110,030	606	22,432	63,034	419,862	-	-	615,964
Clients' and brokers' balances	-	-	-	-	-	575,973	-	575,973
Other receivables	23,115	157	705	4,701	313	1,735,460	-	1,764,451
Statutory deposits with Central Banks	-	-	-	-	163,853	254,267	-	418,120
Total financial assets	146,119,117	6,806,944	12,605,464	31,350,555	15,636,821	11,012,604	19,592,332	243,123,837

^ This represents outstanding impaired loans after deducting expected credit losses.

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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-trading book							
2020	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit rate sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities								
Deposits from customers	71,206,705	31,844,366	40,880,855	941,259	545,147	25,818,732	-	171,237,064
Investment accounts of customers	42,681	304,611	5,137	-	-	4,046	-	356,475
Deposits and placements of banks and other financial institutions	3,649,079	2,899,685	997,244	-	1,011,970	16,313	-	8,574,291
Obligations on securities sold under repurchase agreements	369,972	2,275,663	477,488	-	-	1,009	-	3,124,132
Bills and acceptance payable	2,007	8,130	6,542	-	-	117,374	-	134,053
Derivative financial instruments								
- Trading derivatives	-	-	-	2,510	-	-	1,369,286	1,371,796
- Hedging derivatives	-	-	-	21,096	9,024	-	-	30,120
Clients' and brokers' balances	-	-	-	-	-	305,385	-	305,385
Payables and other liabilities	5,501	355	8,569	-	-	14,887,875	-	14,902,300
Recourse obligations on loans/financing sold to Cagamas Berhad	-	-	-	1,042,085	-	6,920	-	1,049,005
Provision for claims	-	-	-	-	-	223,029	-	223,029
Borrowings	380,000	420,000	-	344,321	-	8,506	-	1,152,827
Multi-currency Additional Tier 1 capital securities	-	-	-	794,198	-	12,301	-	806,499
Subordinated obligations	-	-	-	1,499,970	399,296	7,716	-	1,906,982
Lease liabilities	3,568	7,157	32,035	126,023	31,859	30,626	-	231,268
Insurance funds	-	-	-	-	-	16,462,741	-	16,462,741
Total financial liabilities	75,659,513	37,759,967	42,407,870	4,771,462	1,997,296	57,902,573	1,369,286	221,867,967
Net interest sensitivity gap	70,459,604	(30,953,023)	(29,802,406)	26,579,093	13,639,525			
Financial guarantees	-	-	-	-	-	449,212		
Credit related commitments and contingencies	-	-	-	-	-	47,074,225		
Treasury related commitments and contingencies (hedging)	-	-	-	887,500	120,238	-		
Net interest sensitivity gap	-	-	-	887,500	120,238	47,523,437		

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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-trading book							
2019	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit rate sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets								
Cash and short-term funds	4,769,160	-	2,457,614	-	-	1,386,707	-	8,613,481
Deposits and placements with banks and other financial institutions	13,901	2,424,886	7,564,233	50,000	-	9,850	-	10,062,870
Financial assets at fair value through profit or loss	-	-	-	-	-	7,402,652	17,019,415	24,422,067
Financial investments at fair value through other comprehensive income	645,858	1,415,273	1,830,123	16,473,255	4,273,444	327,472	-	24,965,425
Financial investments at amortised cost	22,731	-	138,197	13,458,246	2,055,964	213,725	-	15,888,863
Derivative financial instruments								
- Trading derivatives	-	-	-	-	-	-	570,185	570,185
Loans, advances and financing								
- Performing	114,984,569	1,231,276	639,349	9,226,507	9,754,261	544,142	-	136,380,104
- Impaired^	110,775	6,761	11,435	79,807	468,734	-	-	677,512
Clients' and brokers' balances	-	-	-	-	-	482,445	-	482,445
Other receivables	14,532	-	-	-	-	1,248,317	-	1,262,849
Statutory deposits with Central Banks	-	-	-	-	209,674	4,416,418	-	4,626,092
Total financial assets	120,561,526	5,078,196	12,640,951	39,287,815	16,762,077	16,031,728	17,589,600	227,951,893

^ This represents outstanding impaired loans after deducting expected credit losses.

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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-trading book							
2019	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit rate sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities								
Deposits from customers	63,445,598	30,768,637	40,589,819	2,701,208	1,291,598	23,091,025	-	161,887,885
Investment accounts of customers	198	2,030	1	-	-	6	-	2,235
Deposits and placements of banks and other financial institutions	5,642,265	3,649,836	465,392	-	-	23,051	-	9,780,544
Obligations on securities sold under repurchase agreements	178,431	2,150,720	-	-	-	4,765	-	2,333,916
Bills and acceptance payable	46,703	128,278	35,094	-	-	182,947	-	393,022
Derivative financial instruments								
- Trading derivatives	-	-	-	-	-	-	724,354	724,354
- Hedging derivatives	-	-	388	4,307	3,394	-	-	8,089
Clients' and brokers' balances	-	-	-	-	-	282,521	-	282,521
Payables and other liabilities	25,050	499	14,821	-	-	12,905,291	-	12,945,661
Recourse obligations on loans/financing sold to Cagamas Berhad	-	200,059	-	50,000	-	3,532	-	253,591
Provision for claims	-	-	-	-	-	132,442	-	132,442
Borrowings	695,000	100,000	194,396	400,000	-	8,881	-	1,398,277
Multi-currency Additional Tier 1 capital securities	-	-	-	794,481	-	11,895	-	806,376
Subordinated obligations	-	-	-	1,499,970	648,469	11,993	-	2,160,432
Innovative Tier 1 capital securities	-	451,616	-	-	-	12,657	-	464,273
Insurance funds	-	-	-	-	-	15,075,217	-	15,075,217
Total financial liabilities	70,033,245	37,451,675	41,299,911	5,449,966	1,943,461	51,746,223	724,354	208,648,835
Net interest sensitivity gap	50,528,281	(32,373,479)	(28,658,960)	33,837,849	14,818,616			
Financial guarantees	-	-	-	-	-	493,044		
Credit related commitments and contingencies	-	-	-	-	-	44,786,349		
Treasury related commitments and contingencies (hedging)	-	-	200,000	453,571	332,738	-		
Net interest sensitivity gap	-	-	200,000	453,571	332,738	45,279,393		

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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							
	Non-trading book							
2020	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	15,810	-	-	-	-	-	-	15,810
Deposits and placements with banks and other financial institutions	-	3,360	-	-	-	-	-	3,360
Financial assets at fair value through profit or loss	-	-	-	-	-	292,671	-	292,671
Other receivables	78	157	705	4,701	313	45,413	-	51,367
Amount due from subsidiary companies	-	-	-	-	-	34	-	34
Total financial assets	15,888	3,517	705	4,701	313	338,118	-	363,242
Financial liabilities								
Payables and other liabilities	314	-	5,631	-	-	1,150	-	7,095
Amount due to subsidiary companies	-	-	-	-	-	714	-	714
Borrowings								
- Term loans	5,000	-	-	-	-	1	-	5,001
- Revolving credit	205,000	-	-	-	-	644	-	205,644
- Commercial papers	170,000	170,000	-	-	-	(1,025)	-	338,975
- Medium term notes	-	250,000	-	-	-	3,445	-	253,445
- Senior Bonds	-	-	-	400,000	-	5,441	-	405,441
Multi-currency Additional Tier 1 capital securities	-	-	-	800,000	-	5,639	-	805,639
Subordinated obligations	-	-	-	-	1,600,000	594	-	1,600,594
Lease liabilities	66	132	609	4,737	361	-	-	5,905
Total financial liabilities	380,380	420,132	6,240	1,204,737	1,600,361	16,603	-	3,628,453
Net interest sensitivity gap	(364,492)	(416,615)	(5,535)	(1,200,036)	(1,600,048)			

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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 Non-trading book							
2019	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets								
Cash and short-term funds	84,496	-	-	-	-	-	-	84,496
Deposits and placements with banks and other financial institutions	-	3,360	-	-	-	-	-	3,360
Other receivables	-	-	-	-	-	2,328	-	2,328
Amount due from subsidiary companies	-	-	-	-	-	702	-	702
Total financial assets	84,496	3,360	-	-	-	3,030	-	90,886
Financial liabilities								
Derivative financial instruments								
- Trading derivatives	-	-	-	-	-	-	135	135
Payables and other liabilities	19,715	-	12,727	-	-	857	-	33,299
Borrowings								
- Term loans	150,000	-	-	-	-	58	-	150,058
- Revolving credit	330,000	100,000	-	-	-	501	-	430,501
- Commercial papers	215,000	-	-	-	-	(413)	-	214,587
- Medium term notes	-	-	250,000	-	-	3,368	-	253,368
- Senior Bonds	-	-	-	400,000	-	5,367	-	405,367
Multi-currency Additional Tier 1 capital securities	-	-	-	800,000	-	5,236	-	805,236
Subordinated obligations	-	-	-	-	1,600,000	205	-	1,600,205
Total financial liabilities	714,715	100,000	262,727	1,200,000	1,600,000	15,179	135	3,892,756
Net interest sensitivity gap	(630,219)	(96,640)	(262,727)	(1,200,000)	(1,600,000)			

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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:

	The Group							
2020	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	7,932,367	2,225,071	1,031,105	-	-	-	110,535	11,299,078
Deposits and placements with banks and other financial institutions	388,523	674,666	3,663,919	1,114,485	2,750,593	85,909	400,844	9,078,939
Securities purchased under resale agreements	-	-	-	50,172	-	-	-	50,172
Financial assets at fair value through profit or loss	-	419,847	678,690	944,546	277,692	16,191,922	5,208,334	23,721,031
Financial investments at fair value through other comprehensive income	77,245	714,461	533,258	427,254	1,545,463	25,191,298	60,094	28,549,073
Financial investments at amortised cost	171,289	218,737	113,079	81,784	1,037,159	19,347,518	-	20,969,566
Derivative financial instruments	44,261	130,859	148,467	81,975	43,003	728,080	-	1,176,645
Loans, advances and financing	13,835,517	5,719,516	3,087,158	2,495,965	1,400,131	118,982,502	-	145,520,789
Clients' and brokers' balances	262,892	-	-	-	313,081	-	-	575,973
Other receivables	900,931	157,055	13,303	15,092	231,815	1,626	491,818	1,811,640
Statutory deposits with Central Banks	-	-	-	-	-	-	418,120	418,120
Tax recoverable	-	-	-	-	1,877	-	10,915	12,792
Investment in associated companies	-	-	-	-	-	-	5,625,998	5,625,998
Property and equipment	-	-	-	-	-	-	1,461,528	1,461,528
Investment properties	-	-	-	-	-	-	472,610	472,610
Goodwill arising on consolidation	-	-	-	-	-	-	2,410,644	2,410,644
Intangible assets	-	-	-	-	-	-	204,598	204,598
Right-of-use assets	-	78	157	235	470	5,015	238,035	243,990
Total assets	23,613,025	10,260,290	9,269,136	5,211,508	7,601,284	180,533,870	17,114,073	253,603,186

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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)

	The Group							
2020	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	70,182,409	25,697,046	31,990,539	21,136,415	19,867,941	2,362,714	-	171,237,064
Investment accounts of customers	6,562	36,841	307,920	5,152	-	-	-	356,475
Deposits and placements of banks and other financial institutions	1,660,178	2,174,287	2,871,604	773,546	82,706	1,011,970	-	8,574,291
Obligations on securities sold under repurchase agreements	23,415	346,863	2,276,277	477,577	-	-	-	3,124,132
Bills and acceptances payable	99	1,909	8,130	6,542	-	-	117,373	134,053
Derivative financial instruments	45,355	67,616	65,174	127,645	90,790	1,005,336	-	1,401,916
Clients' and brokers' balances	305,385	-	-	-	-	-	-	305,385
Payables and other liabilities	5,092,614	6,157,739	60,111	7,000	3,780,443	430,723	(331,443)	15,197,187
Recourse obligations on loans/financing sold to Cagamas Berhad	-	-	5,919	1,001	-	1,042,085	-	1,049,005
Provision for claims	-	-	-	-	223,029	-	-	223,029
Provision for taxation	-	-	-	-	23,802	-	189,767	213,569
Deferred tax liabilities	-	-	-	-	7,687	339,579	(173,254)	174,012
Borrowings	65,296	314,946	422,824	-	-	349,761	-	1,152,827
Multi-currency Additional Tier 1 capital securities	-	-	4,866	1,799	-	799,834	-	806,499
Subordinated obligations	-	-	4,683	2,254	-	1,900,045	-	1,906,982
Lease liabilities	271	3,852	8,338	12,452	24,631	181,724	-	231,268
Insurance funds	-	134	162	4,718	4,582,023	11,875,704	-	16,462,741
Total liabilities	77,381,584	34,801,233	38,026,547	22,556,101	28,683,052	21,299,475	(197,557)	222,550,435
Total equity	-	-	-	-	-	-	31,052,751	31,052,751
Total liabilities and equity	77,381,584	34,801,233	38,026,547	22,556,101	28,683,052	21,299,475	30,855,194	253,603,186
Net liquidity gap	(53,768,559)	(24,540,943)	(28,757,411)	(17,344,593)	(21,081,768)	159,234,395		

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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)

	The Group							
2019	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	4,620,553	1,402,095	2,457,614	-	-	-	133,219	8,613,481
Deposits and placements with banks and other financial institutions	539,507	2,046,005	4,739,785	2,511,092	175,880	50,535	66	10,062,870
Financial assets at fair value through profit or loss	33,277	503,767	803,549	167,962	492,435	17,403,280	5,017,797	24,422,067
Financial investments at fair value through other comprehensive income	179,409	471,922	1,422,794	616,459	1,268,922	20,961,588	44,331	24,965,425
Financial investments at amortised cost	23,965	512	957	35,585	125,500	15,702,344	-	15,888,863
Derivative financial instruments	43,577	34,221	46,806	52,900	48,563	344,118	-	570,185
Loans, advances and financing	12,486,637	5,596,972	5,357,559	1,859,481	1,203,750	110,553,217	-	137,057,616
Clients' and brokers' balances	247,532	-	-	-	234,913	-	-	482,445
Other receivables	825,081	9,580	6,235	7,516	87,513	29,462	367,275	1,332,662
Statutory deposits with Central Banks	-	-	-	-	-	-	4,626,092	4,626,092
Tax recoverable	-	-	-	-	171	-	53	224
Investment in associated companies	-	-	-	-	-	-	5,280,376	5,280,376
Property and equipment	-	-	-	-	-	-	1,540,533	1,540,533
Investment properties	-	-	-	-	-	-	489,500	489,500
Goodwill arising on consolidation	-	-	-	-	-	-	2,410,644	2,410,644
Intangible assets	-	-	-	-	-	-	139,628	139,628
Total assets	18,999,538	10,065,074	14,835,299	5,250,995	3,637,647	165,044,544	20,049,514	237,882,611

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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)

	The Group							
2019	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	58,816,490	27,513,516	30,936,349	18,909,984	21,909,182	3,802,364	-	161,887,885
Investment accounts of customers	13	187	2,034	1	-	-	-	2,235
Deposits and placements of banks and other financial institutions	3,786,481	1,956,967	3,715,763	279,696	41,637	-	-	9,780,544
Obligations on securities sold under repurchase agreements	288,221	179,272	1,866,423	-	-	-	-	2,333,916
Bills and acceptances payable	244	46,459	128,278	35,082	11	-	182,948	393,022
Derivative financial instruments	26,504	28,354	50,583	34,396	58,963	533,643	-	732,443
Clients' and brokers' balances	282,521	-	-	-	-	-	-	282,521
Payables and other liabilities	4,608,462	4,809,490	31,294	3,534	3,689,873	442	91,352	13,234,447
Recourse obligations on loans/financing sold to Cagamas Berhad	-	-	203,591	-	-	50,000	-	253,591
Provision for claims	-	-	-	-	132,442	-	-	132,442
Provision for taxation	-	-	-	-	17,075	-	96,630	113,705
Deferred tax liabilities	-	-	-	-	5,602	319,197	(94,551)	230,248
Borrowings	-	695,011	100,135	(55,604)	-	658,735	-	1,398,277
Multi-currency Additional Tier 1 capital securities	-	-	4,863	1,799	-	799,714	-	806,376
Subordinated obligations	-	-	8,815	2,370	-	2,149,247	-	2,160,432
Innovative Tier 1 capital securities	-	-	464,273	-	-	-	-	464,273
Insurance funds	-	7	16	45	3,869,524	11,205,625	-	15,075,217
Total liabilities	67,808,936	35,229,263	37,512,417	19,211,303	29,724,309	19,518,967	276,379	209,281,574
Total equity	-	-	-	-	-	-	28,601,037	28,601,037
Total liabilities and equity	67,808,936	35,229,263	37,512,417	19,211,303	29,724,309	19,518,967	28,877,416	237,882,611
Net liquidity gap	(48,809,398)	(25,164,189)	(22,677,118)	(13,960,308)	(26,086,662)	145,525,577		

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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)

	The Company							
2020	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	15,810	-	-	-	-	-	-	15,810
Deposits and placements with banks and other financial institutions	-	-	3,360	-	-	-	-	3,360
Financial assets at fair value through profit or loss	-	-	292,671	-	-	-	-	292,671
Other receivables	45,097	-	16	7	-	682	-	45,802
Amount due from subsidiary companies	-	-	-	-	-	-	34	34
Tax recoverable	-	-	-	-	-	-	10,748	10,748
Investment in subsidiary companies	-	-	4,811	4,294	-	-	19,488,851	19,497,956
Deferred tax assets	-	-	-	-	-	83	-	83
Property and equipment	-	-	-	-	-	-	3,578	3,578
Intangible assets	-	-	-	-	-	-	2	2
Right-of-use assets	-	78	157	235	470	5,015	-	5,955
Total assets	60,907	78	301,015	4,536	470	5,780	19,503,213	19,875,999
Liabilities								
Payables and other liabilities	-	377	-	719	5,631	1,128	-	7,855
Amount due to subsidiary companies	-	-	714	-	-	-	-	714
Borrowings								
- Term loans	-	5,001	-	-	-	-	-	5,001
- Revolving credits	65,296	140,348	-	-	-	-	-	205,644
- Commercial papers	-	169,596	169,379	-	-	-	-	338,975
- Medium term notes	-	-	253,445	-	-	-	-	253,445
- Senior bonds	-	-	-	-	-	405,441	-	405,441
Multi-currency Additional Tier 1 capital securities	-	-	-	-	-	805,639	-	805,639
Subordinated obligations	-	-	-	-	-	1,600,594	-	1,600,594
Lease liabilities	-	66	132	200	408	5,099	-	5,905
Total liabilities	65,296	315,388	423,670	919	6,039	2,817,901	-	3,629,213
Total equity	-	-	-	-	-	-	16,246,786	16,246,786
Total liabilities and equity	65,296	315,388	423,670	919	6,039	2,817,901	16,246,786	19,875,999
Net liquidity gap	(4,389)	(315,310)	(122,655)	3,617	(5,569)	(2,812,121)		

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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)

	The Company							
2019	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	84,496	-	-	-	-	-	-	84,496
Deposits and placements with banks and other financial institutions	-	-	3,360	-	-	-	-	3,360
Other receivables	-	-	16	17	2,917	505	-	3,455
Amount due from subsidiary companies	-	-	-	-	-	-	702	702
Investment in subsidiary companies	-	-	-	4,862	4,366	-	19,488,848	19,498,076
Deferred tax assets	-	-	-	-	-	-	135	135
Property and equipment	-	-	-	-	-	-	4,179	4,179
Intangible assets	-	-	-	-	-	-	3	3
Total assets	84,496	-	3,376	4,879	7,283	505	19,493,867	19,594,406
Liabilities								
Derivative financial instruments	-	-	-	-	-	135	-	135
Payables and other liabilities	-	20,009	214	738	12,727	230	-	33,918
Provision for tax	-	-	-	-	-	-	766	766
Borrowings								
- Term loans	-	150,058	-	-	-	-	-	150,058
- Revolving credits	-	330,366	100,135	-	-	-	-	430,501
- Commercial papers	-	214,587	-	-	-	-	-	214,587
- Medium term notes	-	-	-	-	-	253,368	-	253,368
- Senior bonds	-	-	-	-	-	405,367	-	405,367
Multi-currency Additional Tier 1 capital securities	-	-	-	-	-	805,236	-	805,236
Subordinated obligations	-	-	-	-	-	1,600,205	-	1,600,205
Total liabilities	-	715,020	100,349	738	12,727	3,064,541	766	3,894,141
Total equity	-	-	-	-	-	-	15,700,265	15,700,265
Total liabilities and equity	-	715,020	100,349	738	12,727	3,064,541	15,701,031	19,594,406
Net liquidity gap	84,496	(715,020)	(96,973)	4,141	(5,444)	(3,064,036)		

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

	The Group					
2020	**Up to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 12 months RM'000**	**1 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Financial liabilities						
Deposits from customers	56,931,323	34,321,352	45,860,013	34,989,392	415,296	172,517,376
Investment accounts of customer	42,287	310,389	5,200	-	-	357,876
Deposits and placements of banks and other financial institutions	4,021,947	3,131,108	641,037	1,011,982	-	8,806,074
Obligations on securities sold under repurchase agreements	370,838	2,287,776	478,268	-	-	3,136,882
Bills and acceptances payable	117,373	-	-	-	-	117,373
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(9,381,179)	(3,364,733)	(7,048,324)	(1,530,965)	(111,431)	(21,436,632)
- Outflow	8,966,195	3,398,048	7,190,505	1,571,395	109,162	21,235,305
- Net settled derivatives	18,098	62,283	346,393	637,750	90,418	1,154,942
Clients' and brokers' balances	305,385	-	-	-	-	305,385
Payables and other liabilities	11,091,414	48,533	3,750,280	-	1,137	14,891,364
Recourse obligations on loans/financing sold to Cagamas Berhad	-	8,134	29,190	1,096,958	-	1,134,282
Provision for claims	-	-	223,029	-	-	223,029
Borrowings	52,624	267,419	169,910	739,869	-	1,229,822
Multi-currency Additional Tier 1 capital securities	-	19,079	60,521	971,339	-	1,050,939
Subordinated obligations	-	2,121	126,897	1,845,325	366,189	2,340,532
Lease liabilities	5,153	11,500	44,347	120,857	165,131	346,988
Insurance funds	134	162	4,643,056	4,021,775	17,586,624	26,251,751
Total financial liabilities	72,541,592	40,503,171	56,520,322	45,475,677	18,622,526	233,663,288

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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 Group					
2019	**Up to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 12 months RM'000**	**1 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Financial liabilities						
Deposits from customers	55,344,911	32,945,494	44,208,357	30,505,103	831,502	163,835,367
Investment accounts of customer	199	2,045	1	-	-	2,245
Deposits and placements of banks and other financial institutions	5,810,897	3,928,663	110,421	-	-	9,849,981
Obligations on securities sold under repurchase agreements	219,177	2,159,445	-	-	-	2,378,622
Bills and acceptances payable	225,460	106,380	20,490	-	-	352,330
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(6,328,705)	(4,838,603)	(6,725,854)	(2,384,604)	(1,631,205)	(21,908,971)
- Outflow	6,354,036	4,864,912	6,772,723	2,437,467	1,642,106	22,071,244
- Net settled derivatives	13,135	16,295	274,233	266,272	90,536	660,471
Clients' and brokers' balances	282,521	-	-	-	-	282,521
Payables and other liabilities	9,448,921	31,294	3,465,069	-	377	12,945,661
Recourse obligations on loans/financing sold to Cagamas Berhad	-	204,911	1,050	54,213	-	260,174
Provision for claims	-	-	132,442	-	-	132,442
Borrowings	31,770	18,809	369,771	1,093,815	-	1,514,165
Multi-currency Additional Tier 1 capital securities	-	19,079	60,629	1,051,415	-	1,131,123
Subordinated obligations	-	3,499	139,167	2,020,839	694,894	2,858,399
Innovative Tier 1 capital securities	-	472,687	-	-	-	472,687
Insurance funds	7	16	3,910,848	3,661,711	18,886,415	26,458,997
Total financial liabilities	71,402,329	39,934,926	52,739,347	38,706,231	20,514,625	223,297,458

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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					
2020	**Up to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 12 months RM'000**	**1 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Financial liabilities						
Payables and other liabilities	376	-	6,349	-	1,134	7,859
Borrowings						
- Term loans	12	23	98	5,044	-	5,177
- Revolving credit	51,313	1,200	155,880	-	-	208,393
- Commercial papers	1,299	1,328	5,256	381,828	-	389,711
- Medium term notes	-	256,049	-	-	-	256,049
- Senior Notes	-	8,819	8,676	408,676	-	426,171
Multi-currency Additional Tier 1 capital securities	-	9,561	30,639	889,240	-	929,440
Subordinated obligations	-	-	72,018	1,791,724	-	1,863,742
Total financial liabilities	53,000	276,980	278,916	3,476,512	1,134	4,086,542

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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					
2019	**Up to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 12 months RM'000**	**1 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Financial liabilities						
Payables and other liabilities	20,008	214	12,915	-	-	33,137
Derivative financial instruments						
- Net settled derivatives	-	78	-	-	-	78
Borrowings						
- Term loans	467	905	3,997	162,430	-	167,799
- Revolving credit	30,692	1,853	401,132	-	-	433,677
- Commercial papers	612	1,264	5,585	249,164	-	256,625
- Medium term notes	-	6,016	5,984	256,049	-	268,049
- Senior Notes	-	8,772	8,676	426,172	-	443,620
Multi-currency Additional Tier 1 capital securities	-	9,561	30,639	929,501	-	969,701
Subordinated obligations	-	-	72,018	1,863,477	-	1,935,495
Total financial liabilities	51,779	28,663	540,946	3,886,793	-	4,508,181

53 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		
	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
2020			
Direct credit substitutes	**84,166**	**50,000**	**134,166**
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	**894,438**	**-**	**894,438**
Short-term self liquidating trade related contingencies	**367,398**	**-**	**367,398**
Irrevocable commitments to extend credit	**20,856,358**	**17,807,310**	**38,663,668**
Unutilised credit card lines	**7,463,767**	**-**	**7,463,767**
Total commitments and contingencies	**29,666,127**	**17,857,310**	**47,523,437**
2019			
Direct credit substitutes	68,590	50,150	118,740
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	750,103	-	750,103
Short-term self liquidating trade related contingencies	374,304	-	374,304
Obligations under underwriting agreement	18,860	-	18,860
Irrevocable commitments to extend credit	19,020,280	17,720,606	36,740,886
Unutilised credit card lines	7,276,500	-	7,276,500
Total commitments and contingencies	27,508,637	17,770,756	45,279,393

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 2020

53 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 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)	**18,617,174**	17,116,533	**19,170**	87,856
Securities purchased under resale agreements	**50,172**	-	**-**	-
Financial assets and investments portfolios (exclude shares and unit trust investments)				
- Financial investments at FVOCI	**28,488,979**	24,921,094	**-**	-
- Financial investments at amortised cost	**20,969,566**	15,888,863	**-**	-
Loans, advances and financing	**145,520,789**	137,057,616	**-**	-
Clients' and brokers' balances	**575,973**	482,445	**-**	-
Other receivables	**1,735,460**	1,248,317	**45,413**	2,328
Amount due from subsidiary companies	**-**	-	**34**	702
	215,958,113	196,714,868	**64,617**	90,886
Credit risk exposure relating to off-balance sheet assets:				
Commitments and contingencies	**47,523,437**	45,279,393	**-**	-
Total maximum credit risk exposure	**263,481,550**	241,994,261	**64,617**	90,886

53 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		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Financial assets at FVTPL	**19,107,478**	20,430,084	**-**	-
Derivative assets	**1,176,645**	570,320	**-**	-
	20,284,123	21,000,404	**-**	-

(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 RM159.6 million (2019: RM185.1 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 86.57% (2019: 85.11%). 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 85.64% (2019: 83.38%).

Notes to the Financial Statements
for the financial year ended 30 June 2020

53 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 - not credit impaired	Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 2: Lifetime ECL - not credit impaired	Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 3: Lifetime ECL - credit impaired	Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

For further details on the stages, refer to accounting policy Note O.

(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.

53 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 **2020**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
Short-term funds and placements with banks and other financial institutions (exclude cash in hand):				
Sovereign	**6,124,536**	**-**	**-**	**6,124,536**
Investment grade	**4,602,052**	**-**	**-**	**4,602,052**
Non-Investment grade	**188,740**	**-**	**-**	**188,740**
Un-graded	**7,752,238**	**-**	**-**	**7,752,238**
Gross carrying amount	**18,667,566**	**-**	**-**	**18,667,566**
Expected credit losses	**(220)**	**-**	**-**	**(220)**
Net carrying amount	**18,667,346**	**-**	**-**	**18,667,346**

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial investments at FVOCI:				
Sovereign	17,763,198	-	-	17,763,198
Investment grade	9,590,158	-	-	9,590,158
Non-investment grade	593,051	-	-	593,051
Un-graded	542,572	-	-	542,572
Gross carrying amount	28,488,979	-	-	28,488,979
Expected credit losses	(2,068)	-	-	(2,068)
Net carrying amount	28,486,911	-	-	28,486,911
Financial investments at amortised cost:				
Sovereign	19,084,081	-	-	19,084,081
Investment grade	1,039,518	-	-	1,039,518
Un-graded	846,184	-	-	846,184
Gross carrying amount	20,969,783	-	-	20,969,783
Expected credit losses	(217)	-	-	(217)
Net carrying amount	20,969,566	-	-	20,969,566
Loans, advances and financing:				
Good	122,919,142	226,264	-	123,145,406
Adequate	14,813,678	1,070,470	-	15,884,148
Marginal	-	5,856,828	-	5,856,828
Un-graded	731,279	247,899	-	979,178
Credit impaired	-	-	896,276	896,276
Gross carrying amount	138,464,099	7,401,461	896,276	146,761,836
Expected credit losses	(550,165)	(435,828)	(276,768)	(1,262,761)
Others*	21,714	-	-	21,714
Net carrying amount	137,935,648	6,965,633	619,508	145,520,789

* Included fair value changes arising from fair value hedges.

53 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 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Short-term funds and placements with banks and other financial institutions (exclude cash in hand):				
Sovereign	2,543,328	-	-	2,543,328
Investment grade	4,745,322	-	-	4,745,322
Non-investment grade	32,893	-	-	32,893
Un-graded	9,795,751	-	-	9,795,751
Gross carrying amount	17,117,294	-	-	17,117,294
Expected credit losses	(761)	-	-	(761)
Net carrying amount	17,116,533	-	-	17,116,533
Financial investments at FVOCI:				
Sovereign	13,788,154	-	-	13,788,154
Investment grade	10,189,949	-	-	10,189,949
Non-investment grade	444,961	-	-	444,961
Un-graded	498,030	-	-	498,030
Gross carrying amount	24,921,094	-	-	24,921,094
Expected credit losses	(1,566)	-	-	(1,566)
Net carrying amount	24,919,528	-	-	24,919,528
Financial investments at amortised cost:				
Sovereign	14,166,941	-	-	14,166,941
Investment grade	1,055,324	-	-	1,055,324
Un-graded	666,814	-	-	666,814
Gross carrying amount	15,889,079	-	-	15,889,079
Expected credit losses	(216)	-	-	(216)
Net carrying amount	15,888,863	-	-	15,888,863

Notes to the Financial Statements
for the financial year ended 30 June 2020

53 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 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loans, advances and financing:				
Good	115,609,052	11,860	-	115,620,912
Adequate	14,092,510	877,444	-	14,969,954
Marginal	4,394	5,626,041	-	5,630,435
Un-graded	730,843	288,984	-	1,019,827
Credit impaired	-	-	1,078,009	1,078,009
Gross carrying amount	130,436,799	6,804,329	1,078,009	138,319,137
Expected credit losses	(369,855)	(498,326)	(396,813)	(1,264,994)
Others*	3,473	-	-	3,473
Net carrying amount	130,070,417	6,306,003	681,196	137,057,616

* Included fair value changes arising from fair value hedges.

(v) Collateral and other credit enhancements obtained

	The Group	
	2020 RM'000	2019 RM'000
Properties	**378,268**	256,534

Repossessed 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 repossessed for its business use.

Notes to the Financial Statements
for the financial year ended 30 June 2020

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(vi) Credit risk exposure analysed by industry analysis for the financial assets are set out below:

	The Group												
2020	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements 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	-	-	16,233	134,717	-	2,626,822	-	1,500	-	2,779,272	-	1,146,564	2,715
Mining and quarrying	-	-	-	-	-	105,756	-	-	-	105,756	-	327,537	-
Manufacturing	-	-	31,834	-	-	11,055,113	-	351	-	11,087,298	-	7,920,108	169,890
Electricity, gas and water	-	-	1,195,302	2,625,225	814,992	761,401	-	-	-	5,396,920	-	218,450	147
Construction	-	-	284,374	433,253	4,999	3,958,560	-	79	-	4,681,265	1,000	3,227,805	8,100
Wholesale and retail	-	-	-	44,383	-	11,686,123	-	-	-	11,730,506	-	7,564,637	130,586
Transport, storage and communications	-	-	213,099	579,278	-	4,203,398	-	70	-	4,995,845	-	1,149,634	3,501
Finance, insurance, real estate and business services	15,347,657	50,172	12,603,464	11,687,229	2,110,729	10,119,192	313,081	1,680,381	1,176,645	55,088,550	-	5,149,032	90,426
Government and government agencies	3,269,517	-	4,763,172	12,969,313	18,038,846	87,559	-	9,903	-	39,138,310	52,352	-	34,998
Education, health and others	-	-	-	-	-	1,644,905	-	-	-	1,644,905	-	466,979	1,498
Household	-	-	-	-	-	97,714,466	-	-	-	97,714,466	-	18,902,360	3,081
Purchase of securities	-	-	-	-	-	224,875	262,892	-	-	487,767	894,438	-	-
Others	-	-	-	15,581	-	1,332,619	-	43,176	-	1,391,376	30,000	24,329	3,270
	18,617,174	50,172	19,107,478	28,488,979	20,969,566	145,520,789	575,973	1,735,460	1,176,645	236,242,236	977,790	46,097,435	448,212

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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 Group											
2019	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	-	15,717	117,121	-	2,537,496	-	241	-	2,670,575	-	1,066,678	5,499
Mining and quarrying	-	-	85,623	-	109,767	-	-	-	195,390	-	168,890	15,408
Manufacturing	-	31,229	-	-	9,995,994	-	449	-	10,027,672	-	7,466,545	151,983
Electricity, gas and water	-	1,125,421	2,282,043	816,281	223,037	-	550	-	4,447,332	-	535,354	2,967
Construction	-	425,531	356,299	4,988	3,002,638	-	1,179	-	3,790,635	1,000	2,762,359	16,832
Wholesale and retail	-	-	41,996	-	11,275,506	-	-	-	11,317,502	-	6,047,757	185,041
Transport, storage and communications	-	271,367	569,809	-	3,699,673	-	64	-	4,540,913	-	920,009	6,514
Finance, insurance, real estate and business services	17,092,216	11,939,967	11,155,204	2,114,337	10,141,388	234,913	1,189,336	570,320	54,437,681	-	4,089,637	92,263
Government and government agencies	24,317	6,620,852	10,302,754	12,953,257	-	-	7,505	-	29,908,685	-	-	8,641
Education, health and others	-	-	-	-	1,667,048	-	-	-	1,667,048	-	463,471	4,295
Household	-	-	-	-	92,943,939	-	-	-	92,943,939	-	20,356,649	2,601
Purchase of securities	-	-	-	-	188,086	247,532	-	-	435,618	750,103	-	-
Others	-	-	10,245	-	1,273,044	-	48,993	-	1,332,282	18,860	140,037	-
	17,116,533	20,430,084	24,921,094	15,888,863	137,057,616	482,445	1,248,317	570,320	217,715,272	769,963	44,017,386	492,044

53 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 RM'000	Other receivables RM'000	Amount due from subsidiaries RM'000	Derivative financial instruments RM'000	Total credit risk exposures RM'000
2020					
Finance, insurance, real estate and business services	**19,170**	**45,413**	**34**	**-**	**64,617**
2019					
Finance, insurance, real estate and business services	87,856	2,328	702	135	91,021

(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 RM398.3 million (2019: 263.2 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.

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.

Notes to the Financial Statements
for the financial year ended 30 June 2020

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(viii) Modification of contractual cash flows (continued)

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.

(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 Changes	
	2020	**2019**
Consumer price index	**-**	+/-50 bps
Private consumption	**+/-50 bps**	+/-50 bps
House price index	**+/-150 bps**	+/-150 bps
Unemployment rate	**+/-100 bps**	+/-100 bps

	The Group	
	2020 RM'000	**2019 RM'000**
Total effect of ECL on the positive changes in key variables	**(7,238)**	(1,802)
Total effect of ECL on the negative changes in key variables	**362**	2,120

(b) Non-retail

	The Group Changes	
	2020	**2019**
Banking system credit	**+/-100 bps**	+/-100 bps
Gross domestic product	**+/-50 bps**	-

	The Group	
	2020 RM'000	**2019 RM'000**
Total effect of ECL on the positive changes in key variables	**(3,606)**	(2,688)
Total effect of ECL on the negative changes in key variables	**1,457**	2,577

54 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 is 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 2020

54 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 2020	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial assets				
Financial assets at FVTPL				
- Money market instruments	-	11,429,136	-	11,429,136
- Quoted securities	4,564,974	-	-	4,564,974
- Unquoted securities	-	7,372,538	354,383	7,726,921
Financial investments at FVOCI				
- Money market instruments	-	14,485,935	-	14,485,935
- Quoted securities	3,484,875	-	-	3,484,875
- Unquoted securities	-	10,518,169	60,094	10,578,263
Derivative financial instruments	8	1,163,145	13,492	1,176,645
	8,049,857	44,968,923	427,969	53,446,749
Financial liabilities				
Derivative financial instruments	65	1,388,359	13,492	1,401,916
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	462,517	-	462,517
	65	1,850,876	13,492	1,864,433

54 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)

	Fair value			
The Group	**Level 1**	**Level 2**	**Level 3**	**Total**
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Recurring fair value measurements				
Financial assets				
Financial assets at FVTPL				
- Money market instruments	-	12,823,712	-	12,823,712
- Quoted securities	3,835,082	-	-	3,835,082
- Unquoted securities	-	7,436,652	326,621	7,763,273
Financial investments at FVOCI				
- Money market instruments	-	11,523,539	-	11,523,539
- Quoted securities	3,414,587	-	-	3,414,587
- Unquoted securities	-	9,982,968	44,331	10,027,299
Derivative financial instruments	32	562,341	7,812	570,185
	7,249,701	42,329,212	378,764	49,957,677
Financial liabilities				
Derivative financial instruments	2,940	721,691	7,812	732,443
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,104,802	-	2,104,802
	2,940	2,826,493	7,812	2,837,245

	Fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
The Company	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2020				
Recurring fair value measurements				
Financial assets				
Financial assets at FVTPL				
- Quoted securities	**292,671**	**-**	**-**	**292,671**
2019				
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments	-	135	-	135

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 (2019: RM Nil).

Notes to the Financial Statements

for the financial year ended 30 June 2020

54 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:

	Financial assets			Financial liability
The Group 2020	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Derivative financial instruments RM'000**	**Derivative financial instruments RM'000**
As at 1 July	**326,621**	**44,331**	**7,812**	**7,812**
Fair value changes recognised in statements of income	**27,762**	**-**	**(8,397)**	**(8,397)**
Net fair value changes recognised in other comprehensive income	**-**	**15,763**	**-**	**-**
Purchases	**-**	**-**	**(9,066)**	**(9,066)**
Settlements	**-**	**-**	**23,143**	**23,143**
As at 30 June	**354,383**	**60,094**	**13,492**	**13,492**
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2020	**27,762**	**-**	**(8,397)**	**(8,397)**
Total gain recognised in other comprehensive income relating to assets held on 30 June 2020	**-**	**15,763**	**-**	**-**

	Financial assets				Financial liability
The Group 2019	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Financial investments available-for-sale RM'000**	**Derivative financial instruments RM'000**	**Derivative financial instruments RM'000**
As at 1 July	-	-	469,904	13,876	13,876
Effect of adopting MFRS 9	309,740	33,477	(469,904)	-	-
As at 1 July, as restated	309,740	33,477	-	13,876	13,876
Fair value changes recognised in statements of income	16,896	-	-	(12,653)	(12,653)
Net fair value changes recognised in other comprehensive income	(15)	10,854	-	-	-
Purchases	-	-	-	(1,810)	(1,810)
Settlements	-	-	-	8,399	8,399
As at 30 June	326,621	44,331	-	7,812	7,812
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2019	16,896	-	-	(12,653)	(12,653)
Total (loss)/gain recognised in other comprehensive income relating to assets held on 30 June 2019	(15)	10,854	-	-	-

54 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)

2020 Description	The Group Fair value assets RM'000	The Group Fair value liabilities RM'000	Valuation technique(s)	Unobservable input	Range (weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVTPL						
Unquoted shares	354,383	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments at FVOCI						
Unquoted shares	60,094	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	13,492	(13,492)	Monte Carlo Simulation	Equity volatility	4% to 98%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity/FX Correlation between underlyers	-30% to -2%	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 2020

54 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)

2019 Description	The Group Fair value assets RM'000	Fair value liabilities RM'000	Valuation technique(s)	Unobservable input	Range (weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVTPL						
Unquoted shares	326,621	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments at FVOCI						
Unquoted shares	44,331	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	7,812	(7,812)	Monte Carlo Simulation	Equity volatility	2% to 53%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity/FX Correlation between underlyers	-19% to 2%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair value hierarchy (continued)

Sensitivity analysis for level 3

	The Group			
			Effect of reasonable possible alternative assumptions to: Statements of Income Favourable/Unfavourable changes	
	Type of unobservable input	Sensitivity of significant unobservable input	Financial assets RM'000	Financial liabilities RM'000
2020				
Derivative financial instruments				
- Equity derivatives	Equity volatility	**+10%**	**(110)**	**110**
		-10%	**118**	**(118)**
	Equity/FX	**+10%**	**26**	**(26)**
	Correlation	**-10%**	**16**	**(16)**
	Total*		**50**	**(50)**
2019				
Derivative financial instruments				
- Equity derivatives	Equity volatility	+10%	1,172	(1,172)
		-10%	(1,023)	1,023
	Equity/FX	+10%	(50)	50
	Correlation	-10%	(84)	84
	Total*		15	(15)

* 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 2020

54 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 amount 2020 RM'000	Fair value 2020 RM'000	Carrying amount 2019 RM'000	Fair value 2019 RM'000
Financial assets				
Financial investments at amortised cost				
- Money market instruments	**15,233,895**	**15,524,230**	10,144,586	10,160,670
- Quoted securities	**1,003,155**	**996,921**	997,179	987,230
- Unquoted securities	**4,732,516**	**4,812,302**	4,748,141	4,784,667
Loans, advances and financing	**145,520,789**	**146,260,202**	137,057,616	137,065,637
	166,490,355	**167,593,655**	152,947,522	152,998,204
Financial liabilities				
Deposits from customers	**170,774,547**	**170,959,392**	159,783,083	160,183,634
Recourse obligations on loans sold to Cagamas Berhad	**1,049,005**	**1,068,699**	253,591	253,940
Borrowings	**1,152,827**	**1,154,170**	1,398,277	1,397,806
Subordinated obligations	**1,906,982**	**2,101,159**	2,160,432	2,178,070
Multi-currency Additional Tier 1 capital securities	**806,499**	**885,632**	806,376	845,200
Innovative Tier 1 capital securities	**-**	**-**	464,273	516,016
	175,689,860	**176,169,052**	164,866,032	165,374,666

	The Company			
	Carrying amount 2020 RM'000	Fair value 2020 RM'000	Carrying amount 2019 RM'000	Fair value 2019 RM'000
Financial liabilities				
Borrowings	**1,208,506**	**1,209,849**	1,453,881	1,453,410
Subordinated obligations	**1,600,594**	**1,721,873**	1,600,205	1,621,854
Multi-currency Additional Tier 1 capital securities	**805,639**	**845,756**	805,236	829,629
	3,614,739	**3,777,478**	3,859,322	3,904,893

54 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:

		Fair value			
The Group 2020	**Carrying amount RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets					
Financial investments at amortised cost					
- Money market instruments	15,233,895	-	15,524,230	-	15,524,230
- Quoted securities	1,003,155	-	996,921	-	996,921
- Unquoted securities	4,732,516	-	4,812,302	-	4,812,302
Loans, advances and financing	145,520,789	-	146,260,202	-	146,260,202
	166,490,355	-	167,593,655	-	167,593,655
Financial liabilities					
Deposits from customers	170,774,547	-	170,959,392	-	170,959,392
Recourse obligations on loans sold to Cagamas Berhad	1,049,005	-	1,068,699	-	1,068,699
Borrowings	1,152,827	-	1,154,170	-	1,154,170
Subordinated obligations	1,906,982	-	2,101,159	-	2,101,159
Multi-currency Additional Tier 1 capital securities	806,499	-	885,632	-	885,632
	175,689,860	-	176,169,052	-	176,169,052

Notes to the Financial Statements

for the financial year ended 30 June 2020

54 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 Group 2019	Carrying amount RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000	Total RM'000
Financial assets					
Financial investments at amortised cost					
- Money market instruments	10,144,586	-	10,160,670	-	10,160,670
- Quoted securities	997,179	-	987,230	-	987,230
- Unquoted securities	4,748,141	-	4,784,667	-	4,784,667
Loans, advances and financing	137,057,616	-	137,065,637	-	137,065,637
	152,947,522	-	152,998,204	-	152,998,204
Financial liabilities					
Deposits from customers	159,783,083	-	160,183,634	-	160,183,634
Recourse obligations on loans sold to Cagamas Berhad	253,591	-	253,940	-	253,940
Borrowings	1,398,277	-	1,397,806	-	1,397,806
Subordinated obligations	2,160,432	-	2,178,070	-	2,178,070
Multi-currency Additional Tier 1 capital securities	806,376	-	845,200	-	845,200
Innovative Tier 1 capital securities	464,273	-	516,016	-	516,016
	164,866,032	-	165,374,666	-	165,374,666

54 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 amount RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000	Total RM'000
2020					
Financial liabilities					
Borrowings	**1,208,506**	**-**	**1,209,849**	**-**	**1,209,849**
Subordinated obligations	**1,600,594**	**-**	**1,721,873**	**-**	**1,721,873**
Multi-currency Additional Tier 1 capital securities	**805,639**	**-**	**845,756**	**-**	**845,756**
	3,614,739	**-**	**3,777,478**	**-**	**3,777,478**
2019					
Financial liabilities					
Borrowings	1,453,881	-	1,453,410	-	1,453,410
Subordinated obligations	1,600,205	-	1,621,854	-	1,621,854
Multi-currency Additional Tier 1 capital securities	805,236	-	829,629	-	829,629
	3,859,322	-	3,904,893	-	3,904,893

(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 2020

54 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 bonds and capital securities

The fair value of subordinated obligations, senior bonds 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.

54 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.

55 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:

				Related amount not set off in the statements of financial position		
The Group 2020	**Gross amount recognised in the statements of financial position RM'000**	**Gross amount offset in the statements of financial position RM'000**	**Net amount presented in the statements of financial position RM'000**	**Values of the financial instruments RM'000**	**Cash collateral received/ pledged RM'000**	**Net amount RM'000**
Financial assets						
Clients' and brokers' balances	990,706	(414,733)	575,973	-	-	575,973
Derivative financial instruments	1,176,645	-	1,176,645	(682,968)	(151,446)	342,231
Securities purchased under resale agreements	50,172	-	50,172	-	-	50,172
Total	2,217,523	(414,733)	1,802,790	(682,968)	(151,446)	968,376
Financial liabilities						
Clients' and brokers' balances	610,137	(304,752)	305,385	-	-	305,385
Derivative financial instruments	1,401,916	-	1,401,916	(682,968)	(484,409)	234,539
Obligations on securities sold under repurchase agreements	3,124,132	-	3,124,132	(3,124,132)	-	-
Payables and other liabilities	15,307,168	(109,981)	15,197,187	-	-	15,197,187
Total	20,443,353	(414,733)	20,028,620	(3,807,100)	(484,409)	15,737,111

55 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)

				Related amount not set off in the statements of financial position		
The Group 2019	**Gross amount recognised in the statements of financial position RM'000**	**Gross amount offset in the statements of financial position RM'000**	**Net amount presented in the statements of financial position RM'000**	**Values of the financial instruments RM'000**	**Cash collateral received/ pledged RM'000**	**Net amount RM'000**
Financial assets						
Clients' and brokers' balances	727,368	(244,923)	482,445	-	-	482,445
Derivative financial instruments	570,185	-	570,185	(347,252)	(126,955)	95,978
Total	1,297,553	(244,923)	1,052,630	(347,252)	(126,955)	578,423
Financial liabilities						
Clients' and brokers' balances	431,247	(148,726)	282,521	-	-	282,521
Derivative financial instruments	732,443	-	732,443	(347,252)	(255,850)	129,341
Obligations on securities sold under repurchase agreements	2,333,916	-	2,333,916	(2,333,916)	-	-
Payables and other liabilities	13,330,644	(96,197)	13,234,447	-	-	13,234,447
Total	16,828,250	(244,923)	16,583,327	(2,681,168)	(255,850)	13,646,309

56 EQUITY COMPENSATION BENEFITS

Executive Share Scheme

The Group established and implemented the following Executive Share Schemes.

Executive Share Scheme ("ESS") established using the shares of the Company - The Company and its subsidiary company Hong Leong Assurance Berhad

The ESS 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") and the Executive Share Grant Scheme ("ESGS").

The main features of the ESS are, inter alia, as follows:

1. Eligible executives are persons as defined by the ESS 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 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, the aggregate number of shares comprised in the options and grants under the ESS 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 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 the Company preceding the Date of Offer as defined by the ESS Bye-Laws.

5. The options granted to an option holder under the ESOS is exercisable by the option holder during his employment or directorship with the Group and upon meeting the vesting conditions of each ESOS plan subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.

6. The shares to be vested to a grant holder under the ESGS 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 or the vesting of shares under the ESGS 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; or a combination of both new shares and existing shares.

The ESOS 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.

Notes to the Financial Statements
for the financial year ended 30 June 2020

56 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)

(i) ESOS

The ESOS which was approved by the shareholders of the Company on 30 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

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.

The ESOS 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 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 Bye-Laws governing the ESS.

(ii) ESGS

The ESGS 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.

The ESGS 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.

There are no share granted under the ESGS to date.

56 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)

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 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 ESS holdings are recorded as "Treasury Shares for ESOS" in the shareholders' equity on the statements of financial position. The cost of operating the ESS is charged to the statements of income.

The number and cost of the ordinary shares held by the Trustee are as follows:

	The Group			
	2020		2019	
	Number of trust shares held unit'000	Cost RM'000	Number of trust shares held unit'000	Cost RM'000
As at 1 July	**9,172**	**161,909**	2,518	22,686
Purchase of treasury shares	**4,548**	**76,958**	8,088	152,141
Exercise of share option	**(2)**	**(33)**	(1,434)	(12,918)
As at 30 June	**13,718**	**238,834**	9,172	161,909

	The Company			
	2020		2019	
	Number of trust shares held unit'000	Cost RM'000	Number of trust shares held unit'000	Cost RM'000
As at 1 July	**8,089**	**152,144**	1	3
Purchase of treasury shares	**1,547**	**28,443**	8,088	152,141
As at 30 June	**9,636**	**180,587**	8,089	152,144

Notes to the Financial Statements

for the financial year ended 30 June 2020

56 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 1-Jul**	**Option granted**	**Exercised**	**Ceased/ Forfeited**	**Outstanding as at 30-Jun**	**Exercisable as at 30-Jun**
2020						
02-Apr-15	**717,000**	**-**	**(2,000)**	**(715,000)**	**-**	**-**
15-Dec-17	**19,750,000**	**-**	**-**	**(7,325,000)**	**12,425,000**	**-**
	20,467,000	**-**	**(2,000)**	**(8,040,000)**	**12,425,000**	**-**
2019						
02-Apr-15	2,169,000	-	(1,434,000)	(18,000)	717,000	-
15-Dec-17	19,750,000	-	-	-	19,750,000	-
	21,919,000	-	(1,434,000)	(18,000)	20,467,000	-

	The Company					
Grant date	**As at 1-Jul**	**Option granted**	**Exercised**	**Ceased/ Forfeited**	**Outstanding as at 30-Jun**	**Exercisable as at 30-Jun**
2020						
15-Dec-17	**10,000,000**	**-**	**-**	**(3,000,000)**	**7,000,000**	**-**
2019						
15-Dec-17	10,000,000	-	-	-	10,000,000	-

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.

56 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 (continued)

The value of share options and the key inputs for share options valuation were as follows:

	Options 2018		Options 2015	
	2020	**2019**	**2020**	**2019**
Fair value of share options (RM)	**0.65 - 1.61**	1.51 - 3.20	**-**	2.38
Share price at valuation date (RM)	**13.10**	18.54	**-**	18.54
Adjusted exercise price (RM)	**-**	-	**-**	16.61
Original exercise price (RM)	**17.12**	17.12	**-**	16.88
Expected volatility (%)	**33.24**	16.29	**-**	16.29
Weighted average dividend yield (%)	**3.21**	2.27	**-**	2.27
Weighted average risk free rate (%)	**2.10**	3.10	**-**	3.10

The vesting period of the options granted on 15 December 2017 range from 1.40 to 5.40 years from grant date. The weighted average remaining option life as at 30 June 2020 is 1.97 years.

Executive Share Scheme ("ESS") established using the shares of subsidiary of the Company - Hong Leong Bank Berhad ("HLB")

The ESS 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 ("ESOS") and the Executive Share Grant Scheme ("ESGS").

The main features of the ESS are, inter alia, as follows:

1. Eligible executives are persons as defined by the ESS 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 29 October 2013 and 25 October 2012. The Board of HLB, as defined by the ESS 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, the aggregate number of shares comprised in the options and grants under the ESS 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 or the vesting of shares under the ESGS 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.

Notes to the Financial Statements
for the financial year ended 30 June 2020

56 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

The ESOS 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.

The ESOS 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.

The main features of the ESOS are, inter alia, as follows:

1. The option price for the options to be granted under the ESOS 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 is exercisable by the option holder during his employment or directorship with the HLB Group and upon meeting the vesting conditions of each ESOS 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 (2019: Nil) share options have been granted under the ESOS with 13,702,915 (2019: 20,325,861) options remain outstanding.

56 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 (continued)

Share options at an adjusted exercise price of RM13.77

Adjustments on exercise price due to Rights Issue

The fair value of share options granted on 2 April 2015 ("grant date") and modified grant date was estimated using the Black-scholes model, taking into account the terms and conditions upon which the options are granted. On modified grant date, the incremental fair value was computed to incorporate the adjustments on exercise price due to rights issue. The value of share options and the key inputs for share options valuation before and after rights issue were as follows:

	2020		2019	
	Before Rights Issue	After Rights Issue	Before Rights Issue	After Rights Issue
Fair value of share options (RM)	**1.36-1.48**	**1.52-1.64**	1.22 - 1.48	1.40 - 1.64
Share price at grant date/modified grant date (RM)	**14.30**	**13.56**	14.30	13.56
Exercise price (RM)	**14.24**	**13.77**	14.24	13.77
Weighted average option life at grant date/modified grant date (Years)	**3.40**	**3.00**	5.12	4.46
Expected volatility (%)	**11.74**	**12.21**	11.74	12.21
Weighted average dividend yield (%)	**1.96**	**2.04**	3.20	3.33
Weighted average risk free rate (%)	**2.31**	**2.44**	3.82	4.03

The fair value of share options after the rights issue is inclusive of incremental fair value arising from adjusted exercise price pursuant to the ESS Bye-Laws. The expected volatility reflects the assumption that the historical volatility was indicative of future trends, which may not necessarily be the actual outcome.

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 4.83 to 5.83 years from grant date. The weighted average remaining option life as at 30 June 2020 is 0.25 year.

Notes to the Financial Statements
for the financial year ended 30 June 2020

56 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 (continued)

Share options at an adjusted exercise price of RM13.77 (continued)

Adjustments on additional options due to Rights Issue

For the additional options granted on modified grant date due to Rights Issue exercise, the fair value of share options was estimated using the Black-scholes model, taking into account the terms and conditions upon which the options are granted. The value of share options and the key inputs for share options valuation were as follows:

	2020 After Rights Issue	2019 After Rights Issue
Fair value of share options (RM)	**1.09 - 1.22**	0.95 - 1.22
Share price at grant date/modified grant date (RM)	**13.56**	13.56
Exercise price (RM)	**13.77**	13.77
Weighted average option life at grant date (Years)	**3.00**	4.46
Expected volatility (%)	**12.21**	12.21
Weighted average dividend yield (%)	**2.04**	3.33
Weighted average risk free rate (%)	**2.44**	4.03

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from to 4.16 to 5.17 years from grant date. The weighted average remaining option life as at 30 June 2020 is 0.25 year.

Share options at an exercise price of RM16.46

The estimated fair value of each share option granted is between RM3.91 and RM4.45 per share. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM18.72, weighted average option life at grant date of 3.0 years, exercise price of RM16.46, expected volatility of 17.79%, weighted average expected dividend yield of 1.57% and a weighted average risk free interest rate of 2.70%.

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 3.25 to 5.25 years from grant date. The weighted average remaining option life as at 30 June 2020 is 1.38 years.

56 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)

(ii) ESGS

The ESGS which was approved by the shareholders of HLB on 29 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.

The ESGS 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 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 2020, a total of 434,370 ordinary shares were vested and transferred pursuant to the HLB's ESGS, 9,746 ordinary shares forfeited with 374,458 ordinary shares remain outstanding.

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 1 July 2019, Hong Leong Bank Berhad, a subsidiary of HLFG, announced that it had placed EB Nominees (Asing) Sendirian Berhad ("EB Nominees (Asing)"), its wholly-owned subsidiary, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016. EB Nominees (Asing) is currently dormant and there are no future plans to activate the company.

(b) HLFG Assets Sdn Bhd, a wholly-owned subsidiary of HLFG, was dissolved on 23 April 2020.

(c) Chew Geok Lin Finance Sdn Bhd and WTB Corporation Sdn Bhd, wholly-owned subsidiaries of HLF Credit (Perak) Bhd which in turn is a wholly-owned subsidiary of Hong Leong Bank Berhad, were dissolved on 18 May 2020.

58 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 2020

59 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	The Group		
	Before tax RM'000	Tax benefits RM'000	Net of tax amount RM'000
2020			
Financial investments at fair value through other comprehensive income			
- net fair value changes and changes in expected credit losses	**221,805**	**(45,317)**	**176,488**
Cash flow hedge			
- net fair value changes and changes in expected credit losses	**(7,633)**	**1,869**	**(5,764)**
2019			
Financial investments at fair value through other comprehensive income			
- net fair value gain/(loss)	345,337	(74,523)	270,814
Cash flow hedge			
- net fair value (loss)/gain	(4,531)	973	(3,558)

60 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;
(iiii) 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 53(d) to the financial statements.

60 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(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.

61 CHANGE IN ACCOUNTING POLICIES

Effects of adopting MFRS 16 Leases

MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 "Leases" and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" ("ROU") of the underlying asset and a lease liability reflecting future lease payments for most leases.

The ROU asset is depreciated in accordance with the principle as set out in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in statements of income.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group and the Company have adopted this standard from its mandatory adoption date of 1 July 2019. As permitted by MFRS 16, the Group and the Company have applied the modified retrospective approach and will not restate comparative amounts for the financial year prior to the first adoption. ROU assets for property leases will be measured on transition as if the new rules had always been applied. All other ROU assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group and the Company's borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 for the Group and the Company was at 4.59% and 5.29% respectively per annum.

Notes to the Financial Statements

for the financial year ended 30 June 2020

61 CHANGE IN ACCOUNTING POLICIES (continued)

Effects of adopting MFRS 16 Leases (continued)

(i) The table below summarises the effects upon adoption of MFRS 16 as at 1 July 2019:

	As at 30 June 2019 RM '000	Effects of adopting MFRS 16 RM '000	As restated 1 July 2019 RM '000
The Group			
Right-of-use assets	-	298,035	298,035
Lease liabilities	-	273,967	273,967
Payables and other liabilities	13,234,446	24,068	13,258,514
The Company			
Right-of-use assets	-	6,895	6,895
Lease liabilities	-	6,670	6,670
Payables and other liabilities	33,918	225	34,143

(ii) The table below analyses the impact of Capital Adequacy Ratios of the Group:

	As at 30 June 2019	Effects of adopting MFRS 16	As restated 1 July 2019
CET 1 capital ratio	10.903%	-0.024%	10.879%
Tier 1 capital ratio	11.895%	-0.027%	11.868%
Total capital ratio	14.968%	-0.034%	14.934%

(iii) The reconciliation on the operating lease commitments disclosed under MFRS 117 to MFRS 16 are as follows:

	The Group RM'000	The Company RM'000
Operating lease commitments as at 30 June 2019	23,002	1,420
Discounted using the incremental borrowing rates	(1,078)	(89)
	21,924	1,331
Low-value lease recognised on a straight-line basis as expenses	(125)	-
Adjustment as a result of a different treatment of extension and termination options	252,168	5,339
Lease liabilities recognised as at 1 July 2019	273,967	6,670

62 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 22 September 2020.

Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, Tan Kong Khoon and Leong Ket Ti, 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 page 88 to 278 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 2020 and financial performance of the Group and the Company for the year then ended 30 June 2020, 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

LEONG KET TI
Director

Kuala Lumpur
22 September 2020

Statutory Declaration

Pursuant to Section 251(1) of the Companies Act, 2016

I, Chew Seong Aun, 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 88 to 278 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 Chew Seong Aun at	)	
Kuala Lumpur in Wilayah Persekutuan on	)	**CHEW SEONG AUN**
22 September 2020	)	MIA No. 10114

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 2020, 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 2020 of the Group and of the Company, and the 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 88 to 278.

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Impairment of loans, advances and financing

Refer to Note O of the summary of significant accounting policies, and Notes 7 and 40 to the financial statements.

We focused on this area due to the significant size of the carrying value of loans, advances and financing, which represented 57.4% of total assets for the Group. In addition, impairment is a highly subjective area as the Group exercised significant judgement on the following areas:

Identification of Stage 2 and Stage 3 loans, advances and financing

• Assessment of objective evidence of impairment of loans, advances and financing based on obligatory and judgmental triggers for Stage 3 loans, advances and financing; and

• Identification of loans, advances and financing that have experienced a significant increase in credit risk for Stage 2 loans, advances and financing.

Individual assessment

• Estimates on the amount and timing of future cash flows based on realisation of collateral.
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We tested the design and operating effectiveness of the controls over impairment of loans, advances and financing. These controls covered:

• 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;

• Governance over the impairment processes, including model development, model approval and model validation;

• Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions used into respective ECL models; and

• Review and approval of the ECL calculation.

Individual assessment

Where the loans, advances and financing are individually assessed, we performed the following procedures:

• Examined a sample of loans, advances and financing focused on loans, advances and financing identified by the Group as having lower credit quality, rescheduled and restructured, and borrowers with exposures in oil and gas, oil palm plantations, and property development industry and formed our own judgement as to whether there was a significant increase in credit risk or any objective evidence of impairment; and

• Where objective evidence of impairment was identified and impairment loss was individually calculated, we examined both the quantum and timing of future cashflows used by the Group in the impairment loss calculation, challenged the assumptions and compared estimates to external evidence where available. Calculations of the discounted cashflows were also re-performed.
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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
Collective assessment • Choosing the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of model; • Assumptions used in the ECL models, which are expected future cash flows, forward-looking macroeconomic factors and datasets to be used as inputs to the models.	Collective assessment To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the management, we have performed the following procedures: • Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9, including the basis used by the management to determine the key assumptions used in respective ECL models; • Assessed and tested the significant modelling assumptions, including the basis or judgment used for management's overlays; • Assessed and considered reasonableness of forward-looking forecasts assumptions; and • Tested the accuracy of data inputs used in ECL models and checked the calculation of ECL amount, on a sample basis. Based on the procedures performed, the outcome of our independent testing results were not significantly different from the management's assessment on impairment of loans, advances and financing.

There are no key audit matters to report for the Company.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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:

- Five year group financial highlights;
- Simplified group statements of financial position;
- Group quarterly financial performance;
- Segmental information;
- Hong Leong Financial Group share price;
- Chairman's Statement;
- Management Discussion and Analysis;
- Sustainability Statement;
- Board Audit and Risk Management Committee Report;
- Corporate Governance Overview, Risk Management and Internal Control Statement; and
- Directors' 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.

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.

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)

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.

(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, related safeguards.

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)

Auditors' responsibilities for the audit of the financial statements (continued)

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 & AF1146
Chartered Accountants

ONG CHING CHUAN
02907/11/2021 J
Chartered Accountant

Kuala Lumpur
22 September 2020

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-First 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 Friday, 30 October 2020 at 2.30 p.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2020.

2. To declare a final single-tier dividend of 25 sen per share for the financial year ended 30 June 2020 to be paid on 25 November 2020 to members registered in the Record of Depositors on 6 November 2020. **(Resolution 1)**

3. To approve the payment of Director Fees of RM721,557 for the financial year ended 30 June 2020 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 51st AGM to the 52nd AGM of the Company. **(Resolution 2)**

4. To re-elect the following Directors pursuant to the Company's Constitution:

   (a) YBhg Tan Sri Quek Leng Chan **(Resolution 3)**
   (b) Ms Chong Chye Neo **(Resolution 4)**
   (c) YBhg Dato' Noorazman bin Abd Aziz **(Resolution 5)**

5. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as resolutions:

6. **Ordinary Resolution**
   Authority to Directors to Allot Shares

   "**THAT** subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), 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 Companies Act 2016 to allot 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, 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." **(Resolution 7)**

7. **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") and Persons Connected with HLCM

   "**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 1 October 2020 ("the Circular") with HLCM and persons connected with HLCM ("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 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 8)**

8. **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 1 October 2020 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 9)**

9. To consider any other business of which due notice shall have been given.

Notice of Annual General Meeting

FURTHER NOTICE IS HEREBY GIVEN that a depositor shall qualify for entitlement to the final dividend only in respect of:

(a) shares transferred into the depositor's securities account before 4:30 p.m. on 6 November 2020 in respect of ordinary transfers; and

(b) shares bought on Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board

JACK LEE TIONG JIE
(MAICSA 7060133)
(SSM PC No. 202008001704)
Group Company Secretary

Kuala Lumpur
1 October 2020

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 22 October 2020 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 cosec-hlfg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.

5. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to a vote by way of a poll.

Notice of Annual General Meeting

EXPLANATORY NOTES

1. **Resolution 2 on Director Fees and Other Benefits**

   - Director Fees of RM721,557 are inclusive of Board Committee Fees of RM150,000 and Meeting Allowances of RM45,000.

   - 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. **Resolution 7 on Authority to Directors to Allot Shares**

   The proposed Ordinary Resolution, if passed, will renew the general mandate given to the Directors of the Company to issue ordinary 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 allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be allotted under any agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued 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 2019 and which will lapse at the conclusion of the 51st 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 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.

3. **Resolutions 8 and 9 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 1 October 2020 which is available on the Company's Corporate website (http://www.hlfg.com.my/annualreport2020).

Statement Accompanying
Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- **Details of individuals who are standing for election as Directors**

  No individual is seeking election as a Director at the forthcoming Fifty-First 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 2 of the Notice of Fifty-First 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 28 AUGUST 2020

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 28 August 2020

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	319	6.89	7,076	0.00
100 – 1,000	1,344	29.04	756,545	0.07
1,001 – 10,000	1,918	41.45	7,156,126	0.62
10,001 – 100,000	784	16.94	23,451,680	2.04
100,001 – less than 5% of issued shares	261	5.64	229,045,367	19.96
5% and above of issued shares	2	0.04	887,100,096	77.31
	4,628	100.00	1,147,516,890	100.00

List of Thirty Largest Shareholders as at 28 August 2020

	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)	24,108,600	2.10
4.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	15,661,010	1.37
5.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Nomura)	11,861,800	1.03
6.	RHB Trustees Berhad - Exempt AN for Hong Leong Financial Group Berhad (HLFG-ESS)	9,636,000	0.84
7.	Soft Portfolio Sdn. Bhd.	6,602,130	0.58
8.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	5,596,478	0.49
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
11.	Chua Holdings Sdn Bhd	4,967,949	0.43
12.	Hong Bee Hardware Company, Sdn. Berhad	4,530,506	0.40

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020 (continued)

List of Thirty Largest Shareholders as at 28 August 2020 (continued)

Name of Shareholders	No. of Shares	%
13. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West Clt OD67)	4,251,500	0.37
14. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	4,199,641	0.37
15. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Bank of Singapore Limited (Foreign)	4,142,710	0.36
16. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Affin-Hwg)	4,117,599	0.36
17. RHB Trustees Berhad - Exempt AN for Hong Leong Financial Group Berhad (HLA-ESS)	4,081,900	0.36
18. Pertubuhan Keselamatan Sosial	3,735,000	0.33
19. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	3,713,732	0.32
20. Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	3,560,650	0.31
21. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	3,090,041	0.27
22. CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Commerce Trustee Berhad – Kenanga Growth Fund	2,659,200	0.23
23. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (CIMB PRIN)	2,500,000	0.22
24. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	2,455,954	0.21
25. Kheng Lim Holdings Sdn Bhd	2,269,492	0.20
26. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Norges Bank (FI 17)	2,097,622	0.18
27. Cartaban Nominees (Asing) Sdn Bhd - GIC Private Limited for Government Of Singapore (C)	2,004,934	0.18
28. Choong Yee How	2,000,000	0.17
29. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Amundi)	1,883,200	0.16
30. AmanahRaya Trustees Berhad - Amanah Saham Malaysia	1,773,300	0.15
	1,035,583,708	90.25

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020 (continued)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 28 August 2020 are as follows:

Name of Shareholders	Direct Interest No. of shares	%	Indirect Interest No. of shares	%
Hong Leong Company (Malaysia) Berhad	595,982,955	51.94	291,121,141	25.37[A]
Tan Sri Quek Leng Chan	5,438,664	0.47	893,706,226	77.88[B]
HL Holdings Sdn Bhd	-	-	887,104,096	77.31[C]
Kwek Holdings Pte Ltd	-	-	891,834,602	77.72[B]
Kwek Leng Beng	1,315,841	0.11	891,834,602	77.72[B]
Hong Realty (Private) Limited	-	-	891,834,602	77.72[B]
Hong Leong Investment Holdings Pte Ltd	-	-	891,834,602	77.72[B]
Davos Investment Holdings Private Limited	-	-	891,834,602	77.72[B]
Kwek Leng Kee	-	-	891,834,602	77.72[B]
Guoco Group Limited	291,117,141	25.37	-	-
GuoLine Overseas Limited	-	-	291,117,141	25.37[D]
GuoLine Capital Assets Limited	-	-	291,117,141	25.37[D]

Notes:

[A] Held through subsidiary(ies)

[B] Held through Hong Leong Company (Malaysia) Berhad ("HLCM") and company(ies) in which the substantial shareholder has interest

[C] Held through HLCM

[D] Held through Guoco Group Limited

3. DIRECTORS' INTERESTS AS AT 28 AUGUST 2020

Subsequent to the financial year end, there is no change, as at 28 August 2020, 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 80 to 83 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	Number of shares	%
YBhg Tan Sri Quek Leng Chan in:		
GuocoLand Limited	836,631,438	70.70
GL Limited	980,303,634	71.66

Other Information

LIST OF PROPERTIES HELD AS AT 30 JUNE 2020

	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 Georgetown 10200 Pulau Pinang	Freehold	Branch premises	20,594	86	7,422	30/12/1986
2	No. 15-G-1, 15-1-1 & 15-2-1 Medan Kampung Relau Bayan Point 11900 Pulau Pinang	Freehold	Branch premises	9,968	21	2,027	26/06/1997
3	No. 42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 859 years (31/12/2779)	Branch premises	4,425	38	1,386	27/12/1983
4	No. 133, 135 & 137 Jalan Kampong Nyabor 96000 Sibu, Sarawak	Freehold	Branch premises	4,871	28	2,835	28/12/1992
5	Jungle land at Sungai Limut Rajang, Sarawak Occupation Ticket 612 of 1931	Leasehold - 99 years (31/12/2026)	Jungle land	1,217,938	n/a	1	31/12/1938
6	No. 25 & 27, Jalan Tun Ismail 25000 Kuantan Pahang Darul Makmur	Freehold	Branch premises	1,600	29	1,094	29/06/1996
7	No. 69, 70 & 71, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,387	27/12/1994
8	No. 26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	34	487	30/12/1986
9	No. 120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/08/2063)	Branch premises	3,355	54	513	31/05/1990
10	No. 100, Jalan Gurney 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	34	2,011	25/06/1992
11	No. 12, 14 & 16 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	29	3,438	25/06/1992
12	No. 63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant	4,760	25	3,115	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
13	No. 24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	24	943	28/04/1997
14	No. 1, Jalan Takal 15/21 Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/06/2086)	Branch premises	2,625	33	1,092	26/06/1997
15	Lots 3594 & 3595 Jalan Baru Pak Sabah 23000 Dungun Terengganu Darul Iman	Leasehold - 84 years (02/02/2079)	Branch premises	3,199	26	186	26/06/1997
16	Lot 3073 & 3074 Jalan Abang Galau 97000 Bintulu, Sarawak	Leasehold - 60 years (12/02/2056)	Branch premises	2,582	23	926	26/06/1997
17	Lot 34, Putra Industrial Park 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	24	2,567	26/01/1995
18	No. 1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 60 years (19/07/2030)	Vacant	10,619	45	21	30/06/1977
19	No. 9A & 9B Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	27	735	01/01/1994
20	No. 45, Jalan Burma 10500 Pulau Pinang	Freehold	Vacant	14,277	42	1,773	24/11/1978
21	No. 33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (08/04/2082)	Vacant	4,394	25	332	26/12/1995
22	No. 55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Vacant	11,720	41	926	01/10/1984
23	No. 27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/02/2078)	Branch premises	4,694	25	234	24/11/1995
24	No. 75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	1,900	23	588	15/06/1998

Other Information

	Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. age (Years)	Net book value (RM'000)	Date of acquisition
25	No. 80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/06/2089)	Branch premises	9,062	30	822	01/06/1994
26	No. 19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (08/03/2081)	Branch premises	5,859	38	311	29/11/1985
27	Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Vacant	4,978	40	383	31/07/1988
28	No. 161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	2,454	24	2,673	14/02/1996
29	No. 8A-D, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Vacant	12,854	27	325	22/10/1977
30	No. 109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	32	200	01/09/1988
31	No. 1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	52	30	30/06/1977
32	No. 36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	80	83	30/08/1982
33	W-1-0, W-2-0 & W-1-1 Subang Square Business Centre Jalan SS15/4G 47500 Subang Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,545	21	1,122	18/12/1999
34	No. 2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Vacant	12,173	21	2,134	18/12/1999
35	Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	21	449	23/11/1999

Other Information

	Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. age (Years)	Net book value (RM'000)	Date of acquisition
36	No. 1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	20	1,432	23/11/1999
37	Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/02/2084)	Branch premises	5,988	21	1,079	31/05/1991
38	No. 1 & 2 Jalan Raya 09800 Serdang Kedah Darul Aman	Freehold	Branch premises	5,840	19	344	20/09/2000
39	No. 133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	19	318	13/12/2000
40	No. 65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	HLB's CSR Community Center	2,223	24	4,676	14/10/1996
41	No. 64, Jalan Tun Mustapha 87007 Labuan	Leasehold 999 years (28/12/2881)	Branch premises	1,370	29	383	30/05/1991
42	No. 159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	15	2,532	25/11/2005
43	No. 163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	15	2,609	25/10/2005
44	No. 114 & 116, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch premises	12,200	14	3,451	07/06/2006
45	Lot A08-A09, Jalan SS 6/5A Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya	Freehold	Branch premises	9,800	14	2,548	06/07/2006
46	No. 2 Jalan Puteri 2/4 Bandar Puteri Puchong 47100 Selangor Darul Ehsan	Freehold	Branch premises	11,850	13	4,960	28/06/2007
47	Tower A, PJ City Development 46100 Petaling Jaya Selangor	Leasehold - 99 years (14/08/2094)	Branch premises	194,489	12	71,777	21/07/2008

Other Information

	Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. age (Years)	Net book value (RM'000)	Date of acquisition
48	OUG No.2, Lorong 2/137C Off Jalan Kelang Lama 58200 Kuala Lumpur	Leasehold - 99 years (year 2088)	Branch Premises	17,300	10	4,646	01/04/2011
49	KEP Lot No 77C & 77D Lot No.58529 Jalan Kepong, 52100 Kuala Lumpur	Leasehold - 99 years (07/01/2101)	Branch Premises	30,613	10	8,095	01/05/2011
50	No. 122, Kapit By-Pass 96807 Kapit Sarawak	Leasehold - 60 years (29/04/2045)	Branch Premises	1,200	27	151	30/04/1985
51	No. 12A, Block B Level 2, Fraser's Hill Condominium 49000 Bukit Fraser's Pahang Darul Makmur	Leasehold - 99 years (23/05/2082)	1 unit apartment	1,792	33	102	24/05/1983
52	No. 9, Jalan Cheng Lock 50000 Kuala Lumpur Wilayah Persekutuan	Freehold	Vacant	2,199	47	262	18/09/1972
53	No. 3, Jalan Bandar Satu Pusat Bandar Puchong 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	4,687	25	1,688	04/03/1997
54	No. 32 & 34, Jalan 21/19 Sea Park 46300 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant	3,080	57	2,099	19/08/1997
55	No. 26 & 27, Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	3,600	24	1,343	22/01/1999
56	No. 2, Jalan PJU 5/8 Dataran Sunway Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (23/11/2100)	Branch Premises	12,892	16	3,254	02/12/2005

Other Information

	Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. age (Years)	Net book value (RM'000)	Date of acquisition
57	No. J09-6 and J02-06 Paradise Lagoon Holiday Apartment Batu 3 1/2, Jalan Pantai 70100 Port Dickson Negeri Sembilan Darul Khusus	Leasehold - 99 years (06/07/2087)	2 units apartment	2,088	24	174	21/04/1994
58	No. S-3, Kompleks Negeri Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan Darul Khusus	Leasehold - 99 years (30/01/2078)	Vacant	1,680	36	232	29/06/1981
59	No. 105 & 107 Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Leasehold - 99 years (20/03/2094)	Vacant	3,132	24	462	17/04/1998
60	No. 67 & 69, Jalan Merdeka 75000 Taman Merdeka Raya Melaka	Leasehold - 99 years (07/07/2093)	Branch Premises	3,080	25	620	15/08/1999
61	No. 21 & 23, Jalan Indah 15/1 Bukit Indah 81200 Johor Bahru Johor Darul Takzim	Freehold	Vacant	5,090	18	1,304	27/05/2002
62	No. 35, 37 & 39 Jalan Johor Satu Taman Desa Cemerlang 81800 Ulu Tiram Johor Darul Takzim	Freehold	Branch Premises	13,965	17	1,880	02/12/2003
63	No. 21, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai Johor Darul Takzim	Freehold	Branch Premises	2,624	23	930	04/05/1999
64	No. B-278 & B-280 Jalan Beserah 25300 Kuantan Pahang Darul Makmur	Freehold	Branch Premises	3,208	19	1,332	08/04/1999
65	No. 31, 33, 35 & 37 Jalan Usahaniaga 1 Taman Niagajaya 14000 Bukit Mertajam Seberang Perai Tengah, Penang	Freehold	Branch Premises	15,844	17	1,113	07/10/2003
66	Lot 171, Jalan Council 95000 Bandar Sri Aman Sarawak	Leasehold 60 years (20/06/2050)	Branch Premises	1,740	24	127	21/06/1990

Other Information

	Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. age (Years)	Net book value (RM'000)	Date of acquisition
67	Lot No. 2013, Jalan Pisang Barat 93150 Kuching Sarawak	Leasehold - 99 years (31/12/2038)	Storage	1,390	27	-	23/09/1992
68	No: 3/G14, 3/G15 & 3/G16 Block 3, Lorong Api-Api 2 Api-Api Centre 88000 Kota Kinabalu, Sabah	Leasehold - 99 years (31/12/2086)	Branch Premises	4,141	25	1,582	02/04/1997
69	No. 177, Limbok Hill 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	Single-storey Detached house	6,730	47	10	16/08/1972
70	No. 11, Jalan Emas 2 Taman Emas Cheras 43200 Cheras, Selangor	Freehold	Vacant	5,804	27	-	25/05/1993
71	No. 53 & 55, Jalan Sultan Ismail 50250 Kuala Lumpur	Freehold	Branch Premises	9,600	23	17,454	01/06/2015
72	No. 9, Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Vacant	7,060	38	2,586	01/06/2015
73	No. 300, Jalan Jelutong 11600 Pulau Pinang	Freehold	Branch Premises	16,652	18	13,421	23/06/2015
74	Lot 1, Block 35 Fajar Commercial Complex Jalan Lembaga 91000 Tawau, Sabah	Leasehold - 998 years (31/12/2895)	Branch Premises	13,880	48	4,764	17/08/2015
75	Menara Hong Leong No. 6, Jalan Damanlela Bukit Damansara 50490 Kuala Lumpur	Freehold	Head Office/ Branch Premises	668,331	5	567,845	07/03/2015
76	01-01, 01-02, 01-03, 01-05, Blok D Komersil Southkey Mozek, Persiaran Southkey 1 80150 Kota Southkey Johor Bahru	Leasehold - 99 years (21/02/2100)	Branch Premises	18,317	2	16,031	16/11/2018
77	No. 8, Jalan 3/5-C Taman Setapak Indah Jaya Off Jalan Genting Klang 53300 Kuala Lumpur	Leasehold - 99 years (28/08/2086)	Branch Premises	6,908	2	2,071	13/09/2018

Other Information

	Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. age (Years)	Net book value (RM'000)	Date of acquisition
78	Lot 942, Jalan Parry 98000 Miri Sarawak	Leasehold - 60 Years (06/04/2057)	Branch Premises	5,496	23	776	31/01/1997
79	Lot 1, 2 & 3, Block 18, Bandar Indah, Mile 4, North Road, Bandar Indah Sandakan, Sabah	Freehold	Branch Premises	6,760	20	2,610	08/11/2001
80	No 3 Persiaran Greentown 4 Greentown Business Centre 30450 Ipoh	Leasehold - 99 Years (21/11/2094)	Branch Premises	8,846	25	424	04/12/1995
81	Bangunan HLA 7 Jalan Yayasan 86000 Kluang	Leasehold - 99 Years (23/03/2084)	Branch Premises	6,019	31	364	30/12/1989
82	Wisma Hong Leong 18 Jalan Perak 50450 Kuala Lumpur	Freehold	Office Premises	333,594	19	260,000	13/11/2001
83	Unit 2.1.2, 1A Stonor Condominium Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,904	27	472	30/06/1993
84	Unit 1.1.5, 1A Stonor Condominium Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,815	27	450	30/06/1993
85	14-23 Darul Aman Jalan Tun Ismail 25000 Kuantan Pahang	Freehold	Branch Premises	5,610	27	454	21/02/1993
86	No 1 Persiaran Greentown 4 Pusat Perdagangan Greentown 30450 Ipoh Perak	Leasehold - 99 Years (21/11/2094)	Branch Premises	5,246	25	446	04/12/1995
87	Block B, PJ City Jalan 219 Seksyen 51A 46100 Petaling Jaya Selangor	Leasehold - 99 Years (12/12/2107)	Office Premises	202,194	12	58,413	29/04/2008
88	31 & 32 Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor	Freehold	Branch Premises	8,932	28	1,431	31/12/2013

Other Information

	Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. age (Years)	Net book value (RM'000)	Date of acquisition
89	Menara Raja Laut No. 288 Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	Freehold	Office Premises	839,574	27	210,000	06/04/2015
90	No 2682 Jalan Aston 14000 Bukit Mertajam Pulau Pinang	Freehold	Branch Premises	10,160	2	2,686	14/03/2018
91	51-53, Persiaran Greenhill 30450 Ipoh Perak	Freehold & leasehold - 999 years	Branch Premises	4,793	26	1,747	31/12/1993
92	Unit 1-10, 8th Floor Island Place Tower Island Place No 510 King's Road Hong Kong	Leasehold - 55 Years (30/06/2047)	Office Premises	20,000	25	52,228	22/02/2010

FORM OF PROXY

HongLeong Financial Group Berhad
Registration No. 196801000439 (8024-W)

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-First 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 Friday, 30 October 2020 at 2.30 p.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below with an "X":

	RESOLUTIONS	FOR	AGAINST
1.	To declare a final single-tier dividend of 25 sen per share		
2.	To approve the payment of Director Fees and Directors' Other Benefits		
3.	To re-elect YBhg Tan Sri Quek Leng Chan as a Director		
4.	To re-elect Ms Chong Chye Neo as a Director		
5.	To re-elect YBhg Dato' Noorazman bin Abd Aziz as a Director		
6.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
7.	To approve the ordinary resolution on Authority to Directors to Allot Shares		
8.	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 ("HLCM") and persons connected with HLCM		
9.	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__________2020

____________________ ____________________

Number of shares held Signature(s) of Member

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 22 October 2020 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the Company.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the 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.*
6. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *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 Attorney.*
8. *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.*
9. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of Proxies	***% of shareholdings to be represented***

10. *Pursuant to Paragraph 8.29A(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

AFFIX STAMP

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

1st fold here

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