Hong Leong Financial Group Berhad

Annual Report **2021**

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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 Financial Services

Investment Banking

- Investment Banking
- Stockbroking
- Asset Management

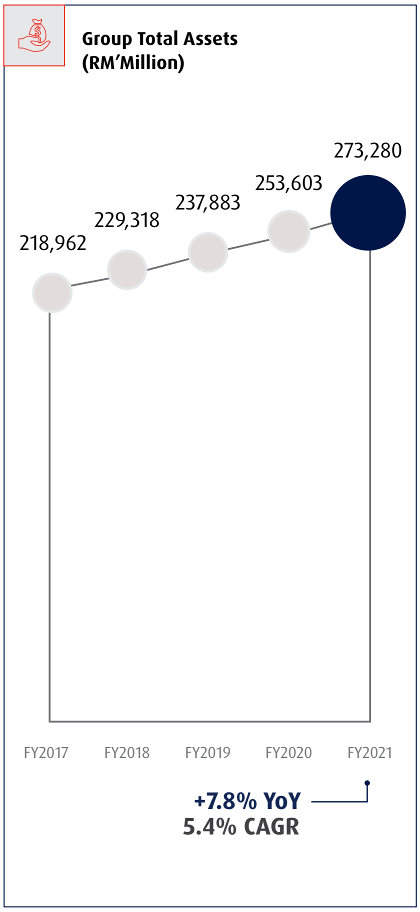
Insurance and Takaful

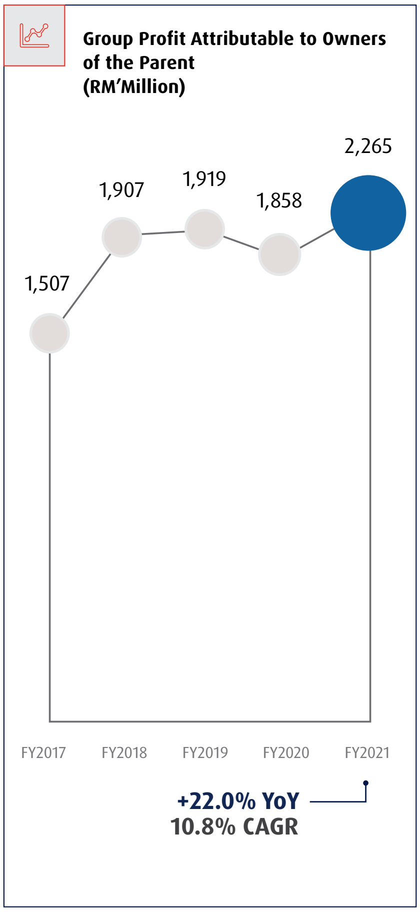
- Life & General Insurance
- Family Takaful

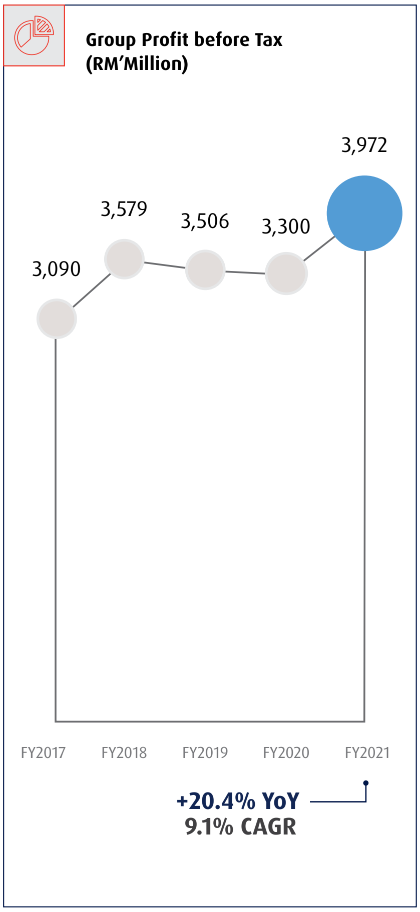
Core Values

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

Five Year Group **Financial Highlights**

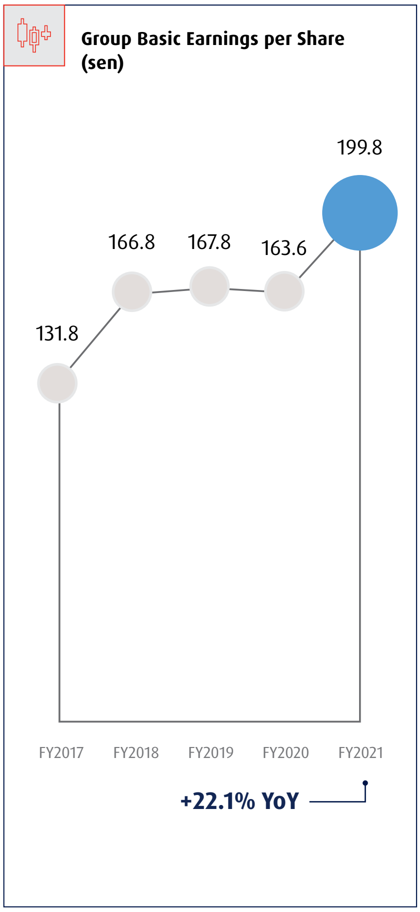


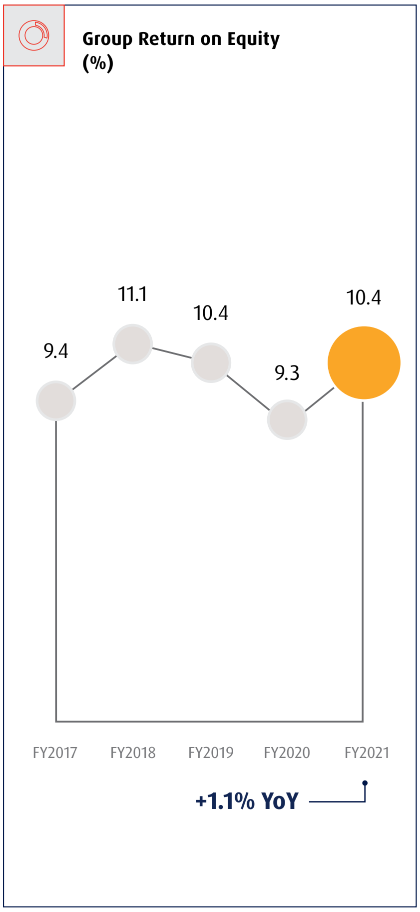


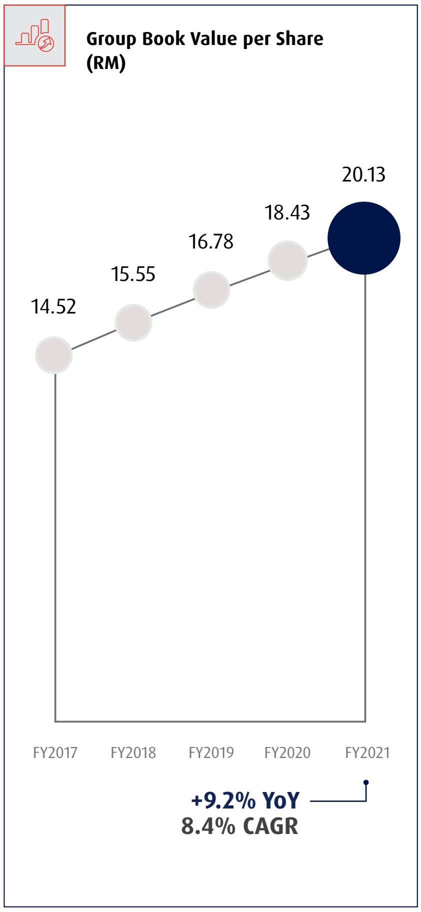


The Group	FY2017 RM'Million	FY2018 RM'Million	FY2019 RM'Million	FY2020 RM'Million	FY2021 RM'Million
Statements of Financial Position					
Total assets	218,962	229,318	237,883	253,603	**273,280**
Net loans	124,812	128,851	137,058	145,521	**154,779**
Total liabilities	193,930	202,638	209,282	222,550	**239,347**
Deposits from customers	154,458	156,883	161,888	171,237	**181,769**
Shareholders' funds	16,609	17,804	19,097	20,898	**22,818**
Commitments and contingencies	171,332	177,098	174,186	154,879	**285,690**
Statements of Income					
Revenue	5,035	5,351	5,278	5,258	**6,199**
Profit before tax	3,090	3,579	3,506	3,300	**3,972**
Net profit	2,317	2,895	2,914	2,779	**3,376**
Profit attributable to owners of the parent	1,507	1,907	1,919	1,858	**2,265**

Five Year Group Financial Highlights

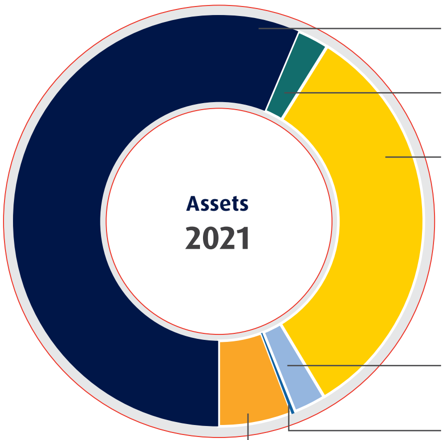


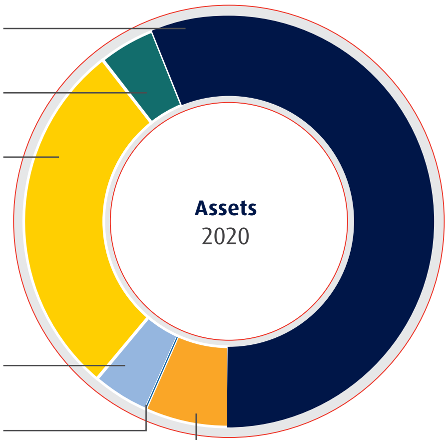




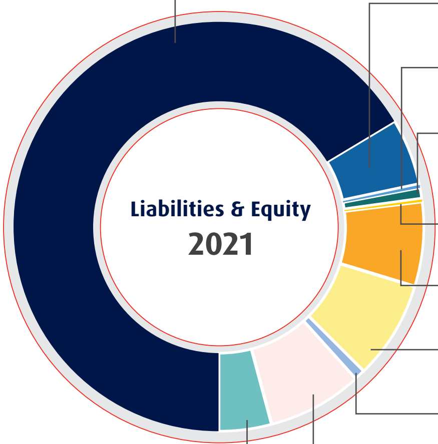
The Group	FY2017	FY2018	FY2019	FY2020	FY2021
Key Performance Indicators					
Share price (RM)	16.80	18.00	18.54	13.10	**17.80**
Book value per share (RM)	14.52	15.55	16.78	18.43	**20.13**
Basic earnings per share (sen)	131.8	166.8	167.8	163.6	**199.8**
Net dividend per share (sen)	38.0	40.0	42.0	38.0	**40.0**
Financial Ratios (%)					
Profitability Ratios					
Return on equity	9.4%	11.1%	10.4%	9.3%	**10.4%**
Return on average assets	0.7%	0.9%	0.8%	0.8%	**0.9%**
Cost/income ratio	44.1%	42.9%	45.1%	44.9%	**38.6%**
Asset Quality/Loan Ratios					
Gross loans to deposits ratio	81.6%	82.8%	85.4%	85.7%	**86.1%**
Gross impaired loans ratio	1.0%	0.9%	0.8%	0.6%	**0.5%**

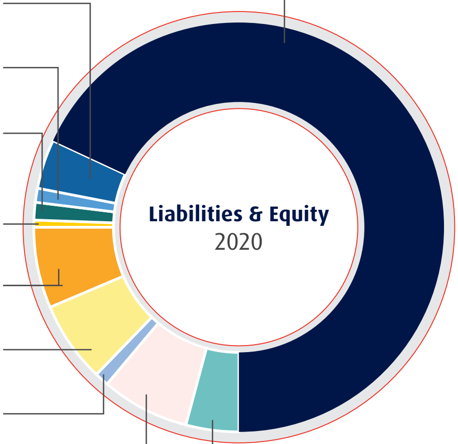
Simplified Group Statements of **Financial Position**





2021		2020
56.6%	Loans, advances and financing	57.4%
2.5%	Cash and short-term funds	4.4%
32.4%	Portfolio of securities	28.9%
2.6%	Deposits and placements with banks and other FI	3.6%
0.2%	Statutory deposits with Central Banks	0.2%
5.7%	Other assets (including goodwill)	5.5%





2021		2020
66.5%	Deposits from customers	67.5%
5.2%	Deposits and placements of banks and other FI	3.4%
0.3%	Obligations on securities sold under repurchase agreements	1.2%
1.0%	Borrowings and subordinated obligations	1.2%
0.3%	Additional Tier 1 capital securities	0.3%
6.5%	Insurance funds	6.5%
7.8%	Other liabilities	7.7%
0.8%	Share capital	0.9%
7.5%	Reserves (net of treasury shares for ESOS)	7.3%
4.1%	Non-controlling interests	4.0%

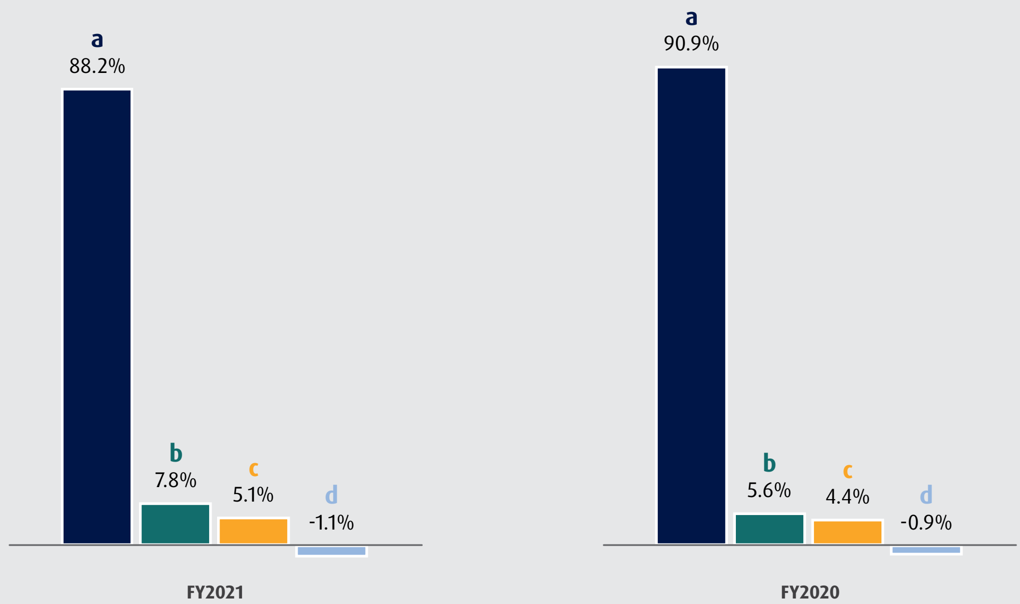
Group Quarterly **Financial Performance**

	2021				
RM'Million	**Q1**	**Q2**	**Q3**	**Q4**	**Year**
Statements of Income					
Revenue	**1,499**	**1,619**	**1,580**	**1,501**	**6,199**
Profit before tax	**988**	**967**	**1,063**	**953**	**3,972**
Net Profit	**855**	**795**	**871**	**855**	**3,376**
Profit attributable to owners of the parent	**587**	**528**	**577**	**573**	**2,265**
Key Performance Indicators					
Share price (RM)	**14.3**	**18.1**	**17.4**	**17.8**	**17.8**
Book Value per Share (RM)	**19.0**	**19.2**	**19.5**	**20.1**	**20.1**
Basic earnings per share (sen)	**51.8**	**46.5**	**50.9**	**50.6**	**199.8**
Dividend per share (sen)	**-**	**10.8**	**-**	**29.2**	**40.0**

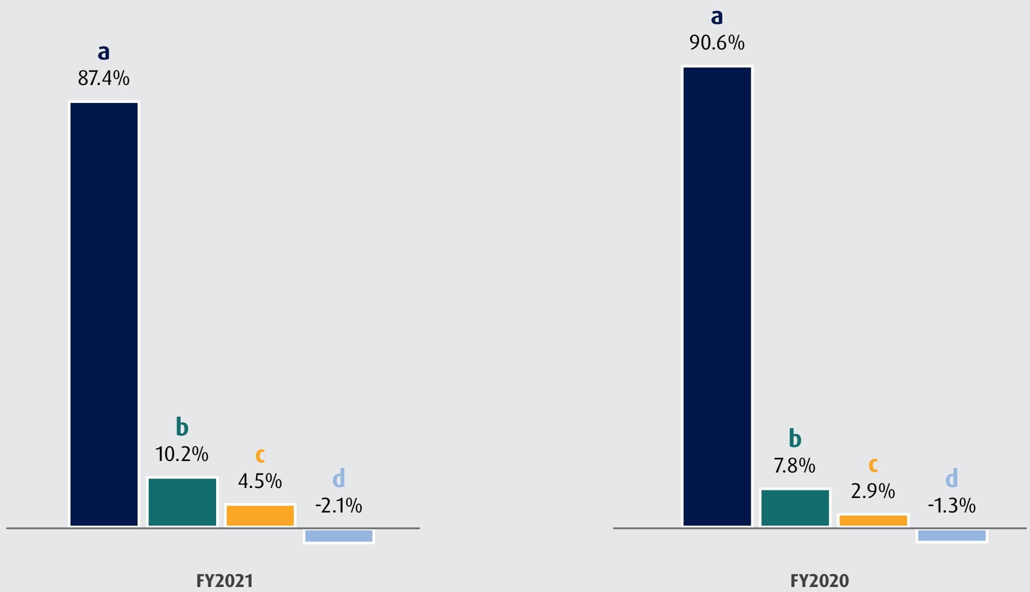
	2020				
RM'Million	**Q1**	**Q2**	**Q3**	**Q4**	**Year**
Statements of Income					
Revenue	1,326	1,360	1,142	1,429	5,258
Profit before tax	914	924	603	858	3,300
Net Profit	743	757	513	765	2,779
Profit attributable to owners of the parent	490	503	339	525	1,858
Key Performance Indicators					
Share price (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

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

FY2021	**40.0 sen**	**+5.3% YoY**
FY2020	38.0 sen	

Share Price

FY2021	**RM17.80**	**+35.9% YoY**
FY2020	RM13.10	

Market Capitalisation

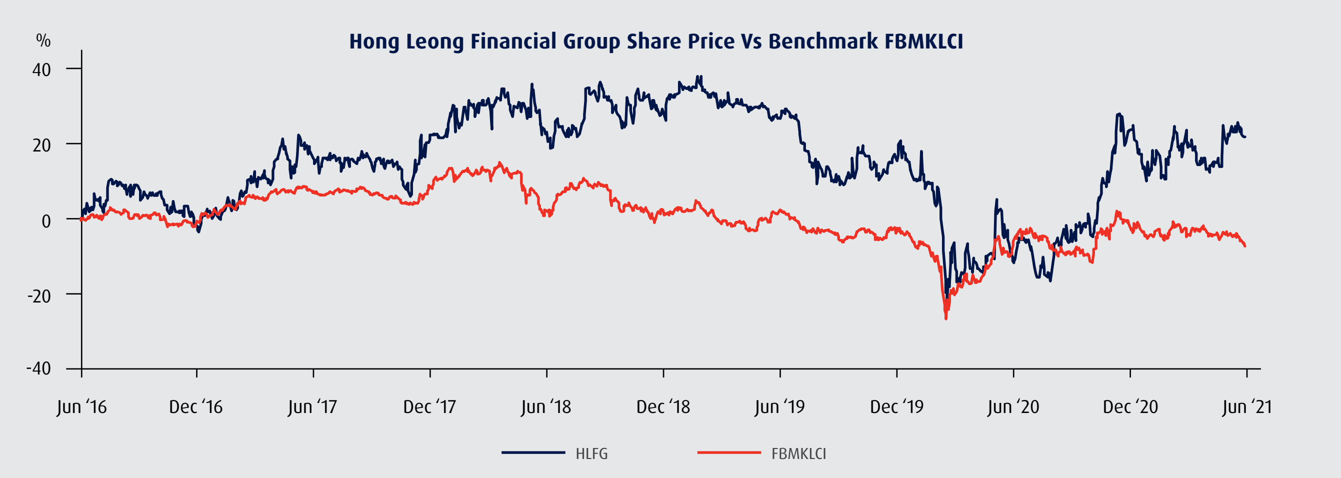
FY2021	**RM20.4 bil**	**+36.0% YoY**
FY2020	RM15.0 bil	

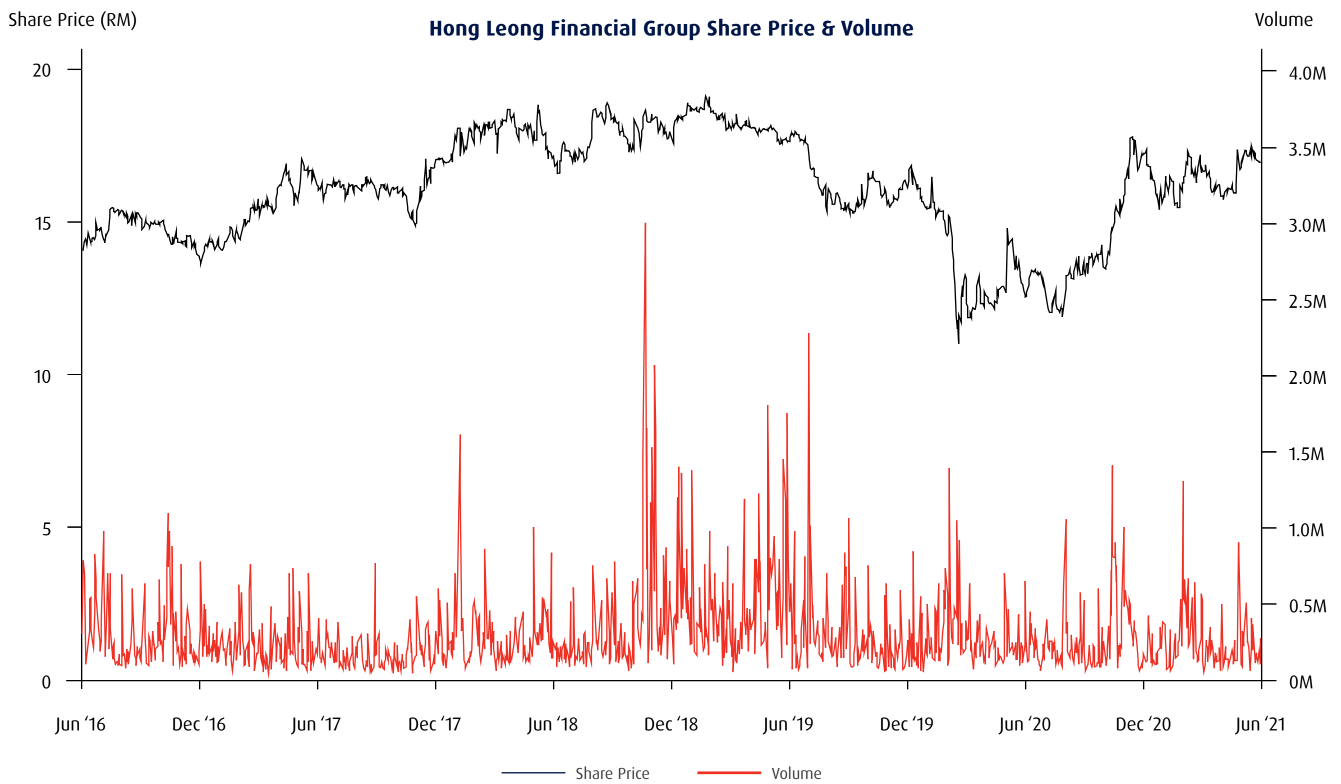
Earning per Share

FY2021	**199.8 sen**	**+22.1% YoY**
FY2020	163.6 sen	

Group Return on Equity

FY2021	**10.4%**	**+1.1% YoY**
FY2020	9.3%	





Financial Calendar

Annual General Meeting

28 October 2021 (Thursday)
52nd Annual General Meeting

DIVIDENDS

Interim Single-Tier Dividend of 10.8 sen per share

Announcement	Entitlement	Payment
26 February 2021	15 March 2021	30 March 2021

Final Single-Tier Dividend of 29.2 sen per share

Announcement	Entitlement	Payment
30 August 2021	8 November 2021	23 November 2021

ANNOUNCEMENT OF CONSOLIDATED RESULTS

27 November 2020
Friday

unaudited results for
1st quarter ended
30 September 2020

26 February 2021
Friday

unaudited results for
2nd quarter ended
31 December 2020

27 May 2021
Thursday

unaudited results for
3rd quarter ended
31 March 2021

30 August 2021
Monday

unaudited results for
4th quarter and financial year ended
30 June 2021

Corporate **Milestones**

JULY
2006
Changed name to 'Hong Leong Financial Group Berhad'

OCTOBER
2007
HLIB proposed to acquire the identified assets and liabilities of Southern Investment Bank Bhd

APRIL
2008
HLA proposed to acquire PJ City premises

JULY
2008
HLB acquired 20% equity interest in the Bank of Chengdu (BOCD)

OCTOBER
2009
HLCB 1:1 Rights Issue completed

FEBRUARY
2009
Insurance holding company, HLAH, was incorporated

JANUARY
2009
- HLIB obtained investment bank status
- HLB granted Vietnam banking license

OCTOBER
2008
HLIB acquired SBB Securities Sdn Bhd

FEBRUARY
2010
Sichuan Jincheng consumer finance JV incorporated

OCTOBER
2010
MSIG Strategic Partnership completed

MAY
2011
HLB acquired EON Capital Bhd's assets and liabilities

SEPTEMBER
2012
Merger of HLIB & MIMB Investment Bank completed

Corporate Milestones

NOVEMBER

2019

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

NOVEMBER

2020

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

JULY

2018

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

JANUARY

2018

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

DECEMBER

2015

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

JUNE

2014

HLFG Group FY14 pretax profit surpassed the RM3b mark

JUNE

2013

HLAS obtained Singapore general insurance license

JULY

2013

HLB Cambodia commenced operations

OCTOBER

2013

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

NOVEMBER

2013

HLB established a Representative Office in Nanjing, China

HONG LEONG BANK BERHAD

Awards & Accolades

Euromoney Awards for Excellence 2020

Excellence in Leadership in Asia 2020

Organised by **Euromoney**

Best Bank Awards 2020

Best SME Bank Malaysia 2020

Organised by **Asiamoney**

Best Bank Awards 2020

Best Payments Bank in Malaysia 2020

Organised by **Asian Banker**

Global Good Governance Award 2021

3G Best Social Impact 2021 Award

Organised by **Cambridge IFA**

Global Good Governance Award 2021

3G Human Resources Development Award 2021

Organised by **Cambridge IFA**

IRBA Excellence Award 2020

Islamic Digital Banking

Organised by **Cambridge IFA**

HR Excellence Awards 2020

HR Leader of the Year (Silver)

Organised by **Human Resources Online**

HR Excellence Awards 2020

Young HR Talent of the Year (Silver)

Organised by **Human Resources Online**

HR Excellence Awards 2020

Excellence in HR Innovation (Silver)

Organised by **Human Resources Online**

Employee Experience Awards 2021

Best Digital Transformation Strategy (Gold)

Organised by **Human Resources Online**

Employee Experience Awards 2021

Best Soft Skills Training Program (Silver)

Organised by **Human Resources Online**

National Annual Corporate Report Awards 2020

NACRA Award 2020 (Silver)

Organised by **Bursa Malaysia, MIA and MICPA**

International Finance Banking Awards 2020

Best SME Development Bank Malaysia 2020

Organised by **International Finance**

International Finance Banking Awards 2020

Most Innovative SME Portfolio 2020

Organised by **International Finance**

HONG LEONG CAPITAL BERHAD

Bursa Excellence Awards 2020

Best Retail Equities Participating Organisation - Investment Bank - 2nd runner up

Organised by **Bursa Malaysia**

14th Annual Alpha Southeast Asia Best Deal & Solution Awards 2020

Best Equity Deal Of The Year, Malaysia

Organised by **Alpha Southeast Asia**

14th Annual Alpha Southeast Asia Best Deal & Solution Awards 2020

Best Islamic Subordinated Perpetual Bond & Most Innovative Islamic Finance Deal Of The Year

Organised by **Alpha Southeast Asia**

Islamic Finance News Awards 2020

Ijarah Deal Of The Year

Organised by **Islamic Finance News**

Refinitiv Lipper Fund Awards 2021 – Malaysia Provident (Group Award)

Best Equity Award – Hong Leong Asset Management Bhd

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Malaysia Provident (Fund Award)

Equity Malaysia Income – 5 Years – Hong Leong Dividend Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Malaysia Provident (Fund Award)

Equity Malaysia Diversified – 5 Years – Hong Leong Growth Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Malaysia Provident (Fund Award)

Equity Asia Pacific ex Japan – 3 Years – Hong Leong Asia-Pacific Dividend Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Malaysia Provident (Fund Award)

Equity Asia Pacific ex Japan – 5 Years – Hong Leong Asia-Pacific Dividend Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Malaysia Provident (Fund Award)

Equity Malaysia - 3 Years - Hong Leong Dana Makmur

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Malaysia Islamic (Fund Award)

Equity Malaysia – 3 Years – Hong Leong Dana Makmur

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Malaysia Islamic (Fund Award)

Equity Malaysia – 5 Years – Hong Leong Dana Makmur

Organised by **Refinitiv**

HONG LEONG CAPITAL BERHAD (CONTINUED)

Refinitiv Lipper Fund Awards 2021 – Global Islamic (Fund Award)

Equity Malaysia – 3 Years – Hong Leong Dana Makmur

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Global Islamic (Fund Award)

Equity Malaysia – 5 Years – Hong Leong Dana Makmur

Organised by **Refinitiv**

HONG LEONG ASSURANCE BERHAD

Insurance Asia Awards 2020

Domestic Life Insurer of the Year – Malaysia

Organised by **Asian Banking and Finance**

HONG LEONG MSIG TAKAFUL BERHAD

International Business Magazine Awards 2021 & 2020

Best Takaful Operator Malaysia

Organised by **International Business Magazine**

Global Business Outlook Awards 2021 & 2020

Most Innovative Family Takaful Company

Organised by **Global Business Outlook**

Global Business Outlook Awards 2020

Most Innovative COVID-19 Relief Programme (Insurance)

Organised by **Global Business Outlook**

Global Halal Excellence Awards 2020

Excellence in Insurance & Takaful

Organised by **The Leadership Post**

HONG LEONG FINANCIAL GROUP BERHAD

Strongest Bank/Group by Balance Sheet in Malaysia 2020

Strongest Banks by Balance Sheet 2020

Organised by **The Asian Banker**

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 2021."

PANDEMIC RECOVERY JOURNEY

The operating environment remained challenging during the financial year as COVID-19 pandemic persists and the world is still grappling with public health challenges due to the emergence of new variants of COVID-19. The ongoing pandemic has weighed on the global economy amid periodic national lockdowns, uneven distribution of COVID-19 vaccine supplies, disruptions to the global supply chain and volatility in the financial markets. In Malaysia, various precautionary measures have been taken including varying stages of lockdown to tackle the continued surge in COVID-19 cases. In June 2021, the country's National Recovery Plan was announced with a structured approach and clear targets to ease movement restrictions in phases. With the announced easing of mobility restrictions for fully vaccinated individuals and the re-opening up of more economic sectors, we anticipate a gradual recovery of the Malaysia economy underpinned by the rapid COVID-19 vaccination rollout and the country's expected progression under the National Recovery Plan.

Chairman's Statement

STRENGTH AND PRIORITIES

Against this challenging backdrop, our priority is to ensure the safety, health and well-being of our workforce while customers and business stakeholders remain safeguarded in the way we conduct our business and operations. We continue to improve our health and safety Standard Operating Procedures, and provide support to encourage rapid COVID-19 inoculation which includes on-site vaccination assistance for our employees. The Group also ensured that our staff and agents have the necessary digital tools to work remotely from their home effectively and safely whilst constrained by various phases of movement restrictions.

During this period, we have reached out to our customers to assure that we would provide assistance to support them through this difficult time. Our commercial banking division has provided various payment relief assistance since the onset of the pandemic, with the most recent one being the PEMULIH loan moratorium packages, while our insurance division continues to attend to customers' needs by introducing Complimentary Special Benefit Programme that offers coverage upon confirmation of COVID-19 diagnosis and Post-Vaccination Complication. At the same time, our policyholders are also entitled to deferment of premium payment due to temporary financial difficulties encountered during this period through our COVID-19 Support Programmes.

In respect of our operating businesses, all key capital, liquidity and credit metrics remain sound and robust with effective contingency plans in place to manage our franchises should the need arise. All non-critical operating expenses were judiciously managed while we maintained a strong focus on risk management.

I am pleased to inform that the Group was recognised by The Asian Banker for its sustained financial strength and response to the challenges posed by the pandemic last year. HLFG topped The Asian Banker's ranking of Strongest Banks by Balance Sheet in Malaysia and ranked 12th in the Asia Pacific in 2020. It is pleasing to note that the current strength and resiliency of our businesses is a testament to the prudent and sustainable approach in which our businesses have always been managed. This award is also an attestation to the efforts of the entire Group and a reflection of our commitment to diligently execute our business and digital strategies in building sustainable value for our shareholders.

REVIEW OF THE YEAR'S PERFORMANCE

For the year under review, we have navigated through the year's challenges to deliver a commendable set of results. HLFG recorded a net profit attributable to shareholders (PATAMI) of RM2,265 million, 21.9% higher than the preceding financial year. The overall Group businesses, including commercial banking, insurance and investment banking businesses continued to show resilient performances. An additional pre-emptive impairment buffer was set aside at the bank as we erred on the side of caution to prepare for the uncertain business environment ahead.

In respect of the performances of our key businesses, Hong Leong Bank Berhad's ("HLB") net profit was RM2,861 million, increased 14.7% year-on-year ("y-o-y"). This was mainly supported by double-digit topline growth, prudent cost control and robust contributions from associated company. HLB ended the year with a robust loan growth of 6.8% y-o-y, whilst asset quality remained stable as at 30 June 2021.

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 FY2021, HLISB's gross Islamic financing assets grew by 9.0% to RM33 billion, comprising 21.0% of the wider Hong Leong Bank Group's total gross loan and financing assets.

For the insurance segment, Hong Leong Assurance Berhad's ("HLA") reported net profit was RM259 million, increasing 83.4% on a y-o-y basis, mainly contributed by higher insurance surplus, higher gain from equity investment portfolio and lower actuarial liabilities due

Chairman's Statement

to higher interest rates offset by fair value losses on bonds. The business momentum continues its upward trajectory with HLA delivering gross premium of RM3,145 million for FY2021, 11.1% better than last year. The New Business Embedded Value ("NBEV") showed a 19.7% y-o-y growth. The improved NBEV reflects positive impacts from change in product mix and new products launched during the year alongside higher long term MGS rates. We are confident that our operating model remains sound and would continue its delivery of long-term franchise value creation.

Our Family Takaful business, Hong Leong MSIG Takaful Berhad ("HLMT") continues to grow with a gross premium of RM336 million in FY2021, better than last year by 15.8% y-o-y. HLMT complements our Islamic financial service franchises and plays a vital role to promote Takaful to the market. Outside Malaysia, we have HL Assurance Pte Ltd in Singapore which delivered a 16.2% higher gross premium than previous year and Hong Leong Insurance (Asia) Limited in Hong Kong which delivered a marginally lower gross premium than previous year due to strict COVID-19 related travel restrictions. Both companies continue to focus on enhancing their online distribution channels in their digital general insurance business model.

On 13 November 2020, Hong Leong Capital Berhad's ("HLCB") resumed trading on Bursa Malaysia after 5-year suspension due to lower than required public shareholding spread. HLCB reported net profit increased 115.8% y-o-y to RM203 million, supported by higher profit contribution from Hong Leong Investment Bank ("HLIB") Stockbroking division and Investment Banking division. HLIB contributed 86.9% of HLCB Group's profit after tax. The Stockbroking division benefitted from the higher stock market transaction volumes and higher market-share, the Treasury and Markets division capitalised on market volatility while the Equities Markets division benefitted from higher market activities during the financial year. HLIB aims to further strengthen investment banking relationships and focus on innovative digital business solutions. While our fund management entity, under Hong Leong Asset Management ("HLAM"), remains resolute to deliver superior fund performance. HLAM won 9 individual Refinitiv Lipper Fund awards and the Best Equity Group - Provident Group award (for EPF approved funds only), a highly coveted award.

At the time of writing, the global economy is fragile and we remain cognisant that the pandemic is still a major risk. The Group shall be vigilant in managing our key business risks such as liquidity, capital, credit, market, operational and cyber security risks. The Group's key balance sheet and risk metrics remained resilient, supported by solid asset quality and we have adequate capital and liquidity to support our future business needs. The Group consolidated capital position is comfortably above regulatory limits with a Common Equity Tier 1 ratio of 11.6% and a total capital ratio of 15.5%. Prudent cost management was critical during this period and we shall maintain this position and reinvest our savings into strategic digital initiatives across the financial group.

HLFG's earnings per share in FY2021 improved to 199.8 sen from 163.6 sen in the previous financial year. The return on equity increased to 10.4% as compared to 9.3%, while net assets per share rose 9.2% from RM18.43 to RM20.13.

In this financial year, the Board of Directors declared a final dividend of 29.2 sen. Together with the interim dividend of 10.8 sen per share paid out on 30 March 2021, the total dividend for FY2021 is 40.0 sen, higher than last year by 2.0 sen for a total dividend payment of RM459 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 and professional business management, relevant transformation through technological innovation together with a strategic approach in managing Environmental, Social and Governance ("ESG") related risks and impacts on our business.

Our Digital Transformation

The financial sector is continually shaped by advances in technology; in particular, the way businesses and operations are disrupted by emerging Fintech driven business models. HLFG Group has adapted to the changing technology environs and diligently implemented the priorities of "Digital at the Core" strategy across all operating businesses. The Group is committed to invest in and embrace suitable digital technological platforms that will deliver sustainable business growth and operational excellence that are fit for the future.

We have made good use of the progress in our digital journey to build long term sustainable value for our stakeholders. The Group has been able to operate with minimal disruptions as a significant portion of our workforce worked remotely and conducted our business virtually on a prolonged basis. Our strong digital offering also enabled us to keep in close contact and serve our customers well during the various phases of movement restrictions.

Chairman's Statement

For our commercial banking business, HLB had benefited from the investment into digital capabilities over the past few years evidenced by the higher digital adoption from our customers. The Bank pushed out new generation of digital offerings that calibrated to cater to customer needs for the pandemic era, thus allowing us to maintain the delivery of a seamless and frictionless digital banking experience as evidenced by the 90%+ of all banking transactions being conducted over digital channels. In FY2021, two-thirds of the two over million online and mobile banking customers are active users. Business customers have also made the shift to embrace corporate internet banking. During the year, the Bank saw extensive growth in its upgraded HLB Connect Mobile App's and HLB Connect website's monthly transactions.

Likewise, the shift from physical to virtual client interaction via digital means is also accelerating in the Insurance segment. HLA has continued its digital journey across multiple fronts. 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. Following the enhancements on HLA Customer 360 Portal that allows our customers to have instant, seamless and secured access to their policy information, the number of enrolments for HLA Customer 360 Portal continued to increase significantly. With 78,000 new registered users for the year, the number of total users has now exceeded 300,000. For FY2021, HLA has successfully implemented Centralized and Remote e-Signature as a secure way of contactless signature capture at anytime, anywhere. The Electronic Signature and Digital Forms are some of the newer capabilities integrated into the Agent Online New Business Submission and the Agent Self Service Portal. These enhancements will be integrated into HLA Customer 360 Portal in the next financial year to improve the digital experience.

The pace of change across financial services have accelerated customer demands for better digital experiences. At HLCB, our stockbroking outfit and fund management business continue to leverage and enhance their respective digital offerings to better serve our customers. HLIB, a subsidiary of HLCB, offers products and services across several digital platforms, including HLeBroking App which is specifically tailored to meet the needs of clients in providing them a one-stop trading solution through their investing journeys. The HLeBroking App provides access to various research and data resources include a suite of data-powered features to enhance the users' trading experience. For FY2021, new account opening in HLeBroking increased by two-fold y-o-y.

In summary, digitalization is a core part of the Group's business strategy to embrace technology and deliver a world class digital experience to our customers across all our operating businesses.

Our People

Employees are our greatest asset and a core part of the Group's future development. 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. Through our recruitment programme and partnerships, we are investing in the future by bringing the best and brightest to work at Hong Leong. We continue to foster a high-performance culture and promote shared values that can bind us together with the aim to attract, develop and retain the next generation of leaders to ensure we are fit for the future.

Human Resources development also involves developing a diverse and inclusive workforce. We strive to create an environment where our employees - regardless of their age, religion, nationality, gender, background or other indicator of diversity - have equal opportunity to grow and succeed. Employees of the Group are provided with a fair chance to advance their career and be mentored by leaders, managers and supervisors to help inculcate a positive corporate culture where people are treated fairly, respected and valued.

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 focus on building a strong culture of compliance and integrity in our business conduct through the adoption of best practices to enhance accountability, transparency and long-term sustainability of our business.

Our corporate culture is grounded in ethical business principles and we have a zero-tolerance position on bribery and corruption. To implement and enforce effective system in upholding our corporate governance standard, we have in place group-wide policies and procedures, including the Code of Conduct and Ethics, Anti-Bribery and Corruption Policy, Gifts and Entertainment Procedures, Donations Policy and Whistleblowing Policy.

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, improving the well-being of our people, our communities and the environment in which we operate. We embrace these principles and approach this in a variety of ways to realise long-term shareholder value while taking into account the interest of all stakeholders.

Climate change is happening and cannot be ignored. Around the world, governments, regulators, businesses and the general public are beginning to take steps to address the threat of climate change and its impacts on society and the greater environment. Issues related to climate changes have been highlighted with the aim to speed up efforts in preventing irreversible damage to the world and society. Based on UN IPCC findings, a warmer climate will intensify climate events, with implications for flooding or drought, including typhoons, hurricanes and abnormal weather. We believe in playing our part to minimise risk on our own environmental footprint by adopting a responsible approach in terms of resource use and assisting our commercial customers to achieve the same aim.

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. Within the Group, we strive to help our employees to achieve a better future and to have a more diverse and inclusive workplace that reflects the diversity of the communities in which we serve. Currently, we also have more than 30% female board representation at HLFG and the Company has in place a Board Diversity Policy. The Board recognises the merits of Board diversity including gender balance, in adding value to collective skills, perspectives and strength to the Board.

Whilst for our customers and other stakeholders, we continue to cultivate a conducive environment that enhances business opportunities and we actively contribute to the overall well-being of the community we operate in. We support grassroots organisations through our community welfare, small enterprise programme and community building fund to assist local underserved communities.

Finally, sustainability also includes having the right governance. We have a diverse and experienced Board of Directors that provides independent oversight and holistic view of the business coupled with Group-Wide approach to ensure that our operating companies are strengthening their sustainable business practices and are integrating ESG principles into their lending practices, investment framework and financial services. Our Board constantly looks for ways to further strengthen corporate governance standards and adopt international best practices to improve.

In FY2021, HLFG remained a 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.

ACKNOWLEDGEMENT

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 welcome Mr Ho Heng Chuan, who joined the Board on 15 October 2020. Mr Ho comes with notable experience and expertise in corporate and investment banking, treasury, capital markets and finance.

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

QUEK LENG CHAN
Chairman
22 September 2021

Management Discussion **& Analysis**

We are pleased to present the Management Discussion and Analysis ("MD&A") for the financial year ended 30 June 2021 ("FY2021"). In this report, we would like to provide a review of Hong Leong Financial Group Berhad's ("HLFG" or "the Group") business operations and financial performance during FY2021.

As we navigated through the COVID-19 pandemic, our operating companies' business operations and financial performance remained resilient. For FY2021, the Group recorded a net profit attributable to shareholders of RM2,265 million, supported by commendable results from our commercial banking, insurance and investment banking businesses. Our group wide strategy of being "digital at the core" enabled us to continue serving our customers remotely and we were able to continue to deliver solid financial results while we further strengthen our business franchises with the objective of achieving long-term sustainable growth.

HLFG GROUP PERFORMANCE HIGHLIGHTS

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

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

HLFG's net profit attributable to shareholders increased by 21.9% year-on-year ("y-o-y") to RM2,265 million in FY2021. This result was attributed to a higher net income of RM6,199 million as compared to RM5,258 million in the previous financial year; mainly from higher loan growth and improved net interest margin in FY2021. The commercial banking business under HLB, is a major contributor to the Group's results with strong fundamentals and disciplined management of asset quality. HLB net profit improved by 14.7% y-o-y to RM2,861 million and recorded a robust loan growth of 6.8% y-o-y to RM156 billion. Its gross impaired loan ratio ("GIL") has improved to a record low of 0.46%.

The Group's Islamic financial services results continue to deliver momentum. Net income from our Islamic banking and Takaful businesses for the financial year was RM995 million, an increase of 7.7% y-o-y. The contribution of the Islamic businesses to HLFG's profit before tax ("PBT") stood at 14.2%.

HLFG's book value per share increased by 9.2% to RM20.13 from RM18.43, while the Company level borrowings reduced to RM0.69 billion from RM1.21 billion as compared to previous financial year. Its double leverage and gearing ratios stood at 1.0 time and 0.1 time as at 30 June 2021, indicating a moderate debt level.

For FY2021, the Group recorded a higher Return on Equity ("ROE") at 10.4%, an increase from 9.3% last financial year. In respect of dividend payment, we have maintained a prudent approach and declared a final dividend of 29.2 sen. Together with the interim dividend of 10.8 sen per share, the total dividend for FY2021 is 40.0 sen, higher than last financial year by 2.0 sen.

The COVID-19 pandemic is still a major risk and the macro-economic environment remains fragile. The Group shall be vigilant in managing our key business risks such as liquidity, capital, credit, market, operational and cyber security risks and ensure we have adequate capital and liquidity to support our future business needs. The Group consolidated capital position stayed comfortably above regulatory limits with a Common Equity Tier 1, Tier 1 and Total Capital Ratios at 11.6%, 12.6% and 15.5% respectively as at 30 June 2021.

Management Discussion & Analysis

During the year, RAM Rating Services Berhad ("RAM") assigned AA_1/P1 Corporate Credit Ratings to HLFG. Concurrently, RAM 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

Excluding the pre-emptive impairment buffer for COVID-19, HLFG's normalised net profit attributable to shareholders would have recorded a 25.6% y-o-y growth in FY2021 with normalised earnings per share and return on equity of 223.1 sen and 11.6% respectively.

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

COMMERCIAL BANKING FINANCIAL & OPERATIONAL REVIEW

HLB Financial Highlights

	FY2020	FY2021	Growth (%)
Profitability & Efficiency (RM'Million)			
Revenue	4,778	**5,467**	14.4
Operating Profit	2,675	**3,389**	26.7
Profit Before Tax ("PBT")	2,989	**3,471**	16.1
Profit After Tax ("PAT")	2,495	**2,861**	14.7
Earnings Per Share (sen)	122	**140**	14.6
Net Interest Margin (%)	1.88%	**2.14%**	0.26
Cost-to-Income Ratio ("CIR")(%)	44.0%	**38.0%**	(6.0)
Return on Assets (%)	1.16%	**1.25%**	0.09
Return on Equity (%)	9.5%	**10.1%**	0.6
Balance Sheet (RM'Million)			
Total Assets	221,278	**237,129**	7.2
Gross Loans, Advances and Financing	145,932	**155,822**	6.8
Customer Deposits	173,493	**183,290**	5.6
Asset Quality			
Gross Impaired Loan Ratio	0.61%	**0.46%**	(0.15)
Loan Impairment Coverage Ratio ("LIC")	142%	**247%**	105.1
LIC (provisions made on GIL and security value)	212%	**317%**	105.1
Liquidity and Capital Ratio			
Loan-to-Deposit Ratio	83.5%	**83.9%**	0.4
Common Equity Tier-1 Capital Ratio	13.7%	**13.6%**	(0.1)
Tier 1 Capital Ratio	14.2%	**14.1%**	(0.1)
Total Capital Ratio	16.5%	**16.2%**	(0.2)

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 RM2,861 million in net profit, 14.7% higher than last financial year's result supported by double-digit topline growth, prudent cost control and robust contributions from associated company. HLB achieved a loan growth of 6.8% y-o-y with a GIL ratio of 0.46%. HLB's Net Interest Margin ("NIM") improved to 2.14%; higher by 26 bps from last financial year attributed to repricing of fixed deposits and improved CASA mix against the loan assets repricing. An additional pre-emptive impairment buffer was set aside at HLB as we erred on the side of caution to prepare for the uncertain business environment. Excluding the pre-emptive impairment buffer, HLB would have achieved an underlying net profit growth of 19.3% y-o-y to RM3,249 million in FY2021.

Management Discussion & Analysis

HLB's revenue for FY2021 was RM5,467 million, an increase of 14.4% y-o-y. The result was supported by continuing loan growth and better Net Interest Income ("NII"). NII for FY2021 increased by 26.5% y-o-y to RM4,310 million mainly driven by sustained loans growth and effective funding cost management.

In terms of expense management, HLB's Cost-to-Income ratio of 38.0% in FY2021 was the result of the focus on driving efficiency and prudent cost management. The improvement reflects efficiency benefits from digitisation efforts and strategic cost management initiatives.

Core business performance indicators remained positive, with robust loan growth at 6.8% y-o-y to RM156 billion as at 30 June 2021. Residential mortgages increased 5.3% y-o-y to RM77 billion, while loans to business & corporate banking grew 14.4% y-o-y to RM42 billion. For the SME segment, HLB's community banking initiative achieved a solid 26.6% y-o-y loan growth. HLB's total assets registered a 7.2% y-o-y growth and closed the financial year at RM237 billion.

Despite the competition for deposits, HLB managed to increase customer deposits by 5.6% y-o-y to RM183 billion as at 30 June 2021. The results translated to a Loan-to-Deposit ratio of 83.9% and a Loan-to-Fund ratio of 85.3%, which places HLB in a comfortable liquidity position.

Asset quality and provisioning remained stable, with a GIL ratio of 0.46%. HLB's loan impairment coverage stood at 247% and inclusive of value of securities hold on the GIL, the coverage ratio increased to 317% as at 30 June 2021 from 212% last financial year. HLB's capital position remained robust, with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 13.6%, 14.1% and 16.2% respectively as at 30 June 2021.

HLB has declared a final dividend of 35.22 sen per share, bringing the total dividend to 50.0 sen per share for FY2021, with a dividend payout ratio of 36%.

Personal Financial Services ("PFS")

HLB is highly committed to support its customers and their businesses as they recover from the COVID-19 pandemic. Under our Payment Relief Assistance Programme, PFS approved applications valued at over RM15 billion and assisted around 96,000 customers through this difficult period.

Despite these challenging conditions, PFS remained the largest contributor to HLB in FY2021, making up 47.6% and 31.0% respectively of its revenue and PBT. During the financial year, demand for property and car financing have improved towards pre-pandemic levels as incentives from the government's economic stimulus packages took effect, while the cards business experienced declines as tourism and travel remained shut. Asset quality remained stable with a low GIL ratio of 0.39%, a reflection of HLB prudent underwriting standards.

PFS recorded a y-o-y loan growth of 3.0%, predominantly led by a growth in mortgages and auto loans. The mortgage business recorded a loan growth of 4.2% y-o-y that supported by the government's Home Ownership Campaign. Over 90% of approvals were granted to the non-investor segment where more than 45% of the approvals were for properties valued below RM500,000. The business continues to improve its digital acquisition models to better serve the stakeholders within the property ecosystem, and had collaborated with several PropTech partners to enhance the property buying and financing experience for customers.

The auto loan business achieved a commendable result against the backdrop of new model launches, sales tax exemptions and promotional offers by car manufacturers. During the financial year, HLB expanded our partnership with Sime Darby Motor Group to increase the number of marques and outlets under its coverage, as they sought to better serve its dealers. Going forward, the business is committed to improve efficiency through further improvements into productivity, turnaround time, process simplification and digital customer experiences.

In terms of funding, HLB's individual deposit mix remains a market leader with CASA deposits growing 12.8% y-o-y, uplifting the CASA ratio to 36.9% from 33.7% last financial year and driving down the overall cost of deposits.

The Retail Wealth Management Services business performed well in comparison to previous years as customers' search for yield amid a low-interest rate environment was paired with ample liquidity and robust market rallies culminating in strong growth across its key metrics. Fee income grew 35.3% driven by strong unit trust sales while asset-under-management ("AUM") grew by over 40%. The rallies in the equity markets also saw HLB's share margin financing loan base grew by more than 90% in FY2021, with new sales acceptance increasing by more than 200%. On top of this, monthly average customer transactions between December 2020 to April 2021 doubled compared to pre-pandemic levels.

Business & Corporate Banking ("BCB")

Throughout FY2021, BCB focused on assisting our Small and Medium Enterprises ("SME") customers navigate the effects of an economic slowdown due to the COVID-19 pandemic, as HLB facilitated the approval and disbursal of the Special Relief Funds ("SRF") and Targeted Relief and Recovery Facilities under the various government stimulus packages totalling RM1.8 billion.

Together with HLB's self-funded SRF and other types of financing specifically tailored for SMEs, it has disbursed a total of RM2.4 billion as at FY2021 to SMEs.

Amid the economic headwinds, BCB delivered impressive results in FY2021, with revenue and PBT continuing to trend upward. Backed by strong loans and deposits growth combined with the progress in digitalising their products and services, BCB achieved revenue and PBT of RM1.4 billion and RM956 million respectively. This represents a 25.0% and 27.5% contribution to the HLB's revenue and PBT.

The commercial and SME client segments recorded solid numbers with loans growth of 9% and 26% y-o-y respectively. Within the SME segment, BCB recorded significant loans and deposits growth of 29.2% y-o-y and 10.3% y-o-y respectively, while revenue improved by 11.2% y-o-y and PBT increased by 13.8% y-o-y. The growth trend in our business extended to its current account balances as it continued to outperform the industry's demand deposit growth rate, registering a robust 30.0% y-o-y improvement over last financial year's growth rate.

Global Markets ("GM")

The GM business delivered another record year in terms of revenue and PBT, underscoring its resilience amid the volatility in financial markets as a result of the pandemic. GM recorded revenue and PBT of RM1.0 billion and RM893 million respectively, representing a 18.5% and 25.7% contribution to the HLB's revenue and PBT for FY2021.

Despite the disruptions arising from the pandemic, the teams operated seamlessly across our key locations in Malaysia, Singapore, Hong Kong, Vietnam and Cambodia. Along with improved digital capabilities, GM was able to promote and offer its core products to clients across Foreign Exchange, Fixed Income, Derivatives and Structured Products.

During the financial year, GM collaborated with its BCB partners in the SME segment to improve its Foreign Exchange ("FX") product delivery model that support a higher FX business growth. GM has increased the resources invested into marketing and client servicing for FX products while enhancing the process flow at branches to make it easier for SME clients to submit their transactions.

Islamic Banking

Hong Leong Islamic Bank Berhad ("HLISB") registered an increase of 10.3% y-o-y in Profit Before Zakat and Taxation to RM524 million. The increase in earnings was mainly driven by steady performances from its retail, commercial and treasury business segments. HLISB's assets expanded by 10.1% to RM44.9 billion. The Cost-to-Income ratio reported an improvement to 25.8% for the financial year.

This year, HLISB rolled out the award-winning ASNB services onto the Connect banking platform, thereby giving our customers the ability to monitor their investments on a real-time basis and to obtain additional subscriptions at their convenience. HLISB also onboarded e-Sadaqah and e-Waqaf services into the Connect platform, thereby enabling their customers to make voluntary contributions to selected charitable institutions, and underscoring our support of the Value-Based Intermediation agenda.

The SME sector remains a priority and HLISB continued to strengthen its partnerships with SME Corporation via the Shariah-Compliant SME Financing Scheme 3.0 ("SSFS 3.0") Programme, Syarikat Jaminan Pembiayaan Perniagaan ("SJPP") and Unit Peneraju Agenda Bumiputera ("TERAJU") to help businesses in the Halal sector and high-potential Bumiputera companies to raise financing for their capital needs especially during the pandemic.

HLISB recorded a significant jump in our total Halal assets which grew by more than 23.9% y-o-y attributed to its strong business growth in emerging Halal sectors such as manufacturing, logistics, and health and pharmaceuticals. We aspire to position HLISB as a financial partner in the Halal industry for its clients, and to expand our services by including advisory and availing more solutions to cater for this segment.

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 23.3% of the HLB's PBT in FY2021, HLB continue to see robust loan growth from businesses in Vietnam (30.5% y-o-y) and Cambodia (15.6% y-o-y), and strong profit contributions from Bank of Chengdu ("BOCD"), the associate company in China. BOCD contributed 20.8% of HLB's PBT or RM721 million in FY2021. The strong performance was largely due to the Sichuan province being relatively insulated from the disruptions of the pandemic coupled with China's excellent management of the pandemic which subsequently led to a strong rebound in economic growth.

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 the growth and expansion of the Private Wealth Management and Business and Corporate Banking businesses. In FY2021, HLBS recorded a revenue of RM166 million and gross loans grew by RM937 million to close at RM6.2 billion.

Management Discussion & Analysis

INSURANCE/TAKAFUL FINANCIAL & OPERATIONAL REVIEW

HLFG's 100%-owned subsidiary, HLAH is the insurance holding company of our insurance division. HLAH holds:

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

For FY2021, HLAH recorded a net profit of RM394 million, higher by 73.3% y-o-y. The strong result in HLAH was mainly attributed by higher HLA's profits from improved performance in the financial year. HLAH's full year share of MSIG's net profit was reported at RM80 million in FY2021 while the Takaful business also delivered an encouraging business growth trajectory with a 15.8% y-o-y increase in its gross contribution.

Life Insurance

HLA, as a life insurer, is the largest operating business within our insurance division, comprising 76.5% of HLAH's total insurance PBT. HLA's PBT increased 86.8% to RM311 million in FY2021, mainly contributed by higher insurance surplus, higher gain from equity investment portfolio and lower actuarial liabilities due to higher interest rates offset by fair value losses on bonds.

Notwithstanding the effort to deliver long term shareholders' value, HLA continued to provide assistance to its policyholders that was impacted by COVID-19 with the introduction of COVID-19 Support Programmes which offers coverage upon confirmation of COVID-19 diagnosis and Post-Vaccination Complication. At the same time, policyholders who face financial difficulties as a result of the COVID-19 pandemic are also entitled to apply for a deferment of regular premium payment.

The growth momentum of gross premiums and new business regular premiums ("NBRP") grew steadily despite the impact of COVID-19 pandemic. Gross premiums increased 11.1% to RM3.1 billion while NBRP grew 29.7% 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. In FY2021, HLA's Embedded Value ("EV") improved by 13.9% to RM2.9 billion while NBEV improved by 19.7% y-o-y.

We continue to make steady progress in growing our Non-Participating and Investment-Linked new business premiums at over 90% of total new business premiums. This is important to our efforts to create higher NBEV for our life business. Our emphasis on Investment-Linked segment has resulted in faster growth than Ordinary Life segment with 33% y-o-y improvement and recorded premium of RM2.1 billion. Within the Investment-Linked segment, our market ranking in terms of new business remained at No. 4 position for the first half of 2021.

In terms of distribution, HLA continues to execute its Bancassurance Plan with success and leverage off the distribution network of its sister company HLB's big network of branches. The total premiums from Banca channel grew strongly by 25.5% y-o-y while Banca NBRP increased 39.2% y-o-y.

HLA's management expense ratio was 5.8% in FY2021, amongst the lowest in the industry, reflecting its continuing efforts in strategic cost management whilst reinvesting into its digital transformation plans.

HLA has been awarded the coveted Domestic Life Insurer of the Year at the Asian Banking and Finance Insurance Asia Awards 2020. This is the first and only local life insurance company in Malaysia to retain the award for five consecutive times since 2016. It was awarded to HLA for its exceptional and innovative initiatives to engage with the customers, while successfully navigating their way around business and industry challenges. We shall accelerate the adoption of technology to transform our business, expand our distribution channels and innovate our products and services to better serve our valued customers.

Family Takaful

Our family takaful business, HLMT registered a robust business growth trajectory with a 15.8% y-o-y increase in its gross contribution to RM336 million in FY2021. HLMT has pivoted its business mix between single and regular contribution to achieve a more sustainable growth in the future and was ranked 4th in terms of market share of regular contribution in the family takaful industry for the first half of 2021. HLMT shall focused on further improving its performance through its agency and bancassurance channels whilst embedding and executing value-based intermediation initiatives in its plans.

HLMT welcomes the Value-Based Intermediation for Takaful Framework issued by Malaysian Takaful Association in June 2021. It encourages HLMT to integrate value-based intermediation ("VBI") principles into its business practices to benefit the people including underserved and unserved segments of the society, environment and business sustainability. HLMT has embedded VBI principles in its business practices through various assistance programs offered to its participants who were impacted by COVID-19, namely COVID-19 Support Programmes that offers coverage

upon confirmation of COVID-19 diagnosis and Post-Vaccination Complication. Customers facing financial difficulties due to the COVID-19 pandemic are also entitled to apply for a deferment of regular contribution payment.

HLMT's achievements were recognised by local and international business journals and industry associations whereby HLMT was conferred Best Takaful Operator Malaysia for year 2021 and 2020 by International Business Magazine Awards, Excellence in Insurance & Takaful award by Global Halal Excellence Awards 2020, the Most Innovative Takaful Company for Year 2020 and 2021 and Most Innovative COVID-19 Relief Programme (Insurance) 2020 awards by Global Business Outlook Awards.

Overseas General Insurance

We have two overseas general insurance companies in HLAH, namely HLIA in Hong Kong and HLAS in Singapore. Both are underwriting general insurance business with special emphasis on personal line business development supported by a technology centric platform including mobile application, website and call centre operations.

During the year under review, HLIA's total business premium declined by 12.6% against last financial year due to reduce travel insurance premium arising from global travel restrictions. However, HLIA managed to mitigate the decline in travel insurance premium by developing non-travel business related products. In particular, the growth in commercial and corporate business segments enabled the creation of a balanced portfolio that mitigated the impact of the pandemic in the travel insurance segment.

HLAS achieved an income growth of 16.2% y-o-y despite a challenging year. Amidst the COVID-19 pandemic, HLAS has adapted well to the changes in market conditions and implemented strategies to replace the gap created by travel restrictions. HLAS has recorded an underwriting profit of more than doubled from RM8 million last year to RM18 million in FY2021. The significant improvement was mainly driven by HLAS strength in developing affinity partnerships to grow the customer base and drive long term value creation, its diversified portfolio and proficiency in risk selection.

Both our overseas companies shall continue to focus on enhancing their online distribution channels in their digital general insurance business model.

Management Discussion & Analysis

INVESTMENT BANKING FINANCIAL & OPERATIONAL REVIEW

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

During the year, we have completed a private placement of HLCB shares and increase the public shareholding spread of HLCB. Upon completion of the private placement, HLCB has complied with the public shareholding spread requirements of the Main Market Listing Requirements. Bursa Malaysia Securities Berhad ("Bursa Malaysia") subsequently approved the upliftment of suspension in trading of the HLCB shares effective from 13 November 2020.

For FY2021, HLCB has achieved a commendable set of results primarily from its stockbroking and investment banking businesses. HLCB achieved a PBT growth of 85.2% y-o-y at RM177 million, while its net profit increased 115.8% y-o-y to RM203 million in FY2021. The profit contributions from the stockbroking and investment banking businesses climbed 119.7% and 123.1% y-o-y respectively during the financial year.

HLCB has adopted a prudent approach in respect of the dividend payment and has declared a final dividend of 26.0 sen per share for FY2021 which is 3.0 sen higher than last year. The total capital ratio of HLCB's key operating subsidiary, HLIB, remained healthy at 45.3% as at 30 June 2021.

Investment Banking ("IB")

The Investment Banking business achieved a revenue of RM85 million and a PBT of RM44 million in FY2021. Treasury and Markets ("T&M") was the largest contributor to the IB business, contributing 57.1% while Debt Markets and Equity Markets contributed 24.8% and 13.9% of the IB business's revenue respectively. For FY2021, T&M achieved its best performance year with a revenue growth of 24.2% mainly attributed to the higher contribution of trading revenue owing largely to the team's ability to capitalise and take advantage of the opportunities created by market volatility.

The Debt Markets business maintained its performance with a marginal revenue growth of 5.4% amidst the subdued corporate activities due to uncertain global supply chain and demand situation. While the Equity Markets business staged a healthy recovery and reported revenue growth of 123.5% mainly contributed by higher placement fees, underwriting fees and corporate advisory fees from its diversified services which includes privatisation, mergers and acquisitions, fund raising and corporate restructuring services.

Stockbroking ("SB")

The Stockbroking business of HLIB achieved a revenue of RM162 million and a PBT of RM99 million in FY2021. Net brokerage income accounted for 83.4% of total revenue earned by the SB business as compared to 74.8% in the previous financial year. The higher revenue was attributed to both the higher traded volumes recorded by Bursa Malaysia and better market share of 4.5% that was driven by higher retail participation.

The retail segment performed well due to high market volumes, resulting in a much higher contribution in net brokerage income of 81.8%. Our focus on digital broking channel and our enhanced online trading platform have contributed to the impressive growth in our stockbroking business with online orders surging by as much as 116.4% whilst the number of new accounts opened grew by 92.0% compared to the previous financial year.

Asset Management

HLAM recorded a lower PBT of RM25 million or 10.7% y-o-y decrease as compared to last financial year. The lower PBT was mainly due to HLAM higher investments on information technology to strengthen its digital distribution, operational processing and cyber security capabilities. The average Assets under Management ("AUM") size has also dropped marginally to RM18.2 billion in FY2021 from RM18.4 billion in FY2020 as low interest rate levels led to withdrawals from money market funds as customers took advantage of opportunities in the equities and bonds market. However, the impact was partly offset by the increase in our equity and fixed income AUM.

HLAM remains resolute to deliver superior fund performance. We have won 9 individual Refinitiv Lipper Fund awards and the Best Equity Group - Provident Group award (for EPF approved funds only), a highly coveted award. This marks HLAM's fourth time winning in the Group Award category for Best Equity - Malaysia Provident.

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.

SUSTAINABILITY

At HLFG, we have increased focus in managing Environmental, Social and Governance ("ESG") and its associated risks under a Group-wide approach. As we incorporate ESG into our strategies, it is critical that we undertake business activities in a sustainable manner giving due regards to the consequence of our activities on people, communities and environment. We ensure that all our operating businesses continue to strengthen their sustainable practices while integrating ESG principles into their operating framework.

In FY2021, our commercial banking subsidiary, HLB has authorised more than RM1.4 billion financing to facilitate the development of renewable energy projects, including solar, bioenergy, and small hydropower. This is estimated to contribute to the avoidance of close to 360,000 tonnes CO_2 equivalent emissions in a year. The BCB division within HLB has formulated an ESG Policy and Framework and incorporated this into the credit evaluation process for its commercial and SME clients. The approach taken is collaborative which seeks to promote the adoption of ESG principles and more sustainable business practices by HLB BCB clients.

The Group's life insurance arm, launched a new Microinsurance (HLA Stackable) with social consideration in mind. It enables HLA to reach out to all social segments and benefit the underserved market with an accessible life protection plan. In addition, they introduced a Complimentary Special Benefit Programme that offers coverage upon confirmation of COVID-19 diagnosis and Post-Vaccination Complication.

Our investment banking and fund management business have started to incorporate ESG assessments into their research reports and embedded socially responsible investing via their Shariah funds. In FY2021, the Equity Markets team completed an advisory mandate that paved way for the injection of renewable energy assets into a listed company in support of deal flows that advocate for a transition to low-carbon economy.

PROSPECTS

Looking forward, we anticipate a gradual recovery of the Malaysia economy underpinned by the rapid COVID-19 vaccination rollout and the country's expected progression under the National Recovery Plan.

The Group shall remain resilient and draw on our strength in terms of liquidity, capital and credit discipline whilst maintaining our vigilance on risk management, taking appropriate steps to judiciously control our expenses and reinvest strategically especially in the digital space.

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

ACKNOWLEDGEMENT

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.

FURTHER INFORMATION

For further information on our subsidiaries, please refer to:

- HLB's FY2021 MD&A in their FY2021 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 FY2021 MD&A in their FY2021 annual report at www.hlcap.com.my or www.bursamalaysia.com.

Sustainability **Statement**

Hong Leong Financial Group Berhad's ("HLFG" or "the Group") sustainability report for the financial year ended 30 June 2021 ("FY2021") presents an overview of our sustainability management approach and how we identify and integrate the Economic, Environmental, Social and Governance risks and opportunities ("sustainability matters") as part of our business activities and practices.

The sustainability report mainly covers the sustainability matters of the Group's key operating 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 and fund management businesses under Hong Leong Capital Berhad ("HLCB") in Malaysia. The sustainability matters identified are from the Group's key operating subsidiaries.

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 ("GRI") 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 ("TCFD") and the United Nations Sustainable Development Goals ("SDGs").

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.

Throughout the financial year, HLFG has increased focus in managing Environmental, Social and Governance ("ESG") and associated issues under Group-Wide approach. We continue to ensure that our operating companies are strengthening their sustainable business practices and are integrating ESG principles into their lending practices, investment framework and financial services. Five Sustainability Pillars/Themes have been identified across the group companies for categorising and aligning the sustainability matters disclosure. These themes affirm the Group's commitment towards embedding sustainability into the operations of our core businesses:

Digital at the Core

Embracing digital technology and encouraging innovation to enhance customer and employee experiences

Workforce Readiness

Nurturing and retaining talent, empowering our workforce through acquiring strategic skills and capabilities

Socially Responsible Business

Acknowledging the impact of our lending and investing practices, striving to promote fair and responsible social and environmental practices in our operations

Environmental Management

Managing the environmental footprint of our business, contributing responsibly to the environment

Community Investment

Empowering the community, promoting financial literacy, and environmental and social values

HOW OUR SUSTAINABILITY IS GOVERNED

HLFG's Board provides oversight of sustainability governance matters and is committed to ensuring that sustainability is embedded in the organisation and that adequate resources are in place for managing sustainability matters. Senior Management, namely our President/CEO, oversees the implementation of our sustainability approach and ensures that our objectives are being met with the support of the Group CFO.

HLFG's Board of Directors

Senior Management

Sustainability Team

Sustainability Statement

In respect of governance and risk management matters, our operating businesses have in place measures to manage ESG risks and opportunities, including policies and actions linked to associated issues.

ESG risks have been incorporated into their Risk Management Frameworks, as depicted in the diagram below:

Credit Risk	**Market Risk**	**Operational Risk**	**Liquidity Risk**	**IT & Cyber Risk**	**Regulatory Compliance**

Bribery and Corruption Risk	**Environmental, Social and Governance (ESG) Risk**	**Pandemic Related Risk**	**Business Continuity Risk**	**Shariah Risk**

HOW THE MATERIAL SUSTAINABILITY MATTERS ARE IDENTIFIED

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.

MATERIAL MATTERS

Our material sustainability matters were identified by studying the impact, risks and opportunities such matters have on our businesses and relevant stakeholders. The nine material issues identified are as follows:

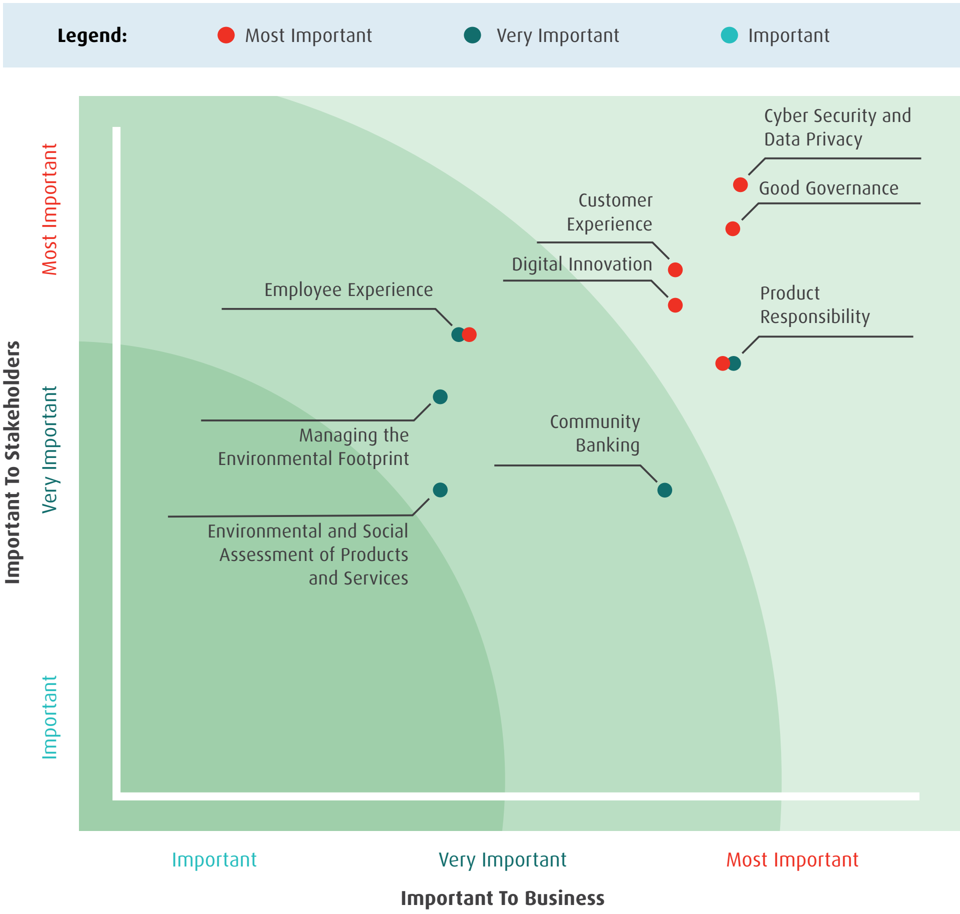
Material Matters	Definition of Material Matters
Digital Innovation	Innovation of digital products and services by HLFG's subsidiaries is critical to increase accessibility and adoption of latest technologies.
Customer Experience	Efforts taken to enhance HLFG subsidiaries' products and services value that meets customers' changing needs and preferences.
Cyber Security and Data Privacy	Security measures taken to protect HLFG from unauthorised access or evolving cyber threats that are intended to exploit confidential data and disrupt our operations.
Employee Experience	HLFG to provide relevant, meaningful and positive employee experiences at every stage of their professional lives, taking into account diversity and inclusivity.
Good Governance	HLFG to instill a culture that affirms good values, principles, standards, norms of behaviour and ethical business conduct across the Group.
Community Banking	Local community engagement through HLFG subsidiaries' development programmes to support the needs of the communities.
Product Responsibility	HLFG's efforts to ensure fair design of its subsidiaries' products and services offered to our customers.
Managing the Environment Footprint	HLFG's efforts to contribute responsibly to the environment by using the planet's resources and energy efficiently, while supporting the transition to a low carbon economy.
Environmental and Social Assessment of Products and Services	The assessment and screening for environmental and social risks form an integral part of HLFG subsidiaries' business practices.

Sustainability Statement

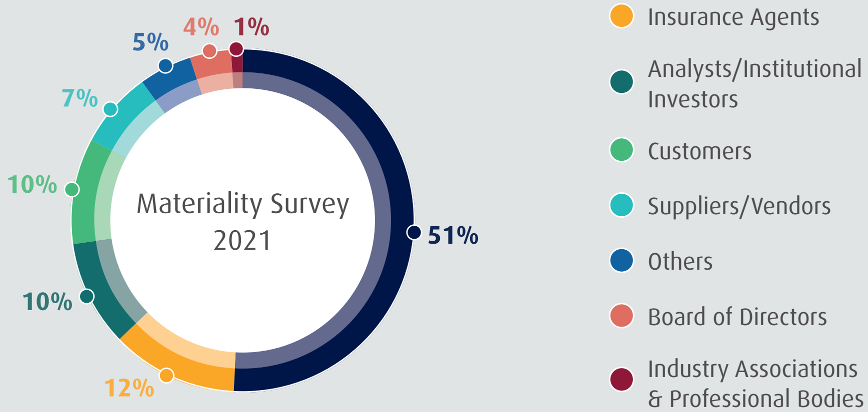
As part of our continuous review process, we conducted a Materiality Assessment survey in FY2021 to obtain feedback from our internal and external stakeholders. The responses from the survey are valuable and provide the information that would help us evaluate the relevance of our material matters and its importance to our stakeholders.

OUR MATERIALITY MATRIX

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



The stakeholder groups of our Materiality Survey 2021 are as follows:



OUR STAKEHOLDERS

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

INTERNAL STAKEHOLDERS	EXTERNAL STAKEHOLDERS
Board of Directors	Regulators
Management	Investors/ Analysts
Staff	Service providers/ Vendors
	Associations
	Media
	Customers

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) Companies Commission of Malaysia Malaysian Anti-Corruption Commission	• 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 • Bursa Announcements
Media	Newspapers (printed and online) Broadcast media Social media	• Continuous and meaningful communications • Publicity management
Service providers/ Vendors	Consultancy/advisory firms Contractors Company suppliers	• Fair treatment via a transparent tender/ bid process
Associations/ Community	Malaysian Accounting Standards Board (MASB) Malaysian Investor Relations Association (MIRA) The Association of Banks in Malaysia (ABM) Life Insurance Association of Malaysia (LIAM) Asian Institute of Chartered Bankers (AICB)	• 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

Sustainability Statement

OUR VISION

To be an integrated financial services group that consistently meets our customers' needs.

OUR GOAL

To become a leader in the financial services industry; a leader in each of the markets that we operate in.

OUR CORE

Honour
To conduct business with honour

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

Quality
To provide products and services that consistently exceed customers' expectations

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

MATERIAL TOPICS

	Digital at the Core	Workforce Readiness
The United Nations - Sustainable Development Goals ("SDGs") in Focus*	4 Quality Education; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 13 Climate Action; 17 Partnerships for the Goals	4 Quality Education; 5 Gender Equality; 8 Decent Work and Economic Growth
Hong Leong Financial Group	• Digital Innovation • Cyber Security and Data Privacy • Customer Experience	• Employee Experience
Hong Leong Bank Berhad	• Digital Banking • Cyber Security and Data Privacy • Customer Experience	• Talent Attraction, Development and Retention • Employee Well-being, Health and Safety • Diverse and Inclusive Workforce
Hong Leong Assurance	• Digital Innovation • Cyber Security and Data Privacy • Customer Experience	• Employee Experience
Hong Leong Capital Berhad	• Innovation • Cyber Security and Data Privacy • Client Experience	• Employee Experience • Compliance • Ethics and Integrity

* *For definitions on the key SDGs that we focus on, please refer to the Appendix on page 46.*

Sustainability Statement

VALUES

Entrepreneurship
To pursue management vision and foster entrepreneurship

Innovation
To nurture and be committed to innovation

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

OUR STRATEGY

To ensuring sustainability is the continued co-existence of entrepreneurialism and professional business management, relevant transformation through technological innovation together with a strategic approach in managing Environmental, Social and Governance (ESG) related risks and impacts on our business.

Socially Responsible Business	Environmental Management	Community Investment
8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 12 Responsible Consumption and Production; 13 Climate Action; 16 Peace, Justice and Strong Institutions	7 Affordable and Clean Energy; 9 Industry, Innovation and Infrastructure; 12 Responsible Consumption and Production; 13 Climate Action	4 Quality Education; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure
• Good Governance • Product Responsibility	• Managing the Environmental Footprint • Environmental and Social Assessment of Products and Services	• Community Banking
• Responsible Financing • Fair Banking • Sustainable Supply Chain • Financial Inclusion • Good Governance	• Addressing Climate Impact • Managing Our Environmental Footprint	• Building Communities • Financial Literacy
• Good Governance • Product Responsibility	• Managing the Environmental Footprint • Environmental and Social Assessment of Products and Services	• Building Communities
• Fair Banking • Impact Investing	• Managing the Environmental Footprint	• Building Communities (new) • Financial Literacy (new)

Sustainability Statement

A SNAPSHOT OF PERFORMANCE HIGHLIGHTS

HLFG

Management of climate related risk is one **FOCUS AREA** of the Group

In compliance of **BNM'S CLIMATE CHANGE AND PRINCIPLE-BASED TAXONOMY,** the Group and the respective subsidiaries' management teams and Board of Directors are working on the implementation roadmap

Waste separation for **RECYCLE**

A **"ZERO PLASTIC BAGS IN THE OFFICE"** position.

All employees are encouraged to adopt reusable carriers bags as an alternative

HLB

OVER RM1.4 BILLION worth of financing to support renewable energy projects

GHG Emissions reduction
2,193 tCO2eq

Scope 1 Target:
15% - 25% BY 2026

Scope 2 Target:
40% - 50% BY 2031

1ST YEAR disclosure Scope 3 GHG emissions

6.8% in electricity consumption across Malaysian operations

15% water consumed in both PJ City Tower A and Menara Hong Leong

Recycle **OVER 24,881 KG** of plastic, paper and aluminium

11% in digital users

Menara Hong Leong - **GBI SILVER RATING** and **LEED GOLD RATING**

HLA

SOLAR PV SYSTEMS
- pilot project to reduce carbon footprint

11%
electricity consumption

29%
water consumed to 13,320M^3

DIGITAL FIRST PRODUCTS
– FiT series

Average of 21 sheets of paper per policy

Community Initiatives:
- Nationwide Blood Donation Campaign 2020
- HLA Toy Giveaway Drive
- HLA-Kechara Soup Kitchen Food Collection Campaign

HLCB

Actively explore renewable and sustainable investing matters

Invested in a key green bond for green energy generation through hydropower in Sarawak, Malaysia

ZERO instances of data breaches
No successful cyber-attack incident recorded for the year

Collaborated with Zakat to distribute a fund of **ABOUT RM20K** for the Asnaf groups of Fakir, Miskin, Muallaf or Fisabilillah

25% of workforce has utilised the vaccination leave, which was introduced to safeguard the employees wellbeing

Sustainability Statement

FTSE4Good

HLFG remained a constituent of the globally recognized **FTSE4GOOD BURSA MALAYSIA INDEX**

Female **62.2%**

Male **37.8%**

Total Number of Employees 37

>30% female board representation at HLFG

RM22.3 BILLION in relief assistance for over 97,000 retail and corporate customers

Supported **1,300 SMEs** through **RM4.4 BILLION** in payment relief assistance

Female **62.6%**

Male **37.4%**

Total Number of Employees 7,803

Permanent **98%**

Temporary **2%**

31.5 HOURS to **69.4 HOURS** Average training hours per employee

Pilot sustainability assessment performed on selected vendors with **CONTRACT VALUE > RM500K**

56.5% of the selected suppliers scores under the Best in Class category

Waste separation for recycle is an ongoing initiative

38% internal paper usage

COVID-19 Support Programmes:
- Complimentary Special Benefit Program
- Deferment of Premium
- COVID-19 Test Fund
- Complimentary HLA Pro-Vax Campaign

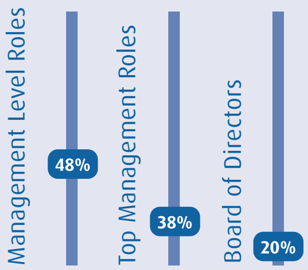
50% of female representation in senior leadership roles

Female **54.9%**

Male **45.1%**

Total Number of Employees 505

Leadership position held by Women



94% of suppliers and service providers were based in Malaysia, with **91.8%** of all spending on procurement directed to local businesses

1,976 HOURS of AML/CFT Training with **446** employees trained

Estimated **1,018 HOURS** of ABC Training with **509** employees trained

110 external training courses held with **OVER 4,400 HOURS** towards employees' development

8.32% Attrition Rates

Sustainability Statement

ECONOMIC

HONG LEONG BANK

Digital at the Core | Social responsible business | Community investment

- HLB become the first bank in Malaysia to provide a fully digital onboarding experience for Malaysians wanting to create a bank account remotely. HLB launched the 'Apply@HLB' mobile in October 2020 and 4,500 new accounts have been registered via the Apply@HLB app as of May 2021.

- Launched a targeted SME Solar Financing Programme on February 2021. This programme provides financing opportunities of up to RM1 million for each SME who are interested in investing in renewable energy via the installation of solar PV systems on their rooftops.

- A total amount of over RM 1.4 billion worth of financing was approved to support renewable energy projects, including solar, bioenergy, and small hydropower.

- A major supporter of the government's Green Technology Financing Scheme ("GTFS"). At the end of FY2021, the Bank has supported close to 30 projects under GTFS with total loans approved of close to RM300 million.

- HLB LaunchPad is a mentorship programme implemented in collaboration with its ecosystem partners, such as MBAN, Cradle, Malaysia Digital Economy Corporation (MDEC), PitchIn and Malaysia Global Innovation & Creativity Centre ("MaGIC"). The programme aims to nurture young Malaysian entrepreneurs and foster partnership with the emerging generation of FinTech practitioners and other tech-savvy startups. It serves as a platform to identify high potential startups whom HLB can partner with to go-to-market, build new capabilities or expand into new markets and customer segments.

HONG LEONG ASSURANCE & HONG LEONG MSIG TAKAFUL

Digital at the Core | Workforce Readiness

- In FY2021, HLA implemented Centralized and Remote e-Signature as a secure way of contactless signature capture at anytime, anywhere. A collaboration system that integrates e-Signature with Joget Workflow has been implemented to have an end-to-end business process automation.

- Enhancement on HLA's very own customer self-service chatbot named Hailey has enable the chatbot to answer frequently asked questions related to Online Payment, Accounts & Statements and many more topics. Hailey is available online at the HLA Touch website and customer portal i.e. HLA360° via soft-launch in June 2021.

- Another innovative solution in enhancing the customer experience with HLA is Customer's Next Best Action (NBA). Through machine learning models, event triggers based on customer's life-stage / behaviour, and analytics on customer's interaction with the company are ways to identify the most relevant needs for each customer.

HONG LEONG ASSURANCE & HONG LEONG MSIG TAKAFUL (CONT'D)

- Hong Leong MSIG Takaful committed to grow Malaysian talent in the technology space by introducing a Graduate Associate programme, targeting to build and develop a pool of Malaysian IT talent. The programme which started in March 2021, aims to develop 45 Malaysian talent over a span of 3 years. This programme was designed to upskill and equip the talent with future ready skills, with clear timelines and well defined career progression models that have commensurate remuneration structures to ensure that high performing talent are attractively remunerated in accordance to market norms.

HONG LEONG CAPITAL BERHAD

Digital at the Core | Social responsible business | Community investment

- HLCB aims to support clients through their journey in transitioning to new investing technologies. Its digital offerings include Direct Market Access Trading solution and HLeBroking Digital Platforms.
- Prioritise and support the procurement from local suppliers and service providers. In 2021, 94% of HLCB's suppliers and service providers were based in Malaysia, with 91.8% of all spending on procurement directed to local businesses.
- Completed an advisory mandate on a merger and acquisition exercise that paved the way for the injection of renewable energy assets into a listed company by the Equity Markets team in support of deal flows that advocate for a transition to a low-carbon economy.
- Invested in a key green bond to generate green energy through hydropower in Sarawak, Malaysia. Our Treasury and Markets team is continuously exploring for investments in green bonds, subject to the same meeting of HLIB's investment criteria.
- Our Debt Markets team is exploring the arrangement of a Green Tier 1 Capital Security.

Sustainability Statement

ENVIRONMENTAL

HONG LEONG BANK

Environmental management | Workforce Readiness | Social responsible business | Community investment

- Established Environmental Policy on Energy, Water and Waste Management.
- Around 6000 employees attended thematic weekly huddles during the Sustainability Month.
- Introduced a reduction target of 15%-25% by 2026 and 40%-50% by 2031 for Scope 1 and 2 emissions. Disclosed Scope 3 emissions.
- Expanded Greenhouse Gas ("GHG") monitoring across our Malaysian operations.
- Signed a Memorandum of Understanding with the Malaysian Nature Society to embark on carbon sequestration with mangrove tree planting across 15 hectares of mangrove forest land in Kuala Selangor Nature Park.

HONG LEONG ASSURANCE

Environmental management | Social responsible business | Community investment

- Contributed to environmental preservation by reducing paper usage and printing through the introduction of Electronic Signature (e-Signature) and Digital First Products – FiT series. FiT series is an insurance series that incorporates an end-to-end digitalised platform, which encompasses e-enrolment and e-contract right up to after-sales services. Through digitalisation, it reduces on an average of 21 sheets of paper per policy.
- Embarked on the utilization of solar PV systems with our pilot project at the new Bukit Mertajam premises. We expect to expand our solar PV systems implementation to our head office in PJ City and to other branch offices where feasible.
- Aligned with the Malaysian Government's incentives under the Sustainable Energy Development Authority, we are also expecting to sell back excess of harvested electricity to Tenaga Nasional Berhad.
- Anticipated an improvement of at least 10% on electricity consumption after system upgrades.
- Several water conservation methods were partially implemented, which including the installation of faucet aerators, dual-stage flush systems, waterless urinals to water pressure restrictors. The utilisation of rainwater harvesting systems is in the plan.

HONG LEONG CAPITAL BERHAD

Environmental management | Social responsible business | Community investment

- Started integrating ESG sustainability issues into investment banking activities. This initiative was conducted in accordance with the Environment and Social Risk Guidance Note to ensure that climate concerns are taken into account more holistically in ESG risk assessments.

- Our Business Units, particularly the Investment Banking business, have begun conducting ESG assessments for all client onboarding and applications of credit for investments in bonds.

- Research team with ESG screening capability - ESG stocks coverage and analysis.

- Provided training/ courses through seminars and conferences related to ESG Financing, particularly for the renewable energy sector, ESG regulations and sustainable finance.

Sustainability Statement

SOCIAL AND GOVERNANCE

HONG LEONG BANK

Workforce Readiness | Social responsible business | Community investment

- Complied to local labour standards and been a signatory of the collective agreement by the Malayan Commercial Banks' Association (MCBA) and the National Union of Bank Employees (NUBE).
- Addressed employee well-being with the launch of PlusVibes, an all-in-one mobile platform for physical, mental and emotional health.
- 4,215 training hours completed for the mandatory e-learning course on Fair Treatment of Financial Consumers.
- Conducted two Sustainability Roundtables with our customers.
- Approved over 98% of the customers' applications since rolling out the Payment Relief Assistance Plans and extended relief assistance to over 20,000 customers from the B40 community, totaling RM 2 billion.
- Over 400 Business and Corporate Banking Account Relationship Managers participated in the Bank's ESG Capacity building workshops.
- We have established a Board Diversity Policy to demonstrate our commitment to balance and diversify of our Board members in terms of gender, skills and experience. HLB Board comprises three female directors, accounting for 37.5% of the board.
- Introduced SIRON, a new Anti-Money Laundering technology that improves screening capabilities, expedites the onboarding of new clients, and enhances the Bank's ability to detect suspicious activity.

HONG LEONG ASSURANCE

Social responsible business | Digital at the Core | Workforce Readiness

Community investment

- Provided employees with disposable surgical masks for their daily use since March 2020. This year, reusable masks and face shields were provided to all employees for safeguarding their safety and wellbeing while minimizing any negative environmental impact by reducing disposal surgical masks wastages.
- Promoted equal gender representation in senior roles. The current demographic balance of gender diversity in the senior leadership team is 50:50, reflected a strong testament to our commitment to gender diversity and inclusivity.

HONG LEONG ASSURANCE (CONT'D)

- Launched of HLA Stackable, a Microinsurance product with consideration of social aspects, enable the company to reach out to all social segments and benefit the underserved market with an accessible life protection plan.
- Organised a Toy Giveaway Drive in support of an NGO's programme in December 2020. The objective of the programme is to provide a safe space for the underserved children living in public housing to have access to early childhood learning through play with educational toys.
- Supported Pusat Darah Negara – LIAM Blood Donation Drive. The ongoing pandemic has affected the frequency of periodic blood donations and caused blood shortage in the healthcare system.
- Joined hands with the Kechara Soup Kitchen ("KSK") to provide basic necessities to the homeless and underprivileged families. KSK has been serving marginalized communities in Malaysia, which include the homeless, urban poor and Orang Asli populations.
- Introduced Complimentary Special Benefit Programme that offers coverage upon confirmation of COVID-19 diagnosis and Post-Vaccination Complication. Our policyholders are also entitled to deferment of premium payment due to temporary financial difficulties encountered during the pandemic period.
- Developed the Technology Risk Management Framework (TRMF) and Cyber Resilience Framework (CRF). Both frameworks are aimed to ensure that HLA exercises proper governance in the management of technology and cyber risks.

HONG LEONG CAPITAL BERHAD

Community investment   Social responsible business

- The Women's Choice Package was offered to individual female clients who opened a HLIB Trading Account together with a Value Trade Account via HLeBroking during the campaign. Female clients received rewards that included a promotional brokerage rate and waiver on fees for opening the Bursa Malaysia CDS account.
- Embedded socially responsible investing via Shariah funds and green investing, into the investment process and working towards formalisation into its investment policy.

For more details on the sustainability matters at our subsidiaries, please refer to the HLB at www.hlb.com.my and HLCB at www.hlcap.com.my

Sustainability Statement

APPENDIX

SUPPORTING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS ("SDGs")

Adopted by the United Nations in 2015, the SDGs represent a global agenda to achieve a sustainable future by 2030. The SDGs set out a clear vision with goals, targets and a roadmap to achieve a sustainable development for peace, prosperity of the people and the sustainability of our planet.

HLFG shall support and contribute to the global sustainable development agenda. Across the Group, we have identified 12 goals that we believe we can make a meaningful impact through our core business operations. Here are the key SDGs that we focus on amongst others:

Goal 4
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Goal 5
Achieve gender equality and empower all women and girls.

Goal 7
Ensure access to affordable, reliable, sustainable and modern energy for all.

Goal 8
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Goal 9
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

Goal 12
Ensure sustainable consumption and production patterns.

Goal 13
Take urgent action to combat climate change and its impacts.

Goal 16
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Goal 17
Strengthen the means of implementation and revitalise the global partnership for sustainable development.

Supporting the SDGs

CONTENT INDEX

GENERAL DISCLOSURE	REFERENCE PAGE/ EXPLANATIONS
ORGANISATIONAL PROFILE	
• About the organisation	2,36-37
• Principal activities, brands, products and services	2, 12-15, 75
• Location of headquarters	48, 135
STRATEGY	
• Overview	18, 37
ETHICS AND INTEGRITY	
• Values, principles, standards, and norms of behavior	20, 36-37, 60
GOVERNANCE	
• Governance structure	31
• Risk management	32
STAKEHOLDER ENGAGEMENT	
• List of stakeholder groups	35
• Approach to stakeholder engagement	34-35
MATERIAL SUSTAINABILITY MATTERS	
• Material matters identified	32-33
• Our materiality matrix	34
• Material topics	36-37
• A snapshot of performance highlights	38-39
• Economic	40-41
• Environmental	42-43
• Social and Governance	44-45
REPORTING PRACTICE	
• Reporting scope	30
• Reporting period	30
• Reporting cycle	Annual
• Contact point for questions	72

Corporate **Information**

DIRECTORS

Tan Sri Quek Leng Chan *(Chairman)*

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

Leong Ket Ti

Raja Noorma binti Raja Othman

Chong Chye Neo

Dato' Noorazman bin Abd Aziz

Ho Heng Chuan

GROUP COMPANY SECRETARY

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**

TAN SRI QUEK LENG CHAN

Position

Chairman/Non-Executive/Non-Independent

Nationality / Age / Gender

Malaysian / 78 / 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").

TAN KONG KHOON

Position

President & Chief Executive Officer/Non-Independent

Nationality / Age / Gender

Singaporean / 64 / Male

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

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

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

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

Mr Tan was appointed to the Board of HLFG on 5 February 2016.

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

Board of Directors' Profile

LEONG KET TI

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 58 / 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 the Board Audit and Risk Management Committee ("BARMC") of HLFG.

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

HO HENG CHUAN

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 64 / Male

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

Mr Ho commenced his career with Messrs KPMG in 1977 as an auditor, before moving on to the banking industry where his career spanned over 39 years. He has held senior positions in AmMerchant Bank Berhad (then Arab-Malaysian Merchant Bank) from 1981 to 1997, Macquarie Bank Ltd from 1998 to 2000 and Citi in Malaysia from 2000 to June 2020.

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

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

Board of Directors' Profile

CHONG CHYE NEO

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 58 / Female

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

Ms Chong 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 then 55-year history in Malaysia. As MD/CEO, she was responsible for the overall management of IBM Malaysia and Brunei, and was a Director of IBM Global Delivery Centre (M) Sdn Bhd and Kenexa Technologies Sdn Bhd.

In 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 had served on the Board of Governors of American Malaysian Chamber of Commerce until her retirement, and is currently an Honorary Member. 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 the Group Board Information and Technology Committee ("GBITC") 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, HLB and KLCC Property Holdings Berhad, companies listed on the Main Market of Bursa Securities. She is also a Director of KLCC REIT Management Sdn Bhd, the Manager of KLCC Real Estate Investment Trust which is listed on the Main Market of Bursa Securities.

DATO' NOORAZMAN BIN ABD AZIZ

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 65 / 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 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, a Non-Independent Non-Executive Director of UEM Edgenta Berhad and an Independent Non-Executive Director of Kumpulan Perangsang Selangor Berhad and CTOS Digital Berhad, companies listed on the Main Market of Bursa Securities. He also serves as Chairman of the Board of Trustees of Yayasan UEM and International Centre for Education in Islamic Finance ("INCEIF") Endowment Fund. He is a Director of PLUS Malaysia Berhad, a public company.

YBhg Dato' Noorazman is a member of the Investment Panel of Kumpulan Wang Persaraan (KWAP) and University Senate of INCEIF; and sits on the Advisory Boards of Ancora Fund Management Co. and Creador Sdn. Bhd.

Board of Directors' Profile

RAJA NOORMA BINTI RAJA OTHMAN

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 62 / Female

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

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

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

YM Raja Noorma was appointed to the Board of HLFG on 10 May 2019 and is a member of the GBITC of HLFG.

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

YM Raja Noorma is currently the President of the Soroptimist International Club of Damansara, a volunteer movement, for a 2-year term ending April 2022.

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 2021.
4. **Attendance of Directors**
   Details of Board meeting attendance of each Director are disclosed in the Corporate Governance Overview, Risk Management & Internal Control Statement in the Annual Report.

Key Senior **Management of the Group**

TEH TIONG KHIM

Position

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

Nationality / Age / Gender

Malaysian / 48 / Male

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

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

Mr Teh has 25 years of diverse experience in senior finance roles across global business services, global IT services and a public listed company. His career trajectory has taken him through large multinational organisations with exposure to different industries including banking, fast-moving consumer goods and information technology.

Prior to joining HLFG, Mr Teh was the Chief Financial Officer of Standard Chartered Global Business Services ("GBS") Malaysia. In GBS, he was tasked to support Standard Chartered Global Head of GBS in executing financial strategy and he played a key role in developing various finance and commercial initiatives for the GBS network of organisations.

DOMENIC FUDA

Position

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

Nationality / Age / Gender

Australian / 54 / 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. In addition to this, Mr Fuda is a Chicago Booth Executive Program alumni and a Chartered Banker of the Asian Institute of Chartered Bankers ("AICB").

Mr Fuda was appointed as the Group Managing Director/ Chief Executive Officer of HLB on 5 February 2016. Mr Fuda is a member of both the HLB Credit Supervisory Committee and Executive Committee, and is also a Director of Hong Leong Islamic Bank Berhad, Hong Leong Bank (Cambodia) PLC as well as serves as a Council Member of Hong Leong Bank Vietnam Limited, all of which are wholly-owned subsidiaries of HLB. Mr Fuda is also a Council Member of AICB, The Association of Banks in Malaysia (ABM) and Visa Asia Pacific Senior Client Council.

Mr Fuda brings with him many years of experience in various senior management roles across Australia and Asia, where he was responsible for the formulation and execution of customer segment strategies, business operations optimisation, products, distribution, customer experience, data analytics and increasingly digital strategies. Prior to 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

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 / 58 / 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 Lee is a Director of Hong Leong Capital Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. She is also the Council Chairman of the Malaysian Investment Banking Association (MIBA), a Council Member of AICB and National Payments Advisory Council, and a Board Member of Asian Banking School Sdn. Bhd.

LOH GUAT LAN

Position

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

Nationality / Age / Gender

Malaysian / 56 / Female

Ms Loh Guat Lan holds a Bachelor of Science in Human Development 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, Hong Leong Insurance (Asia) Limited, L.I.A.M. Holding Sdn Bhd and L.I.A.M. Property Sdn Bhd. She is also the President of Life Insurance Association of Malaysia (LIAM), a Director of The Malaysian Insurance Institute and a Board Member of Financial Industry Collective Outreach (FINCO).

Notes:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Key Senior Management has any family relationship with any Director and/or major shareholder of 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 2021.

Board Audit and Risk Management **Committee Report**

CONSTITUTION

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

COMPOSITION

MR HO HENG CHUAN
(Independent Non-Executive Director)
(Appointed with effect from 15 October 2020)

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 2021 ("FY2021"), seven (7) BARMC meetings were held and the attendance of the BARMC members were as follows:

Member	Attendance
Mr Ho Heng Chuan[(1)]	6/6
Ms Leong Ket Ti	7/7
Ms Chong Chye Neo[(2)]	6/6
Ms Lim Lean See[(3)]	1/1
Mr Saw Kok Wei[(3)]	1/1

Notes:

(1) *Appointed with effect from 15 October 2020.*
(2) *Appointed with effect from 28 August 2020.*
(3) *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 significant changes in accounting policies and practices;
(ii) significant adjustments arising from the audit;
(iii) the going concern assumptions; and
(iv) compliance with accounting standards and other legal requirements.

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

EXTERNAL AUDIT

The external auditors of the Group for the FY2021 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 auditors' 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 FY2021 amounted to RM4,114,798 of which RM371,500 was payable in respect of non-audit services. Non-audit services accounted for 9% 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 FY2021 and considered PwC to be independent:

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

(b) level of engagement with the BARMC;

(c) ability to provide constructive observations, implications and recommendations in areas which require improvements;

(d) adequacy in audit coverage, effectiveness in planning and conduct of audit;

(e) ability to perform the audit work within the agreed time frame;

(f) non-audit services rendered by PwC does not impede independence;

(g) ability to demonstrate unbiased stance when interpreting the standards/policies adopted by 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 FY2021 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 2021 Annual General Meeting.

RELATED PARTY TRANSACTIONS

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

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

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

Board Audit and Risk Management Committee Report

INTERNAL AUDIT

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

During the financial year, BARMC noted that the various internal audit 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/ takaful business as set out in the Internal Audit Function section of this report.

The review of BARMC on the audit findings and recommendations had focused on the adequacy and integrity of internal control systems, business and compliance audits on the respective business units. The management's responses to internal audit's findings were also presented for the BARMC's consideration. The BARMC also reviewed at every BARMC meeting the status update of management's corrective action plans for the resolution of internal audit'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, capital adequacy, credit risk, market risk, liquidity risk and operational 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.

Specifically with regards to the COVID-19 pandemic, the BARMC reviewed reports of Management's analysis and risk mitigation actions in relation to the Group's credit exposures, market risk, operational risk, capital adequacy and liquidity. The BARMC also reviewed revisions to group-wide policies for prudential operations of the Group that addresses issues arising from the pandemic, the movement control orders instituted by the government and the loan repayment moratorium measures introduced for customers that may be adversely impacted by the economic interruptions caused by the pandemic. The BARMC also reviewed the Group's implementation of business continuity management plans and processes.

COMPLIANCE

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

- reports on new or updated regulations affecting the Group;
- significant non-compliance incidences;
- development, review, alignment and implementation of Group-wide compliance policies;
- management of key compliance risks affecting the Group;
- implementation, alignment and monitoring of Group-wide Compliance programs in relation to anti-bribery and corruption ("ABC"), and anti-money laundering and counter-financing of terrorism;
- implementation, alignment and monitoring of ABC measures to effect compliance with requirements under the Malaysian Anti-Corruption Commission Act 2009, including establishing Board and top management commitment against bribery and corruption, development and review of control measures, and training and communication activities;
- initiative to ensure corresponding policies are in place to address applicable regulations, for assurance on Group-wide regulatory compliance; and
- significant compliance issues which require deliberation by the BARMC and the Board.

The BARMC also reviewed and considered the proposed compliance objectives, strategies, plans, governance framework and policies for adoption and implementation within the Group, to ensure that Group affairs are carried out for effective compliance risk management and in full compliance with the relevant laws and regulations.

WHISTLEBLOWING

The BARMC provided oversight on the implementation and effectiveness of the Company's Whistleblowing Policy and Standard Operating Procedures ("Whistleblowing Policy and Procedures"), which set out an avenue and the process for employees of the Company and any (legal or natural) person, including those providing services to, or having a business relationship with the Company, to raise any concerns about any improper conduct, or wrongful act that may adversely impact the Company, confidentially through a dedicated whistleblowing channel to the BARMC Chairman. During FY2021, the BARMC had reviewed the Whistleblowing Policy and Procedures of

Board Audit and Risk Management Committee Report

the Company to ensure the whistleblowing procedures and communication plans in relation thereto remain effective. The BARMC also reviewed and deliberated the investigation report on a matter submitted through the whistleblowing channel of the Company.

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 FY2021, the following internal audits were carried out:

- Financial Holding Company: audits on finance, company secretarial, compliance, risk management functions, anti-bribery and corruption and cybersecurity management.

- Banking: audits on information technology such as cybersecurity management, compliance and Anti-Money Laundering/ Counter Financing of Terrorism ("AML/CFT"), personal financial services, business corporate banking; global markets; group operations and technology; group functions, branches including thematic audits on branch operations; other assignments as directed including investigations. Where applicable, all audits will include coverage on compliance with Shariah requirements on Islamic banking business.

- Investment Banking/ Stockbroking/ Fund Management/ Unit Trust: audits on operations involving investment banking, stockbroking, branches, fund management and unit trust business activities, IT general controls and application systems, cybersecurity management, AML/CFT, Central Credit Reference Information Systems, Cash Balance of Payment reporting, stress testing, Basel III reporting, review of complaint lodged by customer, anti-bribery and corruption, and other assignments as required by regulatory bodies.

- Insurance/ Takaful: audits on actuarial, operations, investment, information system, risk management, branches, AML/CFT, cybersecurity management, system access control, replacement of life insurance policies, related party transactions, anti-bribery and corruption and regulatory compliance audit.

The cost incurred for the various internal audit functions within the Group for the FY2021 was RM18.17 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 promoting business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value while taking into account the interest of other stakeholders."

~ Finance Committee on Corporate Governance

The Board of Directors ("Board") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which supports the three key principles of the Malaysian Code on Corporate Governance ("MCCG") 2017 namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Report 2021 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 takes cognisance of the new MCCG 2021 published in April 2021 and will be reporting the Group's adoption of the best practices under the MCCG 2021 in the CG Overview Statement for the next financial year.

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.

Corporate Governance Overview, Risk Management & Internal Control Statement

A. ROLES AND RESPONSIBILITIES OF THE BOARD (continued)

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

The CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Group as well as to monitor progress on implementation of Key Performance Areas ("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 seven (7) Directors. The seven (7) Directors are made up of one (1) Executive Director and six (6) Non-Executive Directors, of whom five (5) are independent. The profiles of the members of the Board are set out in this Annual Report.

The Company is guided by 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 seven (7) 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 2021, 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.

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)*
- YBhg Tan Sri Quek Leng Chan
- Mr Ho Heng Chuan
  (Appointed as NC member with effect from 15 October 2020)

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.

Corporate Governance Overview, Risk Management & Internal Control Statement

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.

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 Committee members. Each individual Director is assessed on, inter alia, the effectiveness of his/her competency, expertise and contributions. The skills, experience, soundness of judgment as well as contributions towards the development of business strategies and direction of the Company and analytical skills to the decision-making process are also taken into consideration.

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

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

C. BOARD COMMITTEES (continued)

(B) NC (continued)

During the financial year ended 30 June 2021 ("FY2021"), one (1) NC meeting was held and the attendance of the NC members were as follows:

Member	Attendance
Mr Saw Kok Wei[(1)]	1/1
YBhg Tan Sri Quek Leng Chan	1/1
Ms Lim Lean See[(2)]	1/1
YBhg Dato' Noorazman bin Abd Aziz[(3)]	-
Mr Ho Heng Chuan[(4)]	-

Notes:

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

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

(3) *Appointed as NC Chairman with effect from 28 August 2020.*

(4) *Appointed as NC member with effect from 15 October 2020.*

There was no NC meeting held subsequent to the appointment of YBhg Dato' Noorazman bin Abd Aziz and Mr Ho Heng Chuan.

The NC carried out the following activities in the discharge of its duties in accordance with its TOR during the FY2021:

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

- Considered and assessed the position of Independent Directors of the Company and was satisfied that the Independent Directors met the regulatory requirements for Independent Directors;

- Reviewed the F&P Declarations by Directors and Company Secretary in line with the BNM policy document on F&P Criteria and was satisfied that the Directors and Company Secretary met the requirements as set out in BNM policy document on F&P Criteria;

- Reviewed the term of office and performance of the BARMC and each of its members in accordance with the TOR of BARMC and was of the view that the BARMC and each of its members had carried out their duties in accordance with the BARMC TOR for the periods under review;

- Reviewed the amendments to the F&P Policy and recommended to the Board for consideration and approval;

- Reviewed the appointment of Director in accordance with the F&P Policy, BNM CG Policy and MMLR and recommended to the Board for consideration and approval;

- Reviewed the proposed establishment and composition of Group Board Information and Technology Committee and recommended to the Board for consideration and approval; and

- Assessed potential candidates to fill vacancy(ies) in the Board Committees and recommended to the Board for consideration and approval.

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)*
- YBhg Tan Sri Quek Leng Chan
- Ms Chong Chye Neo

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

During the FY2021, two (2) RC meetings were held and the attendance of the RC members were as follows:

Member	Attendance
YBhg Dato' Noorazman bin Abd Aziz[1]	2/2
YBhg Tan Sri Quek Leng Chan	2/2
Ms Chong Chye Neo[2]	2/2
Mr Saw Kok Wei[3]	-
Ms Lim Lean See[4]	-

Notes:

[1] *Appointed as RC Chairman with effect from 28 August 2020.*

[2] *Appointed as RC member with effect from 28 August 2020.*

[3] *Retired as RC Chairman with effect from 22 August 2020.*

[4] *Retired as RC member with effect from 22 August 2020.*

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 FY2021 is as set out in Note 41 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 FY2021 is shown in the table below:

	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of Outstanding deferred remuneration as at 30.6.2021 (RM)	Total amount of Outstanding deferred remuneration paid out (vested) in FY2021 (RM)
Fixed Remuneration					
• Cash-based	5	5,327,200	-	-	-
• Shares and share-linked instruments	-	-	-	-	-
• Other	-	-	-	-	-
Variable Remuneration					
• Cash-based	4	6,592,625	2,935,161	2,935,161	1,352,728
• 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.*

C. BOARD COMMITTEES (continued)

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

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

1. Oversee technology and cyber security related matters.

2. Facilitate discussions amongst entities of the development in digital trends, to rationalise practices and policies and where possible, to seek consistent practices across entities.

3. Ensure that risks assessments undertaken in relation to material technology applications are robust and comprehensive.

4. Ensure that management meets the expectations on technology and cyber security risk management as set out in BNM Risk Management in Technology ("RMiT") Policy.

The composition of the GBITC comprises representatives from HLFG Group of Companies as follows:

- Ms Chong Chye Neo *(Chairman)*
- YM Raja Noorma binti Raja Othman
- Ms Shalet Marian
- Encik Zulkiflee bin Hashim

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

During the FY2021, five (5) GBITC meetings were held and the attendance of the GBTIC members were as follows:

Member	Attendance
Ms Chong Chye Neo	5/5
YM Raja Noorma binti Raja Othman	5/5
Ms Shalet Marian	5/5
Encik Zulkiflee bin Hashim	5/5

The GBITC carried out the following activities in discharge of its duties in accordance with its TOR during the FY2021:

- Reviewed the IT strategy and monitored the progress against management plan.
- Reviewed the cyber security posture and key security initiatives.
- Reviewed the production incidents and trending.
- Reviewed the state of compliance and progress updates on action items in relation to the BNM RMiT Policy.
- Reviewed and assessed IT-related policies/ guidelines.
- Reviewed the risk assessment on IT outsourcing arrangements of the Group.
- Reviewed the Business Continuity Management of the Group, including critical system downtime and disaster recovery plans.
- Reviewed the Group's adoption of emerging technologies, including the adoption status and corresponding capabilities.
- Deliberated on the on-going development in digital trends in the financial services industry, and exchange thoughts on the digital strategy of the Group.

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.

E. COMMITMENT (continued)

The Board met six (6) times for the FY2021 with timely notices of issues to be discussed. Details of attendance of each director are as follows:

Director	Attendance
YBhg Tan Sri Quek Leng Chan	6/6
Mr Tan Kong Khoon	6/6
Ms Leong Ket Ti	6/6
YM Raja Noorma binti Raja Othman	6/6
Ms Chong Chye Neo	6/6
YBhg Dato' Noorazman bin Abd Aziz	6/6
Mr Ho Heng Chuan(1)	4/4
Ms Lim Lean See(2)	1/1
Mr Saw Kok Wei(2)	1/1

Notes:

(1) *Appointed as Director with effect from 15 October 2020*

(2) *Retired as Director with effect from 22 August 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 FY2021, 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 FY2021, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- 16th Kuala Lumpur Islamic Finance Forum 2021: "Setting the Road Ahead Towards Economic Recovery"
- Accenture – Case Studies on Digital Disruption in Banking: Perspectives on Post COVID Trends and Behaviours
- Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001: Risk, Challenges, Governance & Transparency in Managing Business & Compliance
- Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions: Compliance A Need to Protect Business
- A.T. Kearney – Mega Trends in Banking, Insurance and Stockbroking
- Briefing on Shariah Governance Policy Document: An Insight to Comprehending Shariah Governance Policy Document

Corporate Governance Overview, Risk Management & Internal Control Statement

E. COMMITMENT (continued)

- Bursa Malaysia – An update on COVID-19
- Bursa Malaysia – Cyber Security in the Boardroom
- Bursa Malaysia – Directors' Liability in Anti-Corruption Cases: Airbus and Other Cases
- Bursa Malaysia – Virtual Palm & Lauric Oils Conference
- Cognizant Consulting – Digital Shift in Insurance Industry
- Digital Assets Holdings, LLC – Smart Contracts and Distributed Ledger Technology for Malaysia's Future Post Trade Platform
- FIDE Forum – 1st Distinguished Board Leadership Series: Rethinking Our Approach to Cyber Defence in Financial Institutions
- FIDE Forum - Annual Dialogue with Governor of Bank Negara Malaysia
- FIDE Forum – Board Effectiveness Evaluation Industry Briefing
- FIDE Forum - Dialogue on The Role of Independent Director in Embracing Present and Future Challenges
- FIDE Forum – JC3 Flagship Conference 2021: Finance for Change, initiated by Bank Negara Malaysia & Securities Commission Malaysia
- FIDE Forum – MASB Dialogue on MFRS 17 Insurance Contracts: What Every Director Must Know
- FTI Consulting – Defending Your Company and Keeping Up to Date with Key Cybersecurity Risks in 2020
- Herbert Smith Freehills Training Series – Environmental, Social and Governance
- ICLIF Executive Education Center – FIDE Core Programme (Bank)
- ICLIF Executive Education Center – Managing Political Risks
- ICLIF Executive Education Center – Risk Management in Technology & Digital Transformation: What They Mean for Governance and Strategy of Bank and Insurance Boards?
- ICLIF Executive Education Center – Staying Ahead with Data Analytics
- Institute of Corporate Directors Malaysia – How to be an Effective NED in a Disruptive World
- Institute of Enterprise Risk Practitioners – Cybersecurity Oversight in the Boardroom
- Institute of Enterprise Risk Practitioners – Directors Guide to Crisis Management and Leadership during Crisis
- Institute of Enterprise Risk Practitioners – Succeeding in the New Normal, Preparing for the Next Normal
- Institute of Enterprise Risk Practitioners – Top 10 Issues for Board in 2021: A Brave New World
- Kumpulan Perangsang Selangor Berhad – Directors Strategic Thinking Series: Optimising Risk & Resilience Planning to Manage Disruptions
- Kumpulan Perangsang Selangor Berhad – Governance Risk & Controls: The Importance of GRC System in Business Sustainability and How They are Intertwined to Provide Reasonable Assurance to the Audit Committee and Board
- KWAP – Directors Guide to Governance, Risk & Compliance
- Malaysian Investment Banking Association – Strengthening Anti-Bribery & Corruption Practices in Vulnerable Areas
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- Maybank Kim Eng – Bursa Malaysia [1818]: An Analyst Perspective
- Maybank Kim Eng – Economic Outlook & Lookout: The Good, The Bad, The Uncertain
- Preparing for Corporate Liability Provision on Corruption under the MACC Act 2009 – "Safeguarding the Bank, its Directors, Management & Other Personnel"
- Tricor Axcelasia – Cybersecurity Risk
- Trowers & Hamlins LLP – Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 and parallels with the UK offence and lessons learnt in the UK
- YTL Anti-Bribery & Corruption Online Training
- YTL LEAD Conference 2020

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.

Corporate Governance Overview, Risk Management & Internal Control Statement

F. ACCOUNTABILITY AND AUDIT (continued)

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.

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

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

The external auditors meet with the BARMC members at least twice a year without the presence of management.

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.

Corporate Governance Overview, Risk Management & Internal Control Statement

H. SHAREHOLDERS (continued)

I DIALOGUE BETWEEN COMPANIES AND INVESTORS (continued)

The Board has identified Mr Ho Heng Chuan, the Chairman of the BARMC, as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, and who would bring the same to the attention of the Board.

In addition, shareholders and investors can have a channel of communication with the Group Chief Financial Officer to direct queries and provide feedback to the Group.

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

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

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.

In view of the Conditional Movement Control Order for Selangor, Kuala Lumpur and Putrajaya and in the interest of the health and safety of all stakeholders, the last AGM of the Company held on 30 October 2020 was conducted in full virtual manner through live streaming and online voting using Remote Participation and Electronic Voting facilities. All Directors and the CEO attended the AGM either physically or virtually to engage with shareholders and address issues of concern raised by the shareholders. Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at the AGM held on 30 October 2020 were put to a vote by way of a poll and the voting results were announced at the meetings and through Bursa.

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

Corporate Governance Overview, Risk Management & Internal Control Statement

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

II THE RISK MANAGEMENT FRAMEWORK (continued)

- 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 FY2021 and have continued up to the date this statement was approved.

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

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

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

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

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.

The Compliance function works with various Compliance functions within the Group to monitor and manage compliance risks in the Group and to facilitate compliance with regulatory requirements and internal policies. All material compliance breaches and non-compliances are brought to the attention of the respective audit and/or risk 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.

Corporate Governance Overview, Risk Management & Internal Control Statement

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

IV MANAGEMENT AND DECISION-MAKING PROCESSES (continued)

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

The Group has identified the following principal risks on its operations, including but not limited to credit risk, market risk, liquidity risk, operational risk, compliance risk and environmental, social and governance risk. 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, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

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

The Directors are satisfied that in preparing the financial statements of the Group and of the Company for the FY2021, 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 2021

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 2021.

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	**2,265,254**	**529,943**
- Non-controlling interests	**1,111,107**	**-**
	3,376,361	**529,943**

DIVIDENDS

The dividends on ordinary shares paid by the Company since the previous financial year ended 30 June 2020 were as follows:

(a) A final single-tier dividend of 25.0 sen per share, amounting to RM284,470,223 in respect of the financial year ended 30 June 2020, was paid on 25 November 2020.

(b) An interim single-tier dividend of 10.8 sen per share, amounting to RM122,891,136 in respect of the financial year ended 30 June 2021, was paid on 30 March 2021.

The Directors have declared a final single-tier dividend of 29.2 sen per share in respect of the financial year ended 30 June 2021. The financial statements for the current financial year do not reflect this dividend and will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2022.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 55 to the financial statements.

Directors' Report
for the financial year ended 30 June 2021

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

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

CREDIT RATING

On 15 January 2021, 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

* combined limit of RM25.0 billion

RESERVES AND PROVISIONS

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

CORPORATE GOVERNANCE

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

DIRECTORS

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

Tan Sri Quek Leng Chan	(Chairman, Non-Executive Non-Independent)
Tan Kong Khoon	(President & Chief Executive Officer, Non-Independent)
Leong Ket Ti	(Independent Non-Executive Director)
Raja Noorma binti Raja Othman	(Independent Non-Executive Director)
Chong Chye Neo	(Independent Non-Executive Director)
Dato' Noorazman bin Abd Aziz	(Independent Non-Executive Director)
Ho Heng Chuan (Appointed with effect from 15 October 2020)	(Independent Non-Executive Director)
Lim Lean See (Retired with effect from 22 August 2020)	(Independent Non-Executive Director)
Saw Kok Wei (Retired with effect from 22 August 2020)	(Independent Non-Executive Director)

DIRECTORS (continued)

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' 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****			
	As at 01.07.2020	Acquired	Sold	As at 30.06.2021
Interests of Tan Sri Quek Leng Chan in:				
Hong Leong Company (Malaysia) Berhad	390,000	-	-	390,000
Hong Leong Financial Group Berhad	5,438,664	-	-	5,438,664
Interests of Tan Kong Khoon in:				
Hong Leong Financial Group Berhad	8,000,000*	-	-	8,000,000*

Directors' Report
for the financial year ended 30 June 2021

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****			
	As at 01.07.2020	**Acquired**	**Sold**	**As at 30.06.2021**
Interests of Tan Sri Quek Leng Chan in:				
Hong Leong Company (Malaysia) Berhad	7,651,455(1)	-	-	7,651,455(1)
Hong Leong Financial Group Berhad	894,718,726(1)	-	(4,000)	894,714,726(1)
Hong Leong Capital Berhad	200,805,058	-	(27,000,000)	173,805,058
Hong Leong Bank Berhad	1,346,027,209	-	-	1,346,027,209
	800,000,000***	-	-	800,000,000***
	1,500,000,000****	-	-	1,500,000,000****
Hong Leong MSIG Takaful Berhad	130,000,000	-	-	130,000,000
Hong Leong Assurance Berhad	140,000,000	-	-	140,000,000
Hong Leong Islamic Bank Berhad	400,000,000***	-	-	400,000,000***
	400,000,000****	-	-	400,000,000****
Hong Leong Industries Berhad	242,788,803(1)	-	(44,167)	242,744,636(1)
Hong Leong Yamaha Motor Sdn Bhd	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	19,600,000	-	-	19,600,000
Malaysian Pacific Industries Berhad	108,954,790	7,371,864	(80,629)	116,246,025
Carter Resources Sdn Bhd	5,640,607	-	-	5,640,607
Carsem (M) Sdn Bhd	84,000,000	-	-	84,000,000
	22,400(2)	-	-	22,400(2)
Hume Cement Industries Berhad	350,231,658(1)	-	-	350,231,658(1)
(formerly known as Hume Industries Berhad)	191,938,946**(1)	-	-	191,938,946**(1)
	3,800,000*(1)	-	-	3,800,000*(1)
Southern Steel Berhad	417,246,046	-	-	417,246,046
Southern Pipe Industry (Malaysia) Sdn Bhd	124,964,153	-	-	124,964,153

Notes:

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

(2) Redeemable Preference Shares/Cumulative Redeemable Preference Shares

DIRECTORS' INTERESTS (continued)

Following the internal restructuring carried out on 16 April 2021, the following corporations are no longer regarded as related corporations of Hong Leong Financial Group Berhad pursuant to Section 7 of the Companies Act 2016. Accordingly, the interests of Directors in the following corporations are no longer required to be recorded in the Register of Directors' Shareholdings of Hong Leong Financial Group Berhad pursuant to Section 59 of the Companies Act 2016:

1. Guoco Group Limited;
2. GuocoLand Limited;
3. GuocoLand (Malaysia) Berhad;
4. GL Limited;
5. The Rank Group Plc;
6. TPC Commercial Pte. Ltd.;
7. TPC Hotel Pte. Ltd.;
8. Wallich Residence Pte. Ltd.;
9. GLL A Pte. Ltd.;
10. GLL Chongqing 18 Steps Pte. Ltd.;
11. Guoco Midtown Pte. Ltd.;
12. Midtown Bay Pte. Ltd.;
13. MTG Apartments Pte. Ltd.;
14. MTG Retail Pte. Ltd.;
15. GGL Asset Management (Singapore) Pte. Ltd.;
16. Hillcrest Hives Limited;
17. Beijing Ming Hua Property Co., Ltd;
18. Shanghai Xinhaojia Property Development Co., Ltd;
19. Shanghai Xinhaozhong Holding Co., Ltd;
20. JB Parade Sdn Bhd;
21. Lam Soon (Hong Kong) Limited;
22. Guangzhou Lam Soon Food Products Limited;
23. Guoman Hotel & Resort Holdings Sdn Bhd; and
24. GLM Emerald Industrial Park (Jasin) Sdn Bhd.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company received or became entitled to receive any benefit (other than the benefits shown under Directors' Remuneration in Note 41 to the financial statements, included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements or as fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisition and/or disposal of stocks and shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or for the provision of services, including but not limited to project and sales management and any other management and consultancy services; and/or for construction, development, leases, tenancy, licensing, dealership and distributorship; and/or for the provision of treasury functions, advances in the conduct of normal trading, banking, insurance, investment, stockbroking and/or other businesses between the Company or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests.

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

Directors' Report
for the financial year ended 30 June 2021

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 2021.

As at 30 June 2021, 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 2021, 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 54 on Equity compensation benefits.

SHARE CAPITAL

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

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(a) As at the end of the financial year

(i) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of provision for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate provision had been made for doubtful debts and financing; and

- to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

(ii) In the opinion of the Directors, the results of the operations of the Group and the Company during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature.

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

(i) The Directors are not aware of any circumstances:

- which would render the amount written off for bad debts and financing or the amount of the provision for doubtful debts and financing in the financial statements of the Group and the Company, inadequate to any substantial extent; 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 2021

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 2021 are unlikely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
- no contingent or other liability of any company in the Group has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet their obligations as and when they fall due.

(c) As at the date of this report

(i) There are no charges on the assets of the Group and the Company which had arisen since the end of the financial year to secure the liabilities of any other person.

(ii) There are no contingent liabilities which had arisen since the end of the financial year.

(iii) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

DISCLOSURE OF SHARIAH ADVISORY COMMITTEE

The Group's Islamic banking and takaful business activities are subject to compliance with Shariah governance guided by the Shariah Committee consisting of 5 members, appointed by the Board of Directors of Hong Leong Islamic Bank Berhad and Hong Leong MSIG Takaful Berhad, and approved by Bank Negara Malaysia.

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

ULTIMATE HOLDING COMPANY

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

SUBSIDIARIES

Details of 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 41 to the financial statements.

AUDITORS' REMUNERATION

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

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 22 September 2021.

TAN KONG KHOON
Director

HO HENG CHUAN
Director

Kuala Lumpur
22 September 2021

Statements of Financial Position

as at 30 June 2021

		The Group		The Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Assets					
Cash and short-term funds	2	**6,930,705**	11,299,078	**10,614**	15,810
Deposits and placements with banks and other financial institutions	3	**7,190,479**	9,078,939	**3,360**	3,360
Securities purchased under resale agreements		**-**	50,172	**-**	-
Financial assets at fair value through profit or loss	4	**28,039,213**	23,721,031	**-**	292,671
Financial investments at fair value through other comprehensive income	5	**35,801,058**	28,549,073	**-**	-
Financial investments at amortised cost	6	**24,694,193**	20,969,566	**-**	-
Derivative financial instruments	21	**1,051,628**	1,176,645	**-**	-
Loans, advances and financing	7	**154,778,757**	145,520,789	**-**	-
Clients' and brokers' balances	8	**526,781**	575,973	**-**	-
Other receivables	9	**2,119,230**	1,811,640	**1,962**	45,802
Amount due from subsidiary companies	50	**-**	-	**10**	34
Statutory deposits with Central Banks	10	**493,605**	418,120	**-**	-
Tax recoverable		**55,975**	12,792	**10,836**	10,748
Investment in subsidiary companies	11	**-**	-	**19,458,252**	19,497,956
Investment in associated companies	12	**6,872,915**	5,625,998	**-**	-
Deferred tax assets	24	**19,253**	-	**184**	83
Property and equipment	13	**1,355,232**	1,461,528	**3,189**	3,578
Right-of-use assets	14	**210,694**	243,990	**5,015**	5,955
Investment properties	15	**469,610**	472,610	**-**	-
Goodwill arising on consolidation	16	**2,410,644**	2,410,644	**-**	-
Intangible assets	17	**259,994**	204,598	**107**	2
Total assets		**273,279,966**	253,603,186	**19,493,529**	19,875,999

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

Statements of Financial Position

as at 30 June 2021

		The Group		The Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Liabilities					
Deposits from customers	18	**181,768,820**	171,237,064	**-**	-
Investment accounts of customers	19	**1,145,154**	356,475	**-**	-
Deposits and placements of banks and other financial institutions	20	**14,179,461**	8,574,291	**-**	-
Obligations on securities sold under repurchase agreements		**742,750**	3,124,132	**-**	-
Bills and acceptances payable		**189,642**	134,053	**-**	-
Derivative financial instruments	21	**970,951**	1,401,916	**-**	-
Clients' and brokers' balances		**207,183**	305,385	**-**	-
Payables and other liabilities	22	**16,868,141**	15,197,187	**17,220**	7,855
Amount due to subsidiary companies	50	**-**	-	**-**	714
Lease liabilities	23	**204,872**	231,268	**5,099**	5,905
Recourse obligations on loans/financing sold to Cagamas Berhad		**1,033,839**	1,049,005	**-**	-
Provision for claims		**247,366**	223,029	**-**	-
Provision for taxation		**380,809**	213,569	**-**	-
Deferred tax liabilities	24	**-**	174,012	**-**	-
Borrowings	25	**662,026**	1,152,827	**687,361**	1,208,506
Subordinated obligations	26	**2,207,179**	1,906,982	**1,601,242**	1,600,594
Multi-currency Additional Tier 1 capital securities	27	**806,555**	806,499	**805,975**	805,639
Insurance funds	28	**17,731,780**	16,462,741	**-**	-
Total liabilities		**239,346,528**	222,550,435	**3,116,897**	3,629,213
Equity attributable to owners of the parent					
Share capital	29	**2,267,008**	2,267,008	**2,267,008**	2,267,008
Reserves	30	**20,790,401**	18,869,838	**14,290,211**	14,160,365
Treasury shares for ESOS	31	**(238,970)**	(238,834)	**(180,587)**	(180,587)
		22,818,439	20,898,012	**16,376,632**	16,246,786
Non-controlling interests		**11,114,999**	10,154,739	**-**	-
Total equity		**33,933,438**	31,052,751	**16,376,632**	16,246,786
Total equity and liabilities		**273,279,966**	253,603,186	**19,493,529**	19,875,999
Commitments and contingencies	45	**285,689,569**	154,878,884	**-**	-

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

Statements of Income

for the financial year ended 30 June 2021

		The Group		The Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income	32	**5,586,573**	6,246,377	**110,909**	111,504
Interest income for financial assets at fair value through profit or loss	33	**208,535**	316,685	**-**	-
Interest expense	34	**(2,236,130)**	(3,591,570)	**(142,275)**	(162,299)
Net interest income/(expense)		**3,558,978**	2,971,492	**(31,366)**	(50,795)
Income from Islamic banking business	35	**919,402**	846,540	**-**	-
		4,478,380	3,818,032	**(31,366)**	(50,795)
Non-interest income	37	**1,720,492**	1,439,793	**605,182**	784,233
		6,198,872	5,257,825	**573,816**	733,438
Overhead expenses	38	**(2,392,540)**	(2,359,403)	**(43,974)**	(19,032)
Operating profit before allowances		**3,806,332**	2,898,422	**529,842**	714,406
Allowance for impairment losses on loans, advances and financing and other losses	39	**(649,955)**	(329,631)	**-**	-
(Allowance for)/writeback of impairment losses on other assets	40	**(652)**	(237)	**-**	3
		3,155,725	2,568,554	**529,842**	714,409
Share of results of associated companies	12	**815,782**	730,967	**-**	-
Profit before taxation		**3,971,507**	3,299,521	**529,842**	714,409
Taxation	42	**(595,146)**	(520,566)	**101**	8,204
Net profit for the financial year		**3,376,361**	2,778,955	**529,943**	722,613
Attributable to:					
Owners of the parent		**2,265,254**	1,857,502	**529,943**	722,613
Non-controlling interests		**1,111,107**	921,453	**-**	-
		3,376,361	2,778,955	**529,943**	722,613
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	43	**199.8**	163.6	**46.6**	63.5

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 2021

		The Group		The Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net profit for the financial year		**3,376,361**	2,778,955	**529,943**	722,613
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		**9,228**	15,763	**-**	-
- Net gain on disposal		**-**	43	**-**	-
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		**278,293**	84,035	**-**	-
Share of other comprehensive (loss)/income of associated companies		**(25,341)**	21,255	**-**	-
Net fair value changes in cash flow hedge		**3,235**	(7,633)	**-**	-
Debt instruments at fair value through other comprehensive income					
- Net fair value changes		**(297,810)**	205,299	**-**	-
- Changes in expected credit losses		**229**	700	**-**	-
Income tax relating to components of other comprehensive income	57	**70,002**	(43,448)	**-**	-
Other comprehensive income for the financial year, net of tax		**37,836**	276,014	**-**	-
Total comprehensive income for the financial year, net of tax		**3,414,197**	3,054,969	**529,943**	722,613
Attributable to:					
Owners of the parent		**2,285,126**	2,042,646	**529,943**	722,613
Non-controlling interests		**1,129,071**	1,012,323	**-**	-
		3,414,197	3,054,969	**529,943**	722,613

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 2021

	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 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
Comprehensive income												
Net profit for the financial year	-	-	-	-	-	-	-	2,265,254	-	2,265,254	1,111,107	3,376,361
Currency translation differences	-	-	-	-	-	-	181,124	-	-	181,124	97,169	278,293
Share of other comprehensive income of associated companies	-	-	(20,167)	-	-	-	-	-	-	(20,167)	(5,174)	(25,341)
Financial investments measured at fair value through other comprehensive income												
- Equity instruments												
- Net fair value changes	-	-	6,049	-	-	-	-	-	-	6,049	3,179	9,228
- Net gain on disposal	-	-	(10)	-	-	-	-	10	-	-	-	-
- Debt instruments												
- Net fair value changes	-	-	(148,898)	-	-	-	-	-	-	(148,898)	(78,133)	(227,031)
- Changes in expected credit losses	-	-	153	-	-	-	-	-	-	153	76	229
Net fair value changes in cash flow hedge	-	-	-	1,611	-	-	-	-	-	1,611	847	2,458
Total comprehensive (loss)/income	-	-	(162,873)	1,611	-	-	181,124	2,265,264	-	2,285,126	1,129,071	3,414,197

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 2021

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 from regulatory reserve		-	(423,401)	-	-	-	-	-	423,401	-	-	-	-
Allocation of other reserves to non-controlling interests		-	-	-	-	-	-	-	(14,948)	-	(14,948)	14,948	-
Dividends paid:													
- final dividend for the financial year ended 30 June 2020	44	-	-	-	-	-	-	-	(284,470)	-	(284,470)	-	(284,470)
- interim dividend for the financial year ended 30 June 2021	44	-	-	-	-	-	-	-	(122,891)	-	(122,891)	-	(122,891)
Non-controlling interests share of dividend		-	-	-	-	-	-	-	-	-	-	(261,496)	(261,496)
Non-controlling interests share of subsidiary's treasury shares		-	-	-	-	-	-	-	-	-	-	(20,813)	(20,813)
Disposal of shares in subsidiary		-	-	-	-	-	-	-	29,342	-	29,342	98,550	127,892
Options charge arising from executive share scheme		-	-	-	-	-	26,590	-	-	-	26,590	-	26,590
Purchase of treasury shares	54	-	-	-	-	-	-	-	-	(136)	(136)	-	(136)
Exercise of executive share scheme		-	-	-	-	-	(5,180)	-	6,994	-	1,814	-	1,814
Total transaction with owners		-	(423,401)	-	-	-	21,410	-	37,428	(136)	(364,699)	(168,811)	(533,510)
As at 30 June 2021		2,267,008	437,103	85,375	(3,959)	213,314	96,305	749,226	19,213,037	(238,970)	22,818,439	11,114,999	33,933,438

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 2021

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	-	-	105,161	-	-	-	-	-	-	105,161	54,821	159,982
- Changes in expected credit losses	-	-	494	-	-	-	-	-	-	494	206	700
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 2021

		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	44	-	-	-	-	-	-	-	(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	54	-	-	-	-	-	-	-	-	(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

* Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM425,858,000 (2020: RM849,259,000) 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 (2020: 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 2021

The Company	Note	Non-distributable Share capital RM'000	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 2020		**2,267,008**	**254,991**	**16,951**	**(180,587)**	**13,888,423**	**16,246,786**
Net profit for the financial year		**-**	**-**	**-**	**-**	**529,943**	**529,943**
Dividends paid:							
- final dividend for the financial year ended 30 June 2020	44	**-**	**-**	**-**	**-**	**(284,470)**	**(284,470)**
- interim dividend for the financial year ended 30 June 2021	44	**-**	**-**	**-**	**-**	**(122,891)**	**(122,891)**
Options charge arising from executive share scheme		**-**	**-**	**7,264**	**-**	**-**	**7,264**
As at 30 June 2021		**2,267,008**	**254,991**	**24,215**	**(180,587)**	**14,011,005**	**16,376,632**
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	44	-	-	-	-	(147,924)	(147,924)
Options charge arising from executive share scheme		-	-	275	-	-	275
Purchase of treasury shares	54	-	-	-	(28,443)	-	(28,443)
As at 30 June 2020		2,267,008	254,991	16,951	(180,587)	13,888,423	16,246,786

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 2021

	The Group	
	2021	**2020**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before taxation	**3,971,507**	3,299,521
Adjustments for:		
Unearned premium reserves	**5,905**	16,607
Life fund - underwriting surplus	**1,589,936**	1,583,743
Depreciation of property and equipment	**134,584**	141,702
Depreciation of right-of-use assets	**53,148**	55,211
Amortisation of intangible assets	**61,290**	63,387
Intangible assets written off	**924**	8,357
Property and equipment written off	**2,753**	26,399
Net gain on sale of property and equipment	**(5,379)**	(4,200)
Loss on revaluation of investment properties	**1,000**	15,000
Net realised gain from sales of financial assets at fair value through profit or loss	**(44,762)**	(141,792)
Net realised gain from sales of financial investments at fair value through other comprehensive income	**(238,490)**	(391,143)
Net realised gain from redemption of financial investments at amortised cost	**(29,385)**	-
Net realised loss arising from derivative financial instruments	**181,290**	27,588
Net unrealised (gain)/loss on revaluation of financial assets at fair value through profit or loss and derivative financial instruments	**(275,745)**	162,845
Net realised loss on fair value changes arising from fair value hedges	**6,074**	2,994
Net loss on fair value changes arising from fair value hedges	**3,947**	1,531
Allowances for impairment losses on financial investments	**652**	237
Allowances for impairment losses on loans, advances and financing and other losses	**827,109**	503,890
Impaired loans and financing written off	**16,227**	17,976
Interest expense on borrowings	**28,810**	48,278
Interest expense on subordinated obligations	**89,674**	96,654
Interest expense on Innovative Tier 1 capital securities	**-**	8,413
Interest expense on Multi-currency Additional Tier 1 capital securities	**40,153**	40,262
Interest expense on recourse obligations on loans/financing sold to Cagamas Berhad	**36,621**	26,783
Interest expense on lease liabilities	**9,453**	10,570
Interest income from financial assets at fair value through profit or loss	**(208,535)**	(316,685)
Interest income from financial investments at fair value through other comprehensive income	**(764,234)**	(728,038)
Interest income from financial investments at amortised cost	**(537,109)**	(445,319)
Dividend income from financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income	**(72,954)**	(58,399)
Share option expenses	**26,590**	(3,892)

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 2021

	The Group	
	2021 RM'000	2020 RM'000
Cash flows from operating activities (continued)		
Surplus transferred from life insurance business	**(315,908)**	(203,722)
Share of results of associated companies	**(815,782)**	(730,967)
	(192,143)	(165,730)
Operating profit before working capital changes	**3,779,364**	3,133,791
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	**3,111,659**	3,875,593
Securities purchased under resale agreements	**50,172**	(50,172)
Financial assets at fair value through profit or loss	**(4,122,128)**	1,404,896
Loans, advances and financing	**(10,111,089)**	(8,972,551)
Derivative financial instruments	**(593,560)**	(141,463)
Clients' and brokers' balances	**49,192**	(93,528)
Other assets	**(325,696)**	(330,187)
Statutory deposits with Central Banks	**(75,485)**	4,207,972
Increase/(decrease) in operating liabilities		
Deposits from customers	**10,643,926**	9,351,603
Investment accounts of customers	**788,679**	354,240
Deposits and placements of banks and other financial institutions	**5,605,170**	(1,206,253)
Obligations on securities sold under repurchase agreements	**(2,381,382)**	790,216
Bills and acceptances payable	**55,589**	(258,969)
Payables and other liabilities	**1,651,248**	2,055,293
Provision for claims	**24,337**	90,587
Clients' and brokers' balances	**(98,202)**	22,864
	4,272,430	11,100,141
Cash generated from operating activities	**8,051,794**	14,233,932
Income tax paid	**(651,386)**	(601,729)
Interest received	**679**	972
	(650,707)	(600,757)
Net cash generated from operating activities	**7,401,087**	13,633,175

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 2021

	The Group	
	2021	**2020**
	RM'000	**RM'000**
Cash flows from investing activities		
Net purchases of financial investments at fair value through other comprehensive income	**(7,234,098)**	(3,014,098)
Net purchases of financial investments at amortised cost	**(3,695,242)**	(5,080,703)
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	**1,301,343**	1,173,357
Dividends received on financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income	**72,954**	58,399
Dividends received from associated companies	**11,993**	27,984
Proceeds from disposal of shares in subsidiary	**127,892**	-
Net proceeds from disposal of property and equipment	**9,472**	6,363
Purchase of property and equipment	**(132,843)**	(199,357)
Purchase of intangible assets	**(30,007)**	(32,892)
Net cash used in investing activities	**(9,568,536)**	(7,060,947)
Cash flows from financing activities		
Interest paid on subordinated obligations	**(89,477)**	(100,104)
Interest paid on borrowings	**(31,611)**	(48,728)
Interest paid on Multi-currency Additional Tier 1 capital securities	**(40,262)**	(40,306)
Interest paid on Innovative Tier 1 capital securities	**-**	(19,374)
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad	**(36,830)**	(24,766)
Interest paid on lease liabilities	**(9,453)**	(11,137)
Repayment of revolving credit	**(80,000)**	(225,000)
(Repayment of)/proceeds from commercial papers	**(184,000)**	125,000
Repayment of medium term notes	**(220,000)**	-
Repayment of term loans	**(4,000)**	(145,000)
Purchase of treasury shares	**(136)**	(76,958)
Repayment of Innovative Tier 1 capital securities	**-**	(453,200)
Proceeds from subordinated obligations	**300,000**	300,000
Repayment of subordinated obligations	**-**	(550,000)
Cash received from ESS exercised	**4,633**	2,414
Repayment of lease liabilities	**(48,034)**	(46,940)
Proceeds from recourse obligations on financing sold to Cagamas Berhad	**-**	993,447
Repayment of recourse obligations on loans sold to Cagamas Berhad	**(14,957)**	(200,050)
Dividends paid to		
- owners of the parent	**(407,361)**	(147,924)
- non-controlling interest	**(261,496)**	(377,174)
Net cash used in financing activities	**(1,122,984)**	(1,045,800)

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 2021

	Note	The Group 2021 RM'000	The Group 2020 RM'000
Net (decrease)/increase in cash and cash equivalents		**(3,290,433)**	5,526,428
Effects of exchange rate changes		**145,259**	50,831
Cash and cash equivalents at beginning of financial year		**12,338,216**	6,760,957
Cash and cash equivalents at end of financial year		**9,193,042**	12,338,216
Analysis of cash and cash equivalents			
Cash and short-term funds	2	**6,930,705**	11,299,078
Deposits and placements with banks and other financial institutions	3	**7,190,479**	9,078,939
		14,121,184	20,378,017
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months		**(4,928,142)**	(8,039,801)
		9,193,042	12,338,216

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 2021

	The Company	
	2021	**2020**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before taxation	**529,842**	714,409
Adjustments for:		
Depreciation of property and equipment	**663**	748
Depreciation of right-of-use assets	**940**	940
Amortisation of intangible assets	**11**	1
Gain on disposal of property and equipment	**(156)**	-
Loss on disposal of financial assets at fair value through profit or loss	**-**	35
Gain from distribution on liquidation of subsidiary	**(88,122)**	(83)
Finance costs on lease liabilities	**301**	342
Net realised gain arising from derivative financial instruments	**-**	(135)
Writeback of impairment loss on investment in debt instruments issued by subsidiary companies	**-**	(3)
Interest expense	**141,974**	161,957
Interest income	**(110,909)**	(111,504)
Dividend income from financial assets at fair value through profit or loss	**(1,120)**	(1,800)
Dividend income from subsidiary companies	**(506,075)**	(773,246)
Share option expenses	**7,264**	275
	(555,229)	(722,473)
Operating loss before working capital changes	**(25,387)**	(8,064)
Decrease/(increase) in operating assets		
Other assets	**43,866**	(41,815)
Financial assets at fair value through profit or loss	**292,671**	(292,706)
Increase/(decrease) in operating liabilities		
Payables and other liabilities	**8,614**	(25,680)
	345,151	(360,201)
Cash generated from/(used in) operating activities	**319,764**	(368,265)
Income tax paid	**(88)**	(3,258)
Interest received	**679**	972
	591	(2,286)
Net cash generated from/(used in) operating activities	**320,355**	(370,551)

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 2021

	Note	The Company 2021 RM'000	The Company 2020 RM'000
Cash flows from investing activities			
Dividends received from other investments		**1,120**	1,800
Dividends received from subsidiary companies		**506,075**	773,246
Net proceeds from disposal of property and equipment		**248**	-
Purchase of property and equipment		**(366)**	(147)
Purchase of intangible assets		**(116)**	-
Proceeds from disposal of shares in subsidiary and from liquidation		**127,892**	83
Interest received from investment in debt instruments issued by subsidiary companies			
- Multi-currency Additional Tier 1 capital securities		**39,461**	39,503
- Subordinated obligations		**70,703**	71,152
Net cash generated from investing activities		**745,017**	885,637
Cash flows from financing activities			
Interest paid on borrowings		**(32,030)**	(48,727)
Interest paid on Multi-currency Additional Tier 1 capital securities		**(40,262)**	(40,306)
Interest paid on subordinated obligations		**(71,820)**	(72,277)
Interest paid on lease liabilities		**(289)**	(330)
Repayment of revolving credit		**(80,000)**	(225,000)
(Repayment of)/proceeds from commercial papers		**(184,000)**	125,000
Repayment of medium term notes		**(250,000)**	-
Repayment of term loans		**(4,000)**	(145,000)
Repayment of lease liabilities		**(806)**	(765)
Dividends paid to shareholders of the Company		**(407,361)**	(147,924)
Purchase of treasury shares		**-**	(28,443)
Net cash used in financing activities		**(1,070,568)**	(583,772)
Net decrease in cash and cash equivalents		**(5,196)**	(68,686)
Cash and cash equivalents at beginning of financial year		**15,870**	84,556
Cash and cash equivalents at end of financial year		**10,674**	15,870
Analysis of cash and cash equivalents			
Cash and short-term funds	2	**10,614**	15,810
Deposits and placements with banks and other financial institutions	3	**3,360**	3,360
		13,974	19,170
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months		**(3,300)**	(3,300)
		10,674	15,870

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 2021

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
2021						
As at 1 July	**1,049,005**	**1,152,827**	**1,906,982**	**-**	**806,499**	**231,268**
Proceeds	**-**	**-**	**300,000**	**-**	**-**	**-**
Repayments	**(14,957)**	**(488,000)**	**-**	**-**	**-**	**(48,034)**
Interest paid	**(36,830)**	**(31,611)**	**(89,477)**	**-**	**(40,262)**	**(9,453)**
Accrued interest	**36,621**	**27,931**	**89,633**	**-**	**40,200**	**9,453**
Amortisation	**-**	**879**	**41**	**-**	**118**	**-**
Other non-cash	**-**	**-**	**-**	**-**	**-**	**21,638**
As at 30 June	**1,033,839**	**662,026**	**2,207,179**	**-**	**806,555**	**204,872**
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

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 2021

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
2021				
As at 1 July	**1,208,506**	**1,600,594**	**805,639**	**5,905**
Repayments	**(518,000)**	**-**	**-**	**(806)**
Interest paid	**(32,030)**	**(71,820)**	**(40,262)**	**(289)**
Accrued interest	**28,803**	**71,950**	**40,200**	**289**
Amortisation	**82**	**518**	**398**	**-**
As at 30 June	**687,361**	**1,601,242**	**805,975**	**5,099**
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

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 2021

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 58.

(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 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 "Definition of Material"
- Amendments to MFRS 3 "Definition of a Business"
- Amendments to MFRS 9, MFRS 139 and MFRS 7 "Interest Rate Benchmark Reform"
- Amendments to MFRS 16 "COVID-19-Related Rent Concessions"

(i) Amendments to MFRS 3 "Definition of a Business"

The amendments clarify that 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 elements or integrating the acquired activities and assets.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

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)

(i) Amendments to MFRS 3 "Definition of a Business" (continued)

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. The assets acquired would not represent a business when substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets).

The amendments shall be applied prospectively.

(ii) Amendments to MFRS 9, MFRS 139 and MFRS 7 "Interest Rate Benchmark Reform"

The Amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by interbank offered rate ("IBOR") reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the statement of comprehensive income. The reliefs will cease to apply when the uncertainty arising from interest rate benchmark reform is no longer present.

In accordance with the transition provisions, the Group and the Company has adopted the amendments to MFRS 9 and MFRS 7 retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date.

(iii) Amendments to MFRS 16 "COVID-19-Related Rent Concessions"

On adoption of the MFRS 16 amendment, the Group and the Company are not required to assess whether a rent concession for payments due on or before 30 June 2021 that occurs as a direct consequence of the COVID-19 pandemic and meets specified conditions is a lease modification.

The Group accounts for such COVID-19-related rent concessions as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

In accordance with the transitional provisions provided in the MFRS 16 amendment, the comparative information for June 2020 was not restated and continued to be reported under the previous accounting policies in accordance with the lease modification principles in MFRS 16.

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.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

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

Financial year beginning on/after 1 July 2021

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 "Interest Rate Benchmark (IBOR) Reform – Phase 2" (effective 1 January 2021)

  Amendments were made on some specific requirements of those standards with respect to issues affecting financial reporting during the reform of an interest/profit rate benchmark. The amendments provide a practical expedient whereby an entity would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest/profit rate benchmark reform, but would instead update the effective interest/profit rate to reflect the change in the interest/profit rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

  The amendments shall be applied retrospectively but comparatives are not restated.

- Amendments to MFRS 3 "Business Combinations": Reference to the Conceptual Framework (effective 1 January 2022)

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

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

  The amendments shall be applied prospectively.

- Annual improvements to MFRS 9 "Fees in the 10% test for derecognition of financial liabilities" (effective 1 January 2022)

  It clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

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

Financial year beginning on/after 1 July 2021 (continued)

- Amendments to MFRS 137 "Onerous Contracts - Cost of Fulfilling a Contract" (effective 1 January 2022)

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

  The amendments shall be applied retrospectively.

- Amendments to MFRS 116 "Proceeds before Intended Use" (effective 1 January 2022)

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

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

  The amendments shall be applied retrospectively.

- Amendments to MFRS 101 "Classification of liabilities as current or non-current" (effective 1 January 2023)

  The amendments clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

  A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

  In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option that is not an equity instrument as defined in MFRS 132 "Financial Instruments: Presentation" is considered in the current or non-current classification of the convertible instrument.

  The amendments shall be applied retrospectively.

  The adoption of the above new accounting standards, amendments to published standards and interpretations are not expected to give rise to any material financial impact to the Group and the Company.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

(c) Changes in regulatory requirements

Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Pandemic

Following Bank Negara Malaysia ("BNM")'s letter dated 24 March 2020 on measures to assist borrowers/customers affected by the COVID-19 pandemic, on 24 July 2020, BNM implemented additional measures to assist borrowers/customers whose applications are received on or before 30 June 2021 via various repayment assistance.

<u>Definition of defaulted exposures under the policy documents on Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks</u>

In applying the definition of defaulted exposures under the above policies to loans/financing for which repayment assistance is extended:

(a) The determination of "days past due" should be based on the new repayment terms of a loan/financing that has been rescheduled and restructured. Where the repayment terms include a repayment deferral, the determination of days past due should exclude the deferred repayment period;

(b) For loans/financing to individuals or Small-Medium Enterprises ("SMEs"), a borrower/customer should not be considered to be in default based on "unlikeliness to repay" at the time the repayment assistance is granted, except where the loan/financing is sold by the banking institution at a material loss or the borrower/customer is subjected to bankruptcy actions; and

(c) For loans/financing to corporates, the assessment of "unlikeliness to repay" should not be based solely on the borrower/customer taking up an offer of repayment assistance extended by the banking institution but based on a more holistic assessment of all relevant indicators and information available on the corporate borrower/customer.

<u>Regulatory Capital Treatment</u>

The regulatory capital treatment above shall apply to loans/financing denominated in Malaysian Ringgit or foreign currency that meet the following criteria:

(a) The principal or interest/profit, or both, is not in arrears exceeding 90 days as at the date of application for repayment assistance; and

(b) The application for repayment assistance by a borrower/customer is received on or before 30 June 2021.

The regulatory capital treatment would also be applicable to rescheduled and restructured loans/financing that are facilitated by Agensi Kaunseling dan Pengurusan Kredit, the Small Debt Resolution Scheme and the Corporate Debt Restructuring Committee.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

B CONSOLIDATION

(i) Subsidiaries

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

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

B CONSOLIDATION (continued)

(i) Subsidiaries (continued)

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

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

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of financial position respectively.

The Group has consolidated the investment funds that it controls in accordance with MFRS 10 "Consolidated Financial Statements". The third party interest of the funds is recorded as a financial liability in accordance with accounting policy Note F.

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

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

(iii) Disposal of subsidiaries

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

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

B CONSOLIDATION (continued)

(iv) Joint arrangements

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

The Group's interests in joint venture is accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

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

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

(v) Associated companies

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

B CONSOLIDATION (continued)

(v) Associated companies (continued)

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

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

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

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

(vi) Loss of joint control or significant influence

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

(vii) Investments in subsidiaries, joint venture and associated companies

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

If assets, including a subsidiary, joint venture or associate, are transferred by means of a dividend between entities under common control, the transferee recognises the dividend at the fair value of the investments or assets received. Dividends are to be recognised in statements of income.

Investment in debt instrument issued by subsidiary companies at amortised cost are measured in accordance with Note E.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

C RECOGNITION OF INTEREST/PROFIT INCOME AND INTEREST/PROFIT EXPENSE

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

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

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

D RECOGNITION OF FEES AND OTHER INCOME

(i) The Group earn fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Group 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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

D RECOGNITION OF FEES AND OTHER INCOME (continued)

(iii) Net gain or loss from disposal of financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income are recognised in statements of income upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

(iv) Brokerage income is recognised when contracts are executed. Fees that constitute single performance obligation is recognised upon completion of transactions such as rollover fees, nominees services and handling charges.

(v) Corporate advisory fees are recognised as income after fulfilling each of the performance obligation.

(vi) Rental income is recognised on an overtime basis.

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

Acquisition costs, commissions and management fees are borne by the family takaful fund in the revenue accounts of Hong Leong MSIG Takaful Berhad (“HLMT”) at an agreed percentage of the gross contribution, in accordance with the principles of wakalah as approved by HLMT’s Shariah Advisory Committee and agreed between the participants and HLMT.

These are transferred to the shareholders’ fund via upfront wakalah fee and deferred wakalah fee.

Management fees charged for management of clients’ and unit trust funds is recognised over the period of time in accordance with the rates provided for in the prospectuses of unit trust funds and investment mandate with private customers. Other management fees charged for underwriting, placement and advisory fees are recognised over the period during which the related service is provided or credit risk is undertaken.

(viii) Premium/contribution - life insurance and family takaful fund

Premiums/contributions are recognised as soon as the amount of premiums/contributions can be reliably measured. First premium/contribution is recognised from inception date and subsequent premiums/contributions are recognised on due dates.

Inward treaty reinsurance premiums/retakaful contributions are recognised on the basis of periodic advices received from ceding companies.

Outward reinsurance premiums/retakaful contributions are recognised in the same accounting period as the original policies certificates to which the reinsurance/retakaful relates.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

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.

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.

E FINANCIAL ASSETS (continued)

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

(b) Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the financial assets' cash flows represent SPPI, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest/profit income and foreign exchange gains and losses which are recognised in statements of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statements of income and recognised in net realised gain or loss on financial instruments. Interest/profit income from these financial assets is included in interest income and income from Islamic banking business using the effective interest rate method. Foreign exchange gains and losses are presented in other income (as per Note 37) and impairment losses are presented as separate line item in the statements of income.

(c) Fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The Group and the Company may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in statements of income and presented net within net unrealised gain or loss on revaluation in the period which it arises.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

E FINANCIAL ASSETS (continued)

(iii) Measurement (continued)

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.

F FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statements of income. Financial liabilities are de-recognised when extinguished.

(i) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

The Group has also designated certain structured deposits at fair value through profit or loss as permitted under MFRS 9 "Financial Instruments" as it significantly reduces accounting mismatch that would otherwise arise from measuring the corresponding assets and liabilities of different basis.

F FINANCIAL LIABILITIES (continued)

(ii) Financial liabilities at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this catergory 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.

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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

G PROPERTY AND EQUIPMENT AND DEPRECIATION (continued)

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of such a property at the date of transfer is treated in the same way as a revaluation under MFRS 116 "Property, Plant and Equipment". Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase credited directly to other comprehensive income in revaluation surplus reserve. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus reserve, with any remaining decrease charged to statements of income.

Leased assets presented under property and equipment and prepaid lease payments are right-of-use assets within the scope of MFRS 16. See Note I for the accounting policies on right-of-use assets.

H INTANGIBLE ASSETS

(i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 years to 8 years.

(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

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Company allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease term

In determining the lease term, the Group and the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company, and affects whether the Group and the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

I LEASES (continued)

Lease liabilities (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to statements of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group and the Company present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the other interest expenses in the statements of income.

Short term leases and leases of low value assets

The Group and the Company elect to apply MFRS 16 recognition exemption such as short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the statements of income.

J IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

K CURRENT AND DEFERRED INCOME TAXES

The tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in statements of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, respectively. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. The liabilities in relation to tax penalties or its associated interest are included within the taxation liability on the statement of financial position and any associated change within the tax expense in the statements of income as under accrual of prior year tax.

Current income tax expense is determined according to the tax laws enacted or substantively enacted at the end of the reporting period of each jurisdiction in which the Group operates and generates taxable income and includes all taxes based upon the taxable profits.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

K CURRENT AND DEFERRED INCOME TAXES (continued)

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences of unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint venture except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint venture. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax liabilities is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

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

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 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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

L DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

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.

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

When a hedging instrument expires or is sold or transferred, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statements of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the statements of income.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statements of income.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

M CURRENCY TRANSLATIONS

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial investments at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the statements of income, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Translation differences such as equity held at fair value through profit or loss and assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognised in income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial investments at fair value through other comprehensive income are included in the fair value reserve in other comprehensive income.

(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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

M CURRENCY TRANSLATIONS (continued)

(iii) Group companies (continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to statements of income. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in statements of income. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to statements of income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

N EMPLOYEE BENEFITS

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The Group and the Company recognise a liability and an expense for bonuses. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created constructive obligation.

(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.

N EMPLOYEE BENEFITS (continued)

(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.

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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

O IMPAIRMENT OF FINANCIAL ASSETS (continued)

Definition of default and credit-impaired financial assets

The definition of credit-impaired of the Group and the Company remained the same under MFRS 139 and MFRS 9. At each reporting period, the Group and the Company assess whether financial assets are impaired. Qualitative and quantitative information are used to determine if a financial asset is credit impaired. Nevertheless, a backstop is applied and a financial asset is considered as credit impaired if it is more than 90 days or 3 months past due on its contractual payments.

As part of the assessment of impairment of financial assets under ECL model, the default definition, which is largely align with regulatory reporting purposes, has been applied to three main components, which is a probability of default ("PD") model, a loss given default ("LGD") model and exposure at default ("EAD") model respectively.

Where measurement of ECL is relying on external published sources, in determining if a financial asset is credit-impaired, the Group and the Company will consider factors, such as, but not limited to, rating agencies' assessment of creditworthiness and country's ability to access to capital markets for new debt issuance.

There are two approaches of ECL adopted by the Group and the Company, which are general approach and simplified approach.

(i) Financial assets accounted for at amortised cost, fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts - General Approach

ECL will be assessed using an approach which classified financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

(a) Stage 1: 12-months ECL - not credit impaired

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(b) Stage 2: Lifetime ECL - not credit impaired

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

(c) Stage 3: Lifetime ECL - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

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)

Significant increase in credit risk

At each reporting date, the Group and the Company assess whether there has been a significant increase in credit risk for exposures since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL. This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. When determining whether the risk of default has increased significantly since initial recognition, the Group and the Company consider both quantitative and qualitative information and assessments based on the Group's and the Company's historical experience and credit risk assessments, including forward-looking information. A backstop of 30 days or 1 month past due from its contractual payment is applied and a financial asset will still be designated as having significant increase in credit risk regardless if it meets both the quantitative and qualitative assessments.

Measurement of ECL

ECL are measured using three main components, which include PD, LGD and EAD. These components are derived from internally developed statistical models and adjusted to reflect forward-looking information as set out below.

The 12-month and lifetime PD represent the expected point-in-time probability of default over the next 12 months and remaining lifetime of a financial instrument, based on conditions that exist at the reporting date and taking into consideration of future economic conditions that affect credit risk. The LGD component represents that expected loss if a default event occurs at a given time, taking into account the mitigating effect of collateral, its expected value when realised and time value of money. The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the reporting date to the default event together with expected drawdown and utilisation of a facility. The 12-month ECL is equal to the discounted sum over the next 12 months of monthly PD multiplied by LGD and EAD. The discount rate used in the ECL measurement is the original effective interest/profit rate or an approximation thereof.

The measurement of ECL reflects an unbiased and probability-weighted amount that is derived by evaluating a range of possible macroeconomic outcome, the time value of money together with reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Forward looking information

The Group and the Company have internally developed methodologies for the application of forward looking macroeconomic ("MEV") which consist of economic indicators and industry statistics in the measurement of ECL. This involves the incorporation of MEV forward looking into PD estimation, which is determined based on probability-weighted outcome from a range of economic scenarios.

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

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

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

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)

Forward looking information (continued)

The Group and the Company apply three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

(a) Base case: This represents "most likely outcome" of future economic conditions which are backed by consensus forecast from various sources.

(b) Best and Worst case: This represent the "upside" and "downside" outcome of future economic conditions by making references to past historical cyclical conditions together with incorporation of best estimates and judgements on an unbiased basis.

Modification of loans/financing

The Group may renegotiate or otherwise modify the contractual cash flows of loans/financing to customers. When this happens, the Group assess whether or not the new terms are substantially different to the original terms.

The Group do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest/profit rate.
- Change in the currency the loan/financing is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan/financing.

If the terms are substantially different, the Group derecognise the original financial asset and recognises a "new" asset at fair value and recalculates a new effective interest/profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in statements of income as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in statements of income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest/profit rate (or credit–adjusted effective interest/profit rate for purchased or originated credit-impaired financial assets).

The impact of modifications of financial assets on the expected credit loss calculation is disclosed in Note 36.

O IMPAIRMENT OF FINANCIAL ASSETS (continued)

(ii) Clients' and brokers' balances and other assets - Simplified Approach

The Group and the Company apply simplified approach as permitted by MFRS 9, which requires an entity to recognise a loss allowance based on lifetime ECL at each reporting date. MFRS 9 allows the use of practical expedients when measuring ECL and states that a provision matrix is an example of such expedient for other receivables. An entity that applies a provision matrix may use historical loss experience on its other receivables, and adjust historical loss rates to reflect information about current conditions and reasonable and supportable forecasts of future economic conditions.

P DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES OTHER THAN ON A MODIFICATION

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Group under standard repurchase agreements transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for 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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

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.

U PROVISIONS

Provisions are recognised by the Group and the Company when all of the following conditions have been met:

(i) the Group and the Company have a present legal or constructive obligation as a result of past events;
(ii) it is probable that an outflow of resources to settle the obligation will be required; and
(iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Company expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

V CASH AND CASH EQUIVALENTS

Cash and short-term funds in the statements of financial position comprise cash balances and deposits with financial institutions and money at call with a maturity of one month or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with financial institutions, with original maturity of 3 months or less.

W SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as the collective body of chief operating decision makers.

Segment revenue, expense, assets and liabilities are those amount resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

X SHARE CAPITAL

(i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the particular instrument.

(ii) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends

Distributions to shareholders are recognised directly in equity. Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(iv) Purchase of own shares

Where the Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the Company's equity holders as treasury shares until they are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is adjusted against treasury shares.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

Y CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Z SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements ("reverse repurchase agreements") are securities which the Group had purchased with a commitment to re-sell at future dates. The commitment to re-sell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements ("repurchase agreements") are securities which the Group had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the statements of financial position.

The difference between sale and repurchase price as well as purchase and resale price is treated as interest and accrued over the life of the resale/repurchase agreement using the effective yield method.

AA EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

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.

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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

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.

(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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

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.

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.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

AG FAMILY TAKAFUL FUND

The family takaful fund is maintained in accordance with the requirements of the Takaful Act,1984 and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surplus attributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of Hong Leong MSIG Takaful Berhad ("HLMT").

The family takaful fund surplus/deficit is determined by an annual actuarial valuation of the family takaful fund. Any actuarial deficit in the family takaful fund will be made good by the shareholders' fund via a benevolent loan or Qardhul Hassan.

AH INSURANCE COMMISSION AND AGENCY EXPENSES

Commission and agency expenses, which costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the revenue account in the financial year in which they are incurred.

AI TRUST ACTIVITIES

The Group acts as trustees in other fiduciary capabilities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are excluded from the financial statements, as they are not assets of the Group.

AJ INVESTMENT ACCOUNT

Unrestricted Investment Account-i ("URIA") refers to a type of investment account strcutured based on a profit sharing (Mudarabah) contract. Mudarabah is a Shariah-compliant contract between investment Account Holders ("IAH") as capital providers or investor (Rabbul-mal) and the bank's subsidiary, Hong Leong Islamic Bank Berhad ("HLISB") as the fund manager (Mudarib). Any profit generated from the investment is shared between the IAH and HLISB according to a mutually pre-agreed Profit Sharing Ratio. Financial losses from the investment activities are borne by the IAH except where such losses are due to HLISB misconduct, negligence, or breach of specified terms. The URIA and financing assets funded by the URIA are recorded in HLISB and the Group's financial statement as its liabilities and assets in accordance with MFRS 9. Risk weighted assets funded by the investment account are excluded from the calculation of capital ratio of HLISB and the Group.

AK FINANCIAL ASSISTANCE SCHEME

Financing under a government scheme is recognised and measured in accordance with MFRS 9 "Financial Instruments", with the benefit at a below market rate measured as the difference between the initial carrying amount or fair value of the financing and the amount received.

The benefits of government schemes that addresses identified costs or expenses incurred by the Group is recognised in the statements of income in the same financial period in accordance with MFRS 120 "Accounting for Government Grants and Disclosure of Government Assistance".

Notes to the Financial Statements

for the financial year ended 30 June 2021

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and balances with banks and other financial institutions	**2,941,417**	2,929,003	**13**	14
Money at call and deposit placements maturing within one month	**3,989,531**	8,370,232	**10,601**	15,796
	6,930,948	11,299,235	**10,614**	15,810
Less: Expected credit losses	**(243)**	(157)	**-**	-
	6,930,705	11,299,078	**10,614**	15,810

Inclusive in cash and short-term funds of the Group are accounts held in trust for dealer's representative amounting to RM16,392,000 (2020: RM13,465,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Bank Negara Malaysia ("BNM")	**66,781**	132,584	**-**	-
Licensed banks	**7,123,745**	8,946,418	**3,360**	3,360
	7,190,526	9,079,002	**3,360**	3,360
Less: Expected credit losses	**(47)**	(63)	**-**	-
	7,190,479	9,078,939	**3,360**	3,360

The Company has placed a fixed deposit of RM3,300,000 (2020: RM3,300,000) with a bank for the RM200 million revolving credit facility and RM1 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.

Notes to the Financial Statements

for the financial year ended 30 June 2021

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

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Money market instruments				
Government treasury bills	**392,473**	579,866	**-**	-
Malaysian Government securities	**3,948,459**	2,122,321	**-**	-
Malaysian Government investment certificates	**2,058,036**	1,376,527	**-**	-
Negotiable instruments of deposit	**1,749,337**	1,567,157	**-**	-
Khazanah bonds	**-**	19,999	**-**	-
Cagamas bonds	**233,282**	166,697	**-**	-
Other Government securities	**5,572,222**	5,596,569	**-**	-
	13,953,809	11,429,136	**-**	-
Quoted securities				
Shares in Malaysia	**4,676,764**	2,718,986	**-**	-
Shares outside Malaysia	**722,057**	510,842	**-**	-
Wholesale fund/unit trust investments	**562,405**	1,029,029	**-**	292,671
Foreign currency bonds in Malaysia	**-**	159,401	**-**	-
Foreign currency bonds outside Malaysia	**29,755**	145,069	**-**	-
Investment-linked funds	**312**	311	**-**	-
Loan stocks	**1,186**	1,336	**-**	-
Warrants in Malaysia	**1,763**	-	**-**	-
	5,994,242	4,564,974	**-**	292,671
Unquoted securities				
Shares in Malaysia	**374,729**	354,383	**-**	-
Foreign currency bonds outside Malaysia	**283,724**	343,648	**-**	-
Government sukuk	**81,315**	-	**-**	-
Corporate bonds and sukuk	**7,219,388**	7,003,890	**-**	-
Perpetual bonds	**107,006**	-	**-**	-
Redeemable preference shares	**25,000**	25,000	**-**	-
	8,091,162	7,726,921	**-**	-
	28,039,213	23,721,031	**-**	292,671

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

		The Group	
		2021 RM'000	2020 RM'000
At fair value			
(a)	Debt instruments	**35,731,964**	28,488,979
(b)	Equity instruments	**69,094**	60,094
		35,801,058	28,549,073
(a)	Debt instruments		
	Money market instruments		
	Government treasury bills	**917,859**	487,768
	Malaysia Government securities	**4,232,082**	2,148,086
	Malaysia Government investment certificates	**12,525,973**	8,339,999
	Negotiable instruments of deposit	**800,392**	950,404
	Other Government securities	**87,514**	312,507
	Khazanah bonds	**469,874**	529,373
	Cagamas bonds	**1,587,332**	1,717,798
		20,621,026	14,485,935
	Quoted securities		
	Government sukuk	**903,959**	470,638
	Foreign currency bonds in Malaysia	**2,248,808**	2,131,473
	Foreign currency bonds outside Malaysia	**1,505,360**	1,353,402
		4,658,127	3,955,513
	Unquoted securities		
	Government sukuk	**495,244**	83,486
	Corporate bonds and sukuk	**9,338,672**	9,160,750
	Foreign currency bonds in Malaysia	**270,932**	306,295
	Foreign currency bonds outside Malaysia	**347,963**	497,000
		10,452,811	10,047,531
		35,731,964	28,488,979

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 RM242,393,000 (2020: RM2,925,732,000).

The carrying amount of debt instruments at FVOCI is equivalent to their fair value. The expected credit losses is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

Notes to the Financial Statements
for the financial year ended 30 June 2021

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
2021				
As at 1 July	**2,539**	**-**	**16,997**	**19,536**
New financial assets originated or purchased	**1,464**	**-**	**-**	**1,464**
Financial assets derecognised	**(1,174)**	**-**	**-**	**(1,174)**
Changes due to change in credit risk	**(9)**	**-**	**-**	**(9)**
Changes in models/risk parameters	**(20)**	**-**	**-**	**(20)**
Exchange differences	**(59)**	**-**	**(350)**	**(409)**
As at 30 June	**2,741**	**-**	**16,647**	**19,388**
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

(b) Equity instruments

	The Group 2021 RM'000	The Group 2020 RM'000
Unquoted securities		
Shares in Malaysia	**69,094**	60,094

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
2021		
Securities:		
RAM Holdings Berhad	**9,345**	**493**
Payments Network Malaysia Sdn Bhd	**58,857**	**-**
Others	**892**	**172**
	69,094	**665**
2020		
Securities:		
RAM Holdings Berhad	9,357	3,683
Payments Network Malaysia Sdn Bhd	49,554	-
Others	1,183	-
	60,094	3,683

6 FINANCIAL INVESTMENTS AT AMORTISED COST

	The Group	
	2021 RM'000	2020 RM'000
Money market instruments		
Malaysian Government securities	**4,267,888**	3,056,052
Malaysian Government investment certificates	**14,622,877**	11,405,182
Khazanah bonds	**19,234**	316,038
Other Government securities	**505,500**	456,623
	19,415,499	15,233,895
Quoted securities		
Foreign currency bonds in Malaysia	**816,599**	857,780
Foreign currency bonds outside Malaysia	**65,232**	145,577
	881,831	1,003,357

Notes to the Financial Statements

for the financial year ended 30 June 2021

6 FINANCIAL INVESTMENTS AT AMORTISED COST (continued)

	The Group	
	2021 RM'000	**2020 RM'000**
Unquoted securities		
Government sukuk	**2,580,570**	2,659,375
Corporate bonds and sukuk	**1,799,734**	2,056,192
Foreign currency bonds outside Malaysia	**16,639**	16,964
	4,396,943	4,732,531
Less: Expected credit losses	**(80)**	(217)
	24,694,193	20,969,566

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 RM499,969,000 (2020: RM218,408,000).

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
2021				
As at 1 July	**217**	**-**	**-**	**217**
New financial assets originated or purchased	**44**	**-**	**-**	**44**
Changes due to change in credit risk	**(174)**	**-**	**-**	**(174)**
Changes in models/risk parameters	**(1)**	**-**	**-**	**(1)**
Exchange differences	**(6)**	**-**	**-**	**(6)**
As at 30 June	**80**	**-**	**-**	**80**
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

7 LOANS, ADVANCES AND FINANCING

	The Group	
	2021 RM'000	2020 RM'000
Overdrafts	**3,371,190**	3,590,801
Term loans/financing:		
- Housing and shop loans/financing	**86,120,721**	82,482,204
- Hire purchase receivables	**17,107,240**	17,006,512
- Ijarah receivables	**160,651**	161,188
- Other term loans/financing and syndicated term loans	**28,370,072**	23,129,231
Credit/charge card receivables	**2,830,912**	3,094,683
Bills receivable	**1,112,257**	2,711,858
Trust receipts	**533,845**	1,489,965
Policy and premium loans	**372,291**	509,817
Claims on customers under acceptance credits	**8,064,076**	5,239,800
Revolving credits	**8,347,977**	7,202,385
Staff loans/financing	**139,345**	143,111
Other loans/financing	**265**	281
Gross loans, advances and financing	**156,530,842**	146,761,836
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	**17,665**	21,714
Allowance for impairment losses:		
- Expected credit losses	**(1,769,750)**	(1,262,761)
Total net loans, advances and financing	**154,778,757**	145,520,789

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM1,019,858,000 (2020: RM1,023,078,000).

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

	The Group	
	2021 RM'000	2020 RM'000
Maturing within:		
- one year	**28,344,629**	27,045,478
- over one year to three years	**5,351,697**	5,735,396
- over three years to five years	**12,369,513**	10,647,842
- over five years	**110,465,003**	103,333,120
Gross loans, advances and financing	**156,530,842**	146,761,836

Notes to the Financial Statements

for the financial year ended 30 June 2021

7 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group 2021 RM'000	The Group 2020 RM'000
Domestic non-bank financial institutions other than stockbroking companies	**1,718,527**	1,434,866
Domestic business enterprises:		
- Small and medium enterprises	**26,079,862**	22,700,453
- Others	**22,832,734**	20,773,294
Government and statutory bodies	**1,664**	1,892
Individuals	**102,338,129**	98,751,873
Other domestic entities	**625,649**	975,756
Foreign entities	**2,934,277**	2,123,702
Gross loans, advances and financing	**156,530,842**	146,761,836

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

	The Group 2021 RM'000	The Group 2020 RM'000
Fixed rate:		
- Housing and shop loans/financing	**1,499,285**	1,577,809
- Hire purchase receivables	**16,982,798**	16,847,128
- Credit card	**2,830,912**	3,094,683
- Other fixed rate loans/financing	**6,180,830**	3,956,432
Variable rate:		
- Base rate/base lending rate plus	**107,668,954**	102,135,209
- Cost plus	**21,278,916**	19,098,247
- Other variable rates	**89,147**	52,328
Gross loans, advances and financing	**156,530,842**	146,761,836

7 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group	
	2021 RM'000	2020 RM'000
Purchase of securities	1,252,939	1,046,022
Purchase of transport vehicles	16,769,062	16,769,222
Residential property (housing)	77,191,630	73,336,190
Non-residential property	18,524,366	17,244,621
Purchase of fixed assets (excluding landed properties)	1,431,572	1,102,078
Personal use	3,441,092	3,437,021
Credit card	2,830,912	3,094,683
Construction	2,823,397	2,612,109
Mergers and acquisition	-	151,784
Working capital	30,292,454	25,983,290
Other purposes	1,973,418	1,984,816
Gross loans, advances and financing	156,530,842	146,761,836

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

	The Group	
	2021 RM'000	2020 RM'000
In Malaysia	147,295,958	138,992,892
Outside Malaysia:		
- Singapore	6,186,948	5,250,416
- Hong Kong	538	-
- Vietnam	1,186,775	909,213
- Cambodia	1,860,623	1,609,315
Gross loans, advances and financing	156,530,842	146,761,836

Notes to the Financial Statements

for the financial year ended 30 June 2021

7 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group	
	2021 RM'000	**2020 RM'000**
Purchase of securities	**304**	650
Purchase of transport vehicles	**71,797**	71,145
Residential property (housing)	**267,046**	341,330
Non-residential property	**124,748**	150,277
Purchase of fixed assets (excluding landed properties)	**600**	4,648
Personal use	**44,705**	24,479
Credit card	**21,096**	24,568
Construction	**7,976**	9,663
Working capital	**147,669**	200,678
Other purposes	**31,731**	68,838
Gross impaired loans, advances and financing	**717,672**	896,276

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

	The Group	
	2021 RM'000	**2020 RM'000**
In Malaysia	**706,957**	887,929
Outside Malaysia:		
- Singapore	**5,866**	1,256
- Vietnam	**1,580**	1,808
- Cambodia	**3,269**	5,283
Gross impaired loans, advances and financing	**717,672**	896,276

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
2021				
As at 1 July	**550,165**	**435,828**	**276,768**	**1,262,761**
Changes in ECL due to transfer within stages	**(61,339)**	**(97,476)**	**158,815**	**-**
- Transfer to Stage 1	**24,746**	**(24,493)**	**(253)**	**-**
- Transfer to Stage 2	**(85,969)**	**170,089**	**(84,120)**	**-**
- Transfer to Stage 3	**(116)**	**(243,072)**	**243,188**	**-**
New financial assets originated	**58,663**	**604**	**551**	**59,818**
Financial assets derecognised	**(22,607)**	**(42,430)**	**(13,357)**	**(78,394)**
Changes due to change in credit risk	**550,525**	**194,235**	**136,123**	**880,883**
Changes in models/risk parameters	**(16)**	**(30,643)**	**(2)**	**(30,661)**
Amount written off	**-**	**-**	**(323,828)**	**(323,828)**
Exchange differences	**(144)**	**(250)**	**(67)**	**(461)**
Other movements	**-**	**-**	**(368)**	**(368)**
As at 30 June	**1,075,247**	**459,868**	**234,635**	**1,769,750**
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

Notes to the Financial Statements

for the financial year ended 30 June 2021

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
2021				
As at 1 July	**138,464,099**	**7,401,461**	**896,276**	**146,761,836**
Total transfer within stages	**(4,452,938)**	**4,241,732**	**211,206**	**-**
- Transfer to Stage 1	**5,514,531**	**(5,503,416)**	**(11,115)**	**-**
- Transfer to Stage 2	**(9,847,404)**	**10,792,716**	**(945,312)**	**-**
- Transfer to Stage 3	**(120,065)**	**(1,047,568)**	**1,167,633**	**-**
New financial assets originated	**17,410,431**	**1,013,333**	**416**	**18,424,180**
Financial assets derecognised	**(7,518,455)**	**(742,328)**	**(236,098)**	**(8,496,881)**
Changes due to change in credit risk	**2,158,519**	**(2,164,846)**	**170,039**	**163,712**
Modifications to contractual cash flows and unwinding of modification impact	**116,452**	**(12,458)**	**-**	**103,994**
Amount written off	**-**	**-**	**(324,058)**	**(324,058)**
Exchange differences	**(100,330)**	**(1,502)**	**(109)**	**(101,941)**
As at 30 June	**146,077,778**	**9,735,392**	**717,672**	**156,530,842**
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	(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

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	
	2021 RM'000	2020 RM'000
Performing accounts	522,722	574,348
Impaired accounts	5,247	3,651
	527,969	577,999
Less: Allowances for bad and doubtful debts		
- Expected credit losses	(1,188)	(2,026)
	526,781	575,973

Movements of impaired accounts are as follows:

	The Group	
	2021 RM'000	2020 RM'000
As at 1 July	3,651	602
New financial assets originated	1,071	358
Financial assets derecognised	(1,450)	(331)
Impaired during the financial year	24,049	7,126
Allowance written back	(22,074)	(4,104)
As at 30 June	5,247	3,651

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

The Group 2021	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
As at 1 July	30	1,996	2,026
New financial assets originated	175	2,691	2,866
Financial assets derecognised	(152)	(2,138)	(2,290)
Impaired during the financial year	101	1,762	1,863
Allowance written back	(69)	(3,208)	(3,277)
As at 30 June	85	1,103	1,188

Notes to the Financial Statements
for the financial year ended 30 June 2021

8 CLIENTS' AND BROKERS' BALANCES (continued)

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

The Group 2020	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
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

9 OTHER RECEIVABLES

		The Group		The Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Foreclosed properties		**5,508**	18,447	**-**	-
Sundry debtors and other prepayments		**495,809**	516,651	**1,962**	45,802
Settlement accounts		**387,625**	261,314	**-**	-
Treasury related receivables		**806,250**	370,435	**-**	-
Cash collateral pledged for derivative transactions		**306,536**	528,766	**-**	-
Fee income receivables net of expected credit losses of RM1,942,000 (2020: RM1,428,000)	(a)	**3,261**	4,748	**-**	-
Other receivables net of expected credit losses of RM1,463,000 (2020: RM2,518,000)	(b)	**114,241**	111,279	**-**	-
		2,119,230	1,811,640	**1,962**	45,802

9 OTHER RECEIVABLES (continued)

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

The Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
2021			
As at 1 July	**5**	**1,423**	**1,428**
New financial assets originated	**1**	**-**	**1**
Financial assets derecognised	**(2)**	**-**	**(2)**
Impaired during the financial year	**-**	**515**	**515**
As at 30 June	**4**	**1,938**	**1,942**
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

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

The Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
2021			
As at 1 July	**2,065**	**453**	**2,518**
Financial assets derecognised	**(1,055)**	**-**	**(1,055)**
As at 30 June	**1,010**	**453**	**1,463**
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)
As at 30 June	2,065	453	2,518

Notes to the Financial Statements
for the financial year ended 30 June 2021

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	
	2021 RM'000	**2020 RM'000**
Investment in subsidiary companies, at cost		
Unquoted shares	**262,980**	262,980
Shares quoted in Malaysia	**16,804,109**	16,843,880
	17,067,089	17,106,860
Investment in debt instrument issued by subsidiary companies, at amortised cost		
Multi-currency Additional Tier 1 capital securities	**806,605**	806,666
Subordinated obligations	**1,602,566**	1,602,438
	19,476,260	19,515,964
Less: Allowance for impairment losses	**(18,008)**	(18,008)
	19,458,252	19,497,956

Movements in the allowance for impairment losses are as follows:

	The Company	
	2021 RM'000	**2020 RM'000**
As at 1 July	**18,008**	18,011
Expected credit losses made during the financial year	**-**	(3)
As at 30 June	**18,008**	18,008

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 2021 %	2020 %	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	In members' voluntary liquidation
(v) HL Assurance Pte. Ltd.[*]	Singapore	**100.00**	100.00	General insurance business
(b) Unincorporated trust for ESOS[Ω*]	Malaysia	**-**	-	Special purpose vehicle for ESOS
(c) HLFG Principal Investments (L) Limited	Malaysia	**100.00**	100.00	Investment holding
(d) Hong Leong Capital Berhad and its subsidiary companies:	Malaysia	**73.71**	83.22	Investment holding
(i) HLG Securities Sdn Bhd	Malaysia	**73.71**	83.22	In members' voluntary liquidation
(ii) HLG Capital Markets Sdn Bhd	Malaysia	**73.71**	83.22	In members' voluntary liquidation
(iii) Hong Leong Investment Bank Berhad and its subsidiary companies:	Malaysia	**73.71**	83.22	Investment banking, stockbroking business, futures broking and related financial services
- SSSB Jaya (1987) Sdn Bhd	Malaysia	**73.71**	83.22	In creditors' voluntary liquidation
- HLIB Nominees (Tempatan) Sdn Bhd	Malaysia	**73.71**	83.22	Nominee and custodian services for Malaysian clients
- HLIB Nominees (Asing) Sdn Bhd	Malaysia	**73.71**	83.22	Nominee and custodian services for foreign clients

Notes to the Financial Statements
for the financial year ended 30 June 2021

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 2021 %	2020 %	Principal activities
(d) Hong Leong Capital Berhad and its subsidiary companies: (continued)				
(iv) HLCB Assets Sdn Bhd	Malaysia	**73.71**	83.22	In members' voluntary liquidation
(v) Hong Leong Asset Management Bhd and its subsidiary company:	Malaysia	**73.71**	83.22	Unit trust management, fund management and sale of unit trusts
- Hong Leong Islamic Asset Management Sdn Bhd	Malaysia	**73.71**	83.22	Islamic fund management services
(vi) Unincorporated trust for ESOS[Ω*]	Malaysia	**-**	-	Special purpose vehicle for ESOS purpose
(e) Hong Leong Bank Berhad and its subsidiary companies:	Malaysia	**65.55**	65.57	All aspects of commercial banking business and provision of related services
(i) Hong Leong Islamic Bank Berhad	Malaysia	**65.55**	65.57	Islamic banking business and related financial services
(ii) DC Tower Sdn Bhd	Malaysia	**65.55**	65.57	Property management
(iii) Hong Leong Bank Vietnam Limited[*+]	Vietnam	**65.55**	65.57	Commercial banking business
(iv) Hong Leong Bank (Cambodia) PLC[*+]	Cambodia	**65.55**	65.57	Commercial banking business
(v) HLF Credit (Perak) Bhd and its subsidiary companies:	Malaysia	**65.55**	65.57	Investment holding
- Gensource Sdn Bhd and its subsidiary company:	Malaysia	**65.55**	65.57	Investment holding
• Pelita Terang Sdn Bhd	Malaysia	**65.55**	65.57	Dormant
- Promidah Sdn Bhd (formerly known as Hong Leong Leasing Sdn Bhd)[*]	Malaysia	**65.55**	65.57	Dormant
- Promizul Sdn Bhd (formerly known as HL Leasing Sdn Bhd)	Malaysia	**65.55**	65.57	In members' voluntary liquidation
- HLB Realty Sdn Bhd	Malaysia	**65.55**	65.57	Property investment

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 2021 %	2020 %	Principal activities
(e) Hong Leong Bank Berhad and its subsidiary companies: (continued)				
(vi) HLB Nominees (Tempatan) Sdn Bhd	Malaysia	**65.55**	65.57	Agent and nominee for Malaysian clients
(vii) HLB Nominees (Asing) Sdn Bhd	Malaysia	**65.55**	65.57	Agent and nominee for foreign clients
(viii) HL Bank Nominees (Singapore) Pte Ltd*+	Singapore	**65.55**	65.57	In members' voluntary liquidation
(ix) HLB Trade Services (Hong Kong) Limited*+	Hong Kong	**65.55**	65.57	Ceased operations
(x) HLB Principal Investments (L) Limited and its subsidiary company:	Malaysia	**65.55**	65.57	Investment Holding
- Promino Sdn Bhd	Malaysia	**65.55**	65.57	Holding of pooled motor vehicles for HLB group's usage
(xi) Promilia Berhad	Malaysia	**65.55**	65.57	Holding of motor vehicles for HLB group's usage
(xii) EB Nominees (Tempatan) Sendirian Berhad	Malaysia	**65.55**	65.57	Nominee services
(xiii) EB Nominees (Asing) Sendirian Berhad	Malaysia	**65.55**	65.57	In members' voluntary liquidation
(xiv) EB Realty Sendirian Berhad	Malaysia	**65.55**	65.57	In members' voluntary liquidation
(xv) OBB Realty Sdn Bhd	Malaysia	**65.55**	65.57	Property investment
(xvi) Unincorporated trust for ESOS$^{\Omega}$*	Malaysia	**-**	-	Special purpose vehicle
(f) Hong Leong Money Market Fund$^{\Omega}$	Malaysia	**30.54**	43.80	Unit trust funds
(g) Hong Leong Income Fund$^{\Omega}$	Malaysia	**71.63**	74.14	Unit trust funds
(h) Hong Leong Wholesale Equity Fund 2$^{\Omega}$	Malaysia	**65.55**	-	Unit trust funds
(i) Hong Leong Value Fund$^{\Omega}$	Malaysia	**65.11**	45.77	Unit trust funds
(j) Hong Leong Asia-pacific Dividend Fund$^{\Omega}$	Malaysia	**26.15**	85.58	Unit trust funds
(k) Hong Leong Strategic Fund$^{\Omega}$	Malaysia	**33.19**	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"

Notes to the Financial Statements

for the financial year ended 30 June 2021

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	
	2021 %	2020 %	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Hong Leong Bank Berhad	**34.45**	34.43	**985,279**	858,554	**10,148,666**	9,376,769
Hong Leong Capital Berhad	**26.29**	16.78	**48,055**	15,805	**251,593**	141,004
Hong Leong Assurance Berhad	**30.00**	30.00	**77,693**	42,372	**642,207**	564,512
Individually immaterial subsidiaries with non-controlling interests			**80**	4,722	**72,533**	72,454
			1,111,107	921,453	**11,114,999**	10,154,739

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Total assets	**24,049,683**	21,975,597	**237,129,240**	221,277,917	**4,224,597**	4,288,378
Total liabilities	**(21,909,432)**	(20,094,327)	**(207,670,126)**	(194,043,618)	**(3,267,606)**	(3,448,068)
Net assets	**2,140,251**	1,881,270	**29,459,114**	27,234,299	**956,991**	840,310
Equity attributable to owners of the Company	**(1,498,044)**	(1,316,758)	**(19,310,448)**	(17,857,530)	**(705,398)**	(699,306)
Non-controlling interests	**(642,207)**	(564,512)	**(10,148,666)**	(9,376,769)	**(251,593)**	(141,004)
Revenue	**334,378**	166,977	**5,466,873**	4,778,356	**315,625**	232,725
Profit before taxation	**310,924**	166,438	**3,470,939**	2,989,397	**177,350**	95,750
Taxation	**(51,943)**	(25,196)	**(610,297)**	(494,800)	**25,937**	(1,563)
Other comprehensive income/(loss)	**-**	-	**57,942**	263,189	**(5,985)**	1,598
Total comprehensive income	**258,981**	141,242	**2,918,584**	2,757,786	**197,302**	95,785

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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Net cash used in investing activities	**(4,676)**	(9,361)	**(9,506,228)**	(6,661,171)	**(220,017)**	(183,022)
Net cash generated from/(used in) financing activities	**279,769**	(276,854)	**(920,331)**	(935,891)	**(89,314)**	(113,209)
Net cash (used in)/generated from operating activities	**(567,712)**	872,248	**6,741,661**	10,213,113	**152,341**	133,736
Net (decrease)/increase in cash and cash equivalents	**(292,619)**	586,033	**(3,684,898)**	2,616,051	**(156,990)**	(162,495)
Profit allocated to non-controlling interests of the Group	**77,693**	42,372	**985,279**	858,554	**48,055**	15,805
Dividends to non-controlling interests of the Group	**-**	15,000	**245,976**	353,269	**15,520**	8,905

12 INVESTMENT IN ASSOCIATED COMPANIES

	The Group	
	2021 RM'000	**2020 RM'000**
Quoted shares and unit trust investments	**1,270,702**	938,311
Unquoted shares investments	**643,323**	643,323
Cumulative share of results, net of dividend received	**4,170,103**	3,541,080
Cumulative share of changes in other comprehensive income	**13,805**	39,149
Exchange fluctuation reserve	**774,982**	464,135
	6,872,915	5,625,998

Notes to the Financial Statements
for the financial year ended 30 June 2021

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 2021 %	2020 %
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 Wholesale Bond Fund	Malaysia	Unit trust	**55**	76
Hong Leong Dana Maa'rof Fund	Malaysia	Unit trust	**22**	19
Hong Leong Dana Al-Izdihar Fund	Malaysia	Unit trust	**14**	-
Hong Leong Islamic Income Management Fund	Malaysia	Unit trust	**9**	-

Nature of relationship

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

On 25 October 2007, Hong Leong Bank Berhad ("HLB") entered into a Share Subscription Agreement with BOCD to subscribe for new shares representing 19.99% equity interest of the Enlarged Capital in BOCD. BOCD is a leading commercial bank in Western and Central China with its base in Chengdu, the capital of Sichuan Province. The subscription enables HLB to enter into a strategic alliance with BOCD to tap the promising and growing financial services sector of China. It strengthens and diversifies the earning base of HLB.

On 31 January 2018, BOCD was officially listed on the Shanghai Stock Exchange after completing its initial public offering ("IPO") of 361 million shares and raised 2.53 billion yuan. Arising from the IPO, the Group's equity interest of the enlarged capital in BOCD is now reduced to 18% from 20%. BOCD remains an associate by virtue of the representation held on BOCD's Board of Directors.

The market value of BOCD's shares held by the Group is RM5.29 billion (2020: RM3.15 billion) at RM8.13 (2020: RM4.85) per share as at 30 June 2021.

As at 30 June 2021, 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 2021 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.

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 2022 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 5.75% (2020: 4.41%) representing the forecasted Gross Domestic Product growth rate of the country.

The discount rate of 12.4% (2020: 11.5%) 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. JCCFC remains an associate by virtue of the representation on JCCFC's Board of Directors.

(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 such number of new shares as shall represent 30% of the ordinary issued and paid-up capital of MSIM.

Notes to the Financial Statements
for the financial year ended 30 June 2021

12 INVESTMENT IN ASSOCIATED COMPANIES (continued)

(a) Information about associated companies (continued)

Nature of relationship (continued)

(v) Unit trust investments

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	
	2021 RM'000	2020 RM'000
Total assets	**472,900,647**	375,244,230
Total liabilities	**(442,862,536)**	(349,865,251)
Net assets	**30,038,111**	25,378,979
Interest income	**16,344,249**	13,204,465
Interest expense	**(8,212,463)**	(6,662,149)
Non-interest income	**2,060,225**	1,484,300
Profit before taxation	**4,698,078**	3,904,320
Profit after taxation	**4,005,497**	3,509,739
Total comprehensive income	**3,922,011**	3,598,544
Shares of results of associated company (%)	**18%**	18%
Shares of results of associated company (RM'000)	**720,589**	631,402
Dividends from the associated company (RM'000)	**173,016**	148,467

(ii) MSIG Insurance (Malaysia) Bhd

	The Group	
	2021 RM'000	2020 RM'000
Total assets	**5,818,179**	5,335,463
Total liabilities	**(2,354,907)**	(2,063,891)
Net assets	**3,463,272**	3,271,572
Interest income	**22,477**	40,026
Non-interest income	**595,469**	574,386
Profit before taxation	**340,845**	346,601
Profit after taxation	**266,095**	295,447
Total comprehensive income	**231,678**	313,046
Shares of results of associated company (%)	**30%**	30%
Shares of results of associated company (RM'000)	**79,829**	88,634
Dividends from the associated company (RM'000)	**11,993**	27,984

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	
	2021 RM'000	2020 RM'000
Opening net assets as at 1 July	**25,378,979**	22,443,543
Profit for the financial year	**4,005,497**	3,509,739
Other comprehensive income for the financial year	**(83,486)**	88,805
Dividends	**(961,734)**	(825,275)
Exchange fluctuation reserve	**1,698,855**	162,167
Closing net assets as at 30 June	**30,038,111**	25,378,979
Interest in associated company (%)	**18%**	18%
Interest in associated company (RM'000)	**5,403,856**	4,565,678

(ii) MSIG Insurance (Malaysia) Bhd

	The Group	
	2021 RM'000	2020 RM'000
Opening net assets as at 1 July	**3,271,572**	3,051,805
Profit for the financial year	**266,095**	295,447
Other comprehensive income for the financial year	**(34,418)**	17,600
Dividends	**(39,977)**	(93,280)
Closing net assets as at 30 June	**3,463,272**	3,271,572
Interest in associated company (%)	**30%**	30%
Interest in associated company (RM'000)	**1,038,981**	981,471

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).

Notes to the Financial Statements
for the financial year ended 30 June 2021

13 PROPERTY AND EQUIPMENT

The Group 2021	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		1,032,886	1,188,726	483,122	11,802	88,742	2,805,278
Exchange fluctuation		(2,046)	(1,207)	(551)	(1)	(138)	(3,943)
Reclassification/transfer		-	7,896	6,178	-	(14,074)	-
Reclassification to intangible assets	17	-	679	-	-	(91,952)	(91,273)
Additions		-	22,415	3,122	903	106,403	132,843
Disposals/write-off		(4,664)	(45,571)	(6,029)	(2,311)	(67)	(58,642)
As at 30 June		1,026,176	1,172,938	485,842	10,393	88,914	2,784,263
Accumulated depreciation							
As at 1 July		117,333	856,956	361,099	8,362	-	1,343,750
Exchange fluctuation		(416)	(901)	(424)	-	-	(1,741)
Disposals/write-off		(801)	(43,206)	(5,672)	(2,117)	-	(51,796)
Charge during the financial year		17,209	92,425	27,711	1,473	-	138,818
As at 30 June		133,325	905,274	382,714	7,718	-	1,429,031
Net book value as at 30 June 2021		892,851	267,664	103,128	2,675	88,914	1,355,232

* Land and building consists of the following:

The Group 2021	Freehold land RM'000	Freehold building RM'000	Long-term leasehold land^ RM'000	Long-term leasehold building RM'000	Short-term leasehold land^ RM'000	Short-term leasehold building RM'000	Total RM'000
Cost							
As at 1 July	137,997	588,354	44,143	258,664	1,092	2,636	1,032,886
Exchange fluctuation	-	-	-	(2,046)	-	-	(2,046)
Disposals	(1,698)	(2,966)	-	-	-	-	(4,664)
As at 30 June	136,299	585,388	44,143	256,618	1,092	2,636	1,026,176
Accumulated depreciation							
As at 1 July	-	52,235	5,855	57,337	455	1,451	117,333
Exchange fluctuation	-	-	-	(416)	-	-	(416)
Disposals	-	(801)	-	-	-	-	(801)
Charge during the financial year	-	11,723	465	4,978	14	29	17,209
As at 30 June	-	63,157	6,320	61,899	469	1,480	133,325
Net book value as at 30 June 2021	136,299	522,231	37,823	194,719	623	1,156	892,851

^ These are the right-of-use assets within the scope of MFRS 16. Refer to accounting policies for leases as disclosed in Note I.

13 PROPERTY AND EQUIPMENT (continued)

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:

The Group	Freehold		Long-term leasehold		Short-term leasehold		
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 2021

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
2021				
Cost				
As at 1 July	**1,033**	**4,526**	**2,468**	**8,027**
Additions	**78**	**-**	**288**	**366**
Disposals	**(3)**	**-**	**(785)**	**(788)**
As at 30 June	**1,108**	**4,526**	**1,971**	**7,605**
Accumulated depreciation				
As at 1 July	**827**	**1,248**	**2,374**	**4,449**
Disposals	**-**	**-**	**(696)**	**(696)**
Charge during the financial year	**203**	**432**	**28**	**663**
As at 30 June	**1,030**	**1,680**	**1,706**	**4,416**
Net book value as at 30 June 2020	**78**	**2,846**	**265**	**3,189**
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

14 RIGHT-OF-USE ASSETS

The Group 2021	Properties RM'000	Office equipment RM'000	Total RM'000
As at 1 July	**243,630**	**360**	**243,990**
Modification	**(4,065)**	**-**	**(4,065)**
Additions	**27,790**	**268**	**28,058**
Disposals	**(2,260)**	**-**	**(2,260)**
Charge during the financial year	**(54,730)**	**(248)**	**(54,978)**
Exchange fluctuation	**(41)**	**(10)**	**(51)**
As at 30 June	**210,324**	**370**	**210,694**

Notes to the Financial Statements

for the financial year ended 30 June 2021

14 RIGHT-OF-USE ASSETS (continued)

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

The Company	Properties RM'000	Total RM'000
2021		
As at 1 July	**5,955**	**5,955**
Charge during the financial year	**(940)**	**(940)**
As at 30 June	**5,015**	**5,015**
2020		
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	**2021 RM'000**	**2020 RM'000**
As at 1 July	**472,610**	489,500
Fair value loss	**(3,000)**	(16,890)
As at 30 June	**469,610**	472,610
The analysis of investment properties is as follows:		
Freehold land and building	**467,000**	470,000
Leasehold land and building	**2,610**	2,610

Notes to the Financial Statements

for the financial year ended 30 June 2021

15 INVESTMENT PROPERTIES (continued)

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 RM1,000,000 and the fair value loss attributable to insurance fund policy holders was RM2,000,000.

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	
	2021 RM'000	2020 RM'000
Level 2	**2,610**	2,610
Level 3	**467,000**	470,000

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

		The Group	
Valuation technique	**Unobservable input**	**2021**	**2020**
Comparison and investment method	Term yield	**6.00%**	6.00%
	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 (net)	**RM2.14 - RM3.66**	RM2.24 - RM3.73
	Estimated value per square feet	**RM521 - RM792**	RM524 - RM798

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

	The Group	
	2021 RM'000	2020 RM'000
Rental income	**8,544**	9,453
Direct operating expenses	**8,588**	10,188

16 GOODWILL ARISING ON CONSOLIDATION

	The Group	
	2021	**2020**
	RM'000	**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 2021, on the basis of available market information such as the fair value of the underlying assets and liabilities which have been marked-to-market.

(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 2022, 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 (2020: 2 years). Cash flows beyond the 3 years period are extrapolated using an estimated growth rate of 3.33% (2020: 3.55%) 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 10.21% (2020: 9.58%) and 10.02% (2020: 12.20%) respectively. The pre-tax discount rate reflects the specific risks relating to the CGUs.

Notes to the Financial Statements

for the financial year ended 30 June 2021

16 GOODWILL ARISING ON CONSOLIDATION (continued)

Impairment test for goodwill (continued)

(ii) Insurance CGU

The value-in-use of the Insurance CGU is derived using the actuarial valuation for the Life insurance business. The actuarial valuation of the Life insurance fund is based on the latest position as at statements of financial position date, using the most recent available assumptions at the point of assessment. Such assumptions are derived from historical experience of the insurer and current industry trends and positions.

The value-in-use has been calculated based on the set of assumptions outlined below:

(a) The present value of future shareholders' earnings is discounted at 8.5% (2020: 8.5%).
(b) Future earnings are projected based on actuarial assumptions that are determined in accordance with generally accepted actuarial best practice and are appropriate to the business and risk profile of the business.
(c) Allowance for corporate tax of 18% (2020: 18%) has been made on the assumptions that the application of current tax legislation and tax rates will continue unchanged.
(d) The current actuarial reserving methods and bases have been assumed to continue with no significant alterations.
(e) The current risk-based capital requirement has been assumed to continue unaltered.
(f) Required capital is calculated at the Individual Target Capital Level.
(g) The cost of capital is the cost of holding the required capital at the Individual Target Capital Level allowing for future investment return on the capital held.

It should be recognised that the actual future results will differ from those stated above, from any future changes in the operations and economic environment and natural variation in experience. There is no warranty that the future experience will be in line with the assumptions made.

Management believes that any reasonably possible change to the key assumptions applied would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGUs, which could warrant any impairment to be recognised.

Notes to the Financial Statements

for the financial year ended 30 June 2021

17 INTANGIBLE ASSETS

The Group	Note	Core deposit RM'000	Customer relationship RM'000	Computer software RM'000	Total RM'000
2021					
Cost or valuation					
As at 1 July		**152,434**	**127,426**	**809,937**	**1,089,797**
Additions		**-**	**-**	**30,007**	**30,007**
Disposals/write-off		**-**	**-**	**(18,143)**	**(18,143)**
Exchange fluctuation		**-**	**-**	**(1,582)**	**(1,582)**
Reclassification from property and equipment	13	**-**	**-**	**91,273**	**91,273**
As at 30 June		**152,434**	**127,426**	**911,492**	**1,191,352**
Accumulated amortisation and impairment					
As at 1 July		**152,434**	**116,810**	**615,955**	**885,199**
Amortisation during the financial year		**-**	**10,616**	**53,504**	**64,120**
Disposals/write-off		**-**	**-**	**(17,219)**	**(17,219)**
Exchange fluctuation		**-**	**-**	**(742)**	**(742)**
As at 30 June		**152,434**	**127,426**	**651,498**	**931,358**
Net book value as at 30 June 2021		**-**	**-**	**259,994**	**259,994**
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

Notes to the Financial Statements

for the financial year ended 30 June 2021

17 INTANGIBLE ASSETS (continued)

The Company	Computer software 2021 RM'000	Computer software 2020 RM'000
Cost		
As at 1 July	**350**	350
Additions	**116**	-
As at 30 June	**466**	350
Accumulated amortisation		
As at 1 July	**348**	347
Amortisation during the financial year	**11**	1
As at 30 June	**359**	348
Net book value as at 30 June	**107**	2

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 Nil (2020: 0.8 years).

18 DEPOSITS FROM CUSTOMERS

	The Group	
	2021 RM'000	2020 RM'000
At amortised cost		
Fixed deposits	**91,630,006**	93,166,106
Negotiable instruments of deposits	**7,276,126**	8,949,638
Short-term placements	**21,803,680**	19,559,750
	120,709,812	121,675,494
Demand deposits	**35,279,818**	27,331,640
Savings deposits	**23,857,612**	21,018,664
Others	**563,080**	748,749
	180,410,322	170,774,547
At fair value through profit or loss		
Structured deposits linked to interest rate derivatives	**1,469,078**	463,933
Fair value changes arising from designation at fair value through profit or loss*	**(110,580)**	(1,416)
	1,358,498	462,517
	181,768,820	171,237,064

* 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	
	2021 RM'000	2020 RM'000
Due within:		
- six months	**97,955,437**	100,691,104
- six months to one year	**20,881,750**	19,802,680
- one year to five years	**1,251,960**	999,959
- more than five years	**620,665**	181,751
	120,709,812	121,675,494

Notes to the Financial Statements

for the financial year ended 30 June 2021

18 DEPOSITS FROM CUSTOMERS (continued)

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

	The Group	
	2021 RM'000	2020 RM'000
Government and statutory bodies	**2,392,705**	9,180,558
Business enterprises	**83,003,914**	66,853,926
Individuals	**93,792,061**	92,528,696
Others	**2,580,140**	2,673,884
	181,768,820	171,237,064

19 INVESTMENT ACCOUNTS OF CUSTOMERS

	The Group	
	2021 RM'000	2020 RM'000
Unrestricted investment accounts	**1,145,154**	356,475

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2021 RM'000	2020 RM'000
Licensed banks	**9,937,337**	5,492,524
Licensed investment banks	**351,028**	75,304
Central banks (Note)	**1,382,520**	1,176,258
Other financial institutions	**2,508,576**	1,830,205
	14,179,461	8,574,291

Note:
Deposits and placements from central banks includes monies received by the Group under the various government financing scheme as part of the government support measure in response to COVID-19 pandemic for the purpose of SME lending amounting to RM1,317,291,000 (2020: RM1,011,970,000) at concession rates.

21 DERIVATIVE FINANCIAL INSTRUMENTS

		The Group	
	Note	2021 RM'000	2020 RM'000
Derivatives at fair value through profit or loss			
- Interest rate swaps		**396,529**	577,664
- Cross currency swaps		**150,191**	176,282
- Foreign currency forwards		**385,315**	365,696
- Foreign currency options		**8,993**	6,746
- Foreign currency swaps		**2,815**	6,086
- Foreign currency spots		**23**	-
- Futures		**2,143**	500
- Futures options		**743**	-
- Equity options		**76,996**	13,493
- Commodity swap		**2,974**	-
- Total return swap		**12,095**	19,960
Derivatives designated as cash flow hedge			
- Interest rate swaps	(a)	**596**	-
Derivatives designated as fair value hedge			
- Interest rate swaps	(b)	**11,918**	7,099
- Foreign currency forwards		**297**	3,119
Total derivative financial instruments assets		**1,051,628**	1,176,645
Derivatives at fair value through profit or loss			
- Interest rate swaps		**(627,855)**	(952,371)
- Cross currency swaps		**(53,644)**	(133,567)
- Foreign currency forwards		**(138,251)**	(203,222)
- Foreign currency options		**(7,995)**	(7,343)
- Foreign currency swaps		**(238)**	(4,568)
- Equity options		**(76,915)**	(13,495)
- Futures		**(1,405)**	(65)
- Futures options		**(248)**	-
- Swaption		**(10,270)**	(12,945)
- Commodity swap		**(2,958)**	-
- Total return swap		**(12,095)**	(19,960)
Derivatives designated as cash flow hedge			
- Interest rate swaps	(a)	**(6,805)**	(11,400)
Derivatives designated as fair value hedge			
- Interest rate swaps	(b)	**(29,578)**	(42,355)
- Foreign currency forwards		**(2,694)**	(625)
Total derivative financial instruments liabilities		**(970,951)**	(1,401,916)

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 effectiveness of hedging relationship is assessed by comparing the changes in fair value of the interest rate swaps with changes in the fair value of the hedged items attributable to the hedged risk to ensure there is an economic relationship between the hedged items and the hedging instruments. As such, the unrealised loss of RM6,031,000 (2020: unrealised loss of RM8,489,000) from the hedging relationship as disclosed in Note 30(g) was recognised through other comprehensive income.

The cash flows 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 2021					
Cash inflows (hedging instruments)	**-**	**2,692**	**2,709**	**5,445**	**20,357**
Cash outflows (hedged items)	**-**	**(2,604)**	**(2,450)**	**(4,942)**	**(20,645)**
Net cash inflows	**-**	**88**	**259**	**503**	**(288)**
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

(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 RM1,017,861,500 (2020: RM946,432,500) and foreign currency risk of RM575,469,112 (2020: RM452,268,974) 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 RM17,660,000 (2020: loss RM35,256,000) and of the said foreign currency forwards amounted to loss of RM2,397,000 (2020: gain RM2,494,000).

21 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(b) Fair value hedge (continued)

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	
	2021 RM'000	2020 RM'000
(Loss)/gain on hedging instruments	**(3,064)**	13,064
Loss on the hedged items attributable to the hedged risks	**(883)**	(14,595)
	(3,947)	(1,531)

22 PAYABLES AND OTHER LIABILITIES

		The Group		The Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade payables		**3,765,476**	3,425,048	**-**	-
Post employment benefits obligation					
- defined contribution plan		**1,889**	1,919	**40**	46
Loan advance payment		**3,795,992**	3,916,289	**-**	-
Treasury and cheque clearing		**162,604**	210,699	**-**	-
Treasury related payables		**145,411**	197,219	**-**	-
Sundry creditors and accruals		**375,011**	352,687	**1,713**	1,627
Provision for reinstatement cost		**23,394**	23,441	**250**	237
Provision for bonus and staff related expenses		**259,458**	211,345	**15,217**	5,945
Expected credit losses on financial guarantee contracts	(a)	**4,563**	8,480	**-**	-
Financial liabilities due to third party investors	(b)	**7,303,953**	5,609,138	**-**	-
Settlement accounts		**525,131**	322,926	**-**	-
Others		**505,259**	917,996	**-**	-
		16,868,141	15,197,187	**17,220**	7,855

Notes to the Financial Statements

for the financial year ended 30 June 2021

22 PAYABLES AND OTHER LIABILITIES (continued)

(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
2021				
As at 1 July	**3,260**	**5,220**	**-**	**8,480**
Changes in ECL due to transfer within stages	**58**	**(64)**	**6**	**-**
- Transfer to Stage 1	**131**	**(131)**	**-**	**-**
- Transfer to Stage 2	**(73)**	**73**	**-**	**-**
- Transfer to Stage 3	**-**	**(6)**	**6**	**-**
New financial assets originated	**82**	**-**	**-**	**82**
Financial assets derecognised	**(134)**	**(1)**	**-**	**(135)**
Changes due to change in credit risk	**106**	**(3,659)**	**(5)**	**(3,558)**
Change in models/risk parameters	**1**	**(89)**	**-**	**(88)**
Exchange differences	**5**	**(222)**	**-**	**(217)**
Other movements	**-**	**-**	**(1)**	**(1)**
As at 30 June	**3,378**	**1,185**	**-**	**4,563**
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

(b) Financial liabilities due to third party investors relate to the net asset value of units held by the third party investors of unit trust funds deemed as subsidiary company pursuant to MFRS 10 "Consolidated Financial Statements".

23 LEASE LIABILITIES

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Lease liabilities	**204,872**	231,268	**5,099**	5,905

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

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Scheduled repayment of lease liabilities				
- Not later than one year	**42,962**	44,011	**850**	806
- Later than one year and not later than five years	**109,597**	118,302	**3,887**	3,687
- Later than five years	**52,313**	68,955	**362**	1,412
	204,872	231,268	**5,099**	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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets/(liabilities)				
- to be recovered within 12 months	**387,718**	249,583	**184**	83
- to be recovered more than 12 months	**(368,465)**	(423,595)	**-**	-
	19,253	(174,012)	**184**	83

Notes to the Financial Statements

for the financial year ended 30 June 2021

24 DEFERRED TAXATION (continued)

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

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets				
- Cash flow hedge reserve	**1,905**	2,681	**-**	-
- Unutilised tax credit	**111,008**	82,875	**-**	-
- Provision for expenses	**120,141**	97,410	**-**	-
- Expected credit loss	**249,748**	151,994	**-**	-
- Other temporary differences	**894**	96	**184**	83
	483,696	335,056	**184**	83
Deferred tax liabilities				
- Property and equipment	**(66,988)**	(70,149)	**-**	-
- Financial investments at FVOCI	**(19,568)**	(90,341)	**-**	-
- Financial assets at FVTPL	**(80,500)**	(80,314)	**-**	-
- Intangible assets	**-**	(2,554)	**-**	-
- Unallocated surplus	**(297,387)**	(258,649)	**-**	-
- Other temporary differences	**-**	(7,061)	**-**	-
	(464,443)	(509,068)	**-**	-
Deferred tax assets/(liabilities) net	**19,253**	(174,012)	**184**	83

Notes to the Financial Statements

for the financial year ended 30 June 2021

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
2021												
As at 1 July		**(70,149)**	**(90,341)**	**(80,314)**	**2,681**	**(2,554)**	**82,875**	**151,994**	**97,410**	**(258,649)**	**(6,965)**	**(174,012)**
Credited/(charged) to statements of income	42	**3,056**	**-**	**(3,217)**	**-**	**2,554**	**28,144**	**97,939**	**22,744**	**(38,738)**	**4,245**	**116,727**
Credited to insurance funds		**-**	**-**	**3,031**	**-**	**-**	**-**	**-**	**-**	**-**	**3,613**	**6,644**
Credited/(charged) to equity	57	**-**	**70,779**	**-**	**(777)**	**-**	**-**	**-**	**-**	**-**	**-**	**70,002**
Exchange difference		**105**	**(6)**	**-**	**-**	**-**	**(11)**	**(185)**	**(11)**	**-**	**-**	**(108)**
As at 30 June		**(66,988)**	**(19,568)**	**(80,500)**	**1,904**	**-**	**111,008**	**249,748**	**120,143**	**(297,387)**	**893**	**19,253**
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	42	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	57	-	(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)

Notes to the Financial Statements

for the financial year ended 30 June 2021

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
2021		
As at 1 July		**83**
Charged to statements of income	42	**101**
As at 30 June		**184**
2020		
As at 1 July		135
Credited to statements of income	42	(52)
As at 30 June		83

25 BORROWINGS

		The Group		The Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revolving credit	(a)	**125,094**	205,644	**125,094**	205,644
Commercial papers	(b)	**155,846**	338,975	**155,846**	338,975
Medium term notes	(b)	**-**	223,027	**-**	253,445
Term loans	(c)	**1,000**	5,001	**1,000**	5,001
Senior notes	(d)	**380,086**	380,180	**405,421**	405,441
		662,026	1,152,827	**687,361**	1,208,506

(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 RM1.0 million maturing on 28 July 2021.

(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.

26 SUBORDINATED OBLIGATIONS

		The Group		The Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
RM600.0 million Tier 2 subordinated debt, at par	(a)	**600,000**	300,000	**-**	-
Add: Interest payable		**4,710**	4,683	**-**	-
		604,710	304,683	**-**	-
RM1.6 billion Tier 2 subordinated notes, at par	(b)	**1,600,000**	1,600,000	**1,600,000**	1,600,000
Add: Interest payable		**2,608**	2,479	**2,608**	2,479
		1,602,608	1,602,479	**1,602,608**	1,602,479
Less: Unamortised discounts		**(139)**	(180)	**(1,366)**	(1,885)
		1,602,469	1,602,299	**1,601,242**	1,600,594
		2,207,179	1,906,982	**1,601,242**	1,600,594

(a) On 3 February 2020, Hong Leong Assurance Berhad ("HLA"), a wholly owned subsidiary of HLA Holdings Sdn Bhd and also an indirect subsidiary of HLFG, completed the Subordinated Notes ("Sub-Notes") issuance of RM300.0 million in nominal value. The Sub-Notes were issued for a period of 10 years on a 10 non-callable 5 years basis with a coupon rate of 3.85% per annum.

On 28 December 2020, HLA completed two issuances of Sub-Notes for RM150.0 million in nominal value each. The Sub-Notes were issued for a period of 5 years basis with a coupon rate of 3.45% per annum and 8 years basis with a coupon rate of 3.70% respectively.

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

(b) On 25 June 2018, the Company 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.

27 MULTI-CURRENCY ADDITIONAL TIER 1 CAPITAL SECURITIES

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
RM800.0 million Multi-currency Additional Tier 1 capital securities, at par	**800,000**	800,000	**800,000**	800,000
Add: Interest payable	**6,742**	6,804	**6,742**	6,804
	806,742	806,804	**806,742**	806,804
Less: Unamortised discounts	**(187)**	(305)	**(767)**	(1,165)
	806,555	806,499	**805,975**	805,639

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.

28 INSURANCE FUNDS

	The Group	
	2021 RM'000	2020 RM'000
Unearned premium reserves	**96,930**	91,025
Life policyholders' fund	**13,251,740**	13,194,425
Life investment-linked unitholders' fund	**4,383,110**	3,177,291
	17,731,780	16,462,741

The main insurance risks that the Group is exposed to are the following:

- Mortality risk – risk of loss arising due to policyholder's death experience being different than expected.
- Morbidity risk – risk of loss arising due to policyholder's health experience being different than expected.
- Longevity risk – risk of loss arising due to the annuitants living longer than expected.
- Investment return/interest rate risk – risk of loss arising from actual returns being different than expected.
- Expense risk – risk of loss arising from expense experience being different than expected.
- Lapse risk – risk of loss arising due to policyholder surrender experience being different than expected.

The risks vary in relation to the location of the risk insured by the Group, type of risk insured or by industry.

29 SHARE CAPITAL

	The Group and the Company			
	2021		2020	
	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

30 RESERVES

		The Group		The Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Retained profits	(a)	**19,213,037**	16,910,345	**14,011,005**	13,888,423
Regulatory reserves	(b)	**437,103**	860,504	**-**	-
Share options reserve	(c)	**96,305**	74,895	**24,215**	16,951
Exchange fluctuation reserve	(d)	**749,226**	568,102	**-**	-
Other capital reserve	(e)	**213,314**	213,314	**254,991**	254,991
Fair value reserve	(f)	**85,375**	248,248	**-**	-
Cash flow hedge reserve	(g)	**(3,959)**	(5,570)	**-**	-
		20,790,401	18,869,838	**14,290,211**	14,160,365

(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 RM423.4 million at Group has been transferred from regulatory reserves to retained profits (2020: RM9.4 million).

Included in the Group is the regulatory reserve maintained by the Group's banking subsidiary company in Vietnam of RM11.2 million (2020: RM11.2 million) in line with the requirements of the State Bank of Vietnam.

Notes to the Financial Statements

for the financial year ended 30 June 2021

30 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 54 to the financial statements.

(d) Exchange differences arising from translation of the Group's banking foreign branches, subsidiaries and associated companies are shown under exchange fluctuation reserve.

(e) The other capital reserve of the Group arose from the capitalisation of bonus issue, gain on disposal of subsidiary company and assets in certain subsidiary companies, other capital reserve arising from redemption of redeemable preference shares "RPS" from the subsidiaries and revaluation gain arising from change in use from owner-occupied properties to investment properties. The capital reserve of the Company arose from gain on disposal of a subsidiary company not recognised in the statements of income due to a common control transaction, and investments and proceeds on issuance of replacement warrants used for bond redemption in previous years.

(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	
		2021	**2020**
	Note	**RM'000**	**RM'000**
As at 1 July		**248,248**	116,503
Net gain from change in fair value		**(117,146)**	504,880
Changes in expected credit losses		**229**	700
Reclassification to net profits/retained profits on disposal and impairment		**(171,446)**	(283,811)
Deferred taxation	57	**70,779**	(45,317)
Share of fair value reserve of associated companies		**(25,341)**	21,255
Net change in fair value reserve		**(242,925)**	197,707
Attributable to non-controlling interests		**80,052**	(65,962)
As at 30 June		**85,375**	248,248

(g) Hedging reserve arises from cash flow hedge activities undertaken by HLB to hedge the changes in the cash flow hedged items arising from the movement of market interest rates. The reserve is non-distributable and is reversed to the statement of income when the hedged items affect the statement of income or termination of the cash flow hedge.

31 TREASURY SHARES FOR 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.

31 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 (2020: 9,636,000) at an average price of RM18.74 per share (2020: RM18.74). The total consideration paid, including transaction costs was RM180,587,544 (2020: RM180,587,544).

Pursuant to the insurance subsidiary company's ESOS, the insurance subsidiary company also held 4,091,900 (2020: 4,081,900) units of the Company's shares at an average price of RM14.27 (2020: RM14.27) per share with total consideration paid, including transaction costs of RM58,381,907 (2020: RM58,246,303), 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 54 to the financial statements.

32 INTEREST INCOME

	The Group		The Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Loans, advances and financing	**4,102,089**	4,650,372	**-**	-
Money at call and deposit placements with financial institutions	**165,758**	398,595	**679**	972
Securities purchased under resale agreements	**29**	49	**-**	-
Financial investments at FVOCI	**764,234**	728,038	**-**	-
Financial investments at amortised cost	**537,109**	445,319	**-**	-
Others	**17,354**	24,004	**110,230**	110,532
	5,586,573	6,246,377	**110,909**	111,504
Of which:				
Accretion of discount less amortisation of premium	**(147,630)**	150,279	**-**	-
Interest income earned on impaired loans, advances and financing	**604**	3,275	**-**	-

33 INTEREST INCOME FOR FINANCIAL ASSETS AT FVTPL

	The Group	
	2021 RM'000	**2020 RM'000**
Financial assets at FVTPL	**208,535**	316,685

Notes to the Financial Statements
for the financial year ended 30 June 2021

34 INTEREST EXPENSE

	The Group		The Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Deposits and placements of banks and other financial institutions	**77,027**	169,268	**-**	-
Deposits from customers	**1,758,328**	2,849,212	**-**	-
Short-term placements	**181,406**	344,652	**-**	-
Borrowings	**28,810**	48,278	**28,885**	48,352
Subordinated obligations	**89,674**	96,654	**72,468**	72,666
Recourse obligations on loans sold to Cagamas Berhad	**10,441**	6,588	**-**	-
Innovative Tier 1 capital securities	**-**	8,413	**-**	-
Multi-currency Additional Tier 1 capital securities	**40,153**	40,262	**40,598**	40,709
Others	**50,291**	28,243	**324**	572
	2,236,130	3,591,570	**142,275**	162,299

35 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2021 RM'000	**2020 RM'000**
Income derived from investment of depositors' funds and others	**1,410,567**	1,574,201
Income derived from investment of shareholders' funds	**183,704**	188,049
Income derived from investment of investment accounts	**32,195**	37,536
Income attributable to depositors	**(689,707)**	(928,214)
Income attributable to depositors on investment accounts	**(17,357)**	(25,032)
	919,402	846,540
Of which:		
Financing income earned on impaired financing and advances	**(190)**	996

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

	The Group	
	2021 RM'000	2020 RM'000
(i) Loss on modification of cash flow		
included in interest income (Note 32)	**(12,508)**	(285,723)
included in income from Islamic banking business (Note 35)	**(9,430)**	(190,227)
Subtotal	**(21,938)**	(475,950)
(ii) Benefits recognised under the various government schemes		
included in interest income (Note 32)	**5,331**	194,972
included in income from Islamic banking business (Note 35)	**-**	138,511
Subtotal	**5,331**	333,483
Net effects of (i) and (ii)		
included in interest income (Note 32)	**(7,177)**	(90,751)
included in income from Islamic banking business (Note 35)	**(9,430)**	(51,716)
Total	**(16,607)**	(142,467)

Note:
During the financial year 2020, 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. Post end of the auto-moratorium in current financial year, the Group continued to provide targeted assistance to clients that are still impacted by the COVID-19 crisis via the various Payment Relief Assistance Plans ("PRAP"). As a result of the payment moratorium and PRAP, 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.

Notes to the Financial Statements
for the financial year ended 30 June 2021

37 NON-INTEREST INCOME

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Insurance income	**337,379**	232,003	**-**	-
Brokerage income	**134,531**	75,959	**-**	-
Fee income				
Commissions	**180,851**	142,217	**-**	-
Service charges and fees	**41,299**	43,739	**-**	-
Guarantee fees	**16,321**	13,291	**-**	-
Credit card related fees	**173,899**	199,483	**-**	-
Corporate advisory fees	**7,661**	3,526	**-**	-
Commitment fees	**36,946**	33,150	**-**	-
Fee on loans, advances and financing	**45,594**	38,112	**-**	-
Placement fees	**13,726**	8,353	**-**	-
Arranger fees	**3,856**	3,365	**-**	-
Unit trust fee income	**57,269**	56,899	**-**	-
Other fee income	**168,500**	143,302	**9,324**	8,744
	745,922	685,437	**9,324**	8,744
Net income from securities				
Net realised gain/(loss) from sale of:				
- financial assets at FVTPL	**44,762**	141,792	**-**	(35)
- financial investments at FVOCI	**238,490**	391,143	**-**	-
- financial investments at amortised cost	**29,385**	-	**-**	-
- derivative financial instruments	**(181,290)**	(23,971)	**-**	135
Gross dividend income from:				
- financial assets at FVTPL	**72,289**	54,716	**1,120**	1,800
- financial investments at FVOCI	**665**	3,683	**-**	-
- subsidiary companies	**-**	-	**506,075**	773,246
Net unrealised gain/(loss) on revaluation of:				
- financial assets at FVTPL	**11,153**	(13,096)	**-**	-
- derivative financial instruments	**265,592**	(149,749)	**-**	-
- investment properties	**(1,000)**	(15,000)	**-**	-
Net realised loss on fair value changes arising from fair value hedges	**(6,074)**	(2,994)	**-**	-
Net unrealised loss on fair value changes arising from fair value hedges	**(3,947)**	(1,531)	**-**	-
	470,025	384,993	**507,195**	775,146
Other income				
Foreign exchange gain/(loss)	**14,146**	45,775	**(1)**	-
Rental income	**7,662**	7,812	**-**	-
Net gain on disposal of property and equipment	**5,379**	4,200	**156**	-
Gain on liquidation of a subsidiary	**-**	-	**88,122**	83
Other non-operating income	**5,448**	3,614	**386**	260
	32,635	61,401	**88,663**	343
	1,720,492	1,439,793	**605,182**	784,233

38 OVERHEAD EXPENSES

		The Group		The Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Personnel costs	(a)	**1,396,319**	1,324,192	**37,983**	13,161
Establishment costs	(b)	**544,109**	555,057	**2,049**	2,172
Marketing expenses	(c)	**182,328**	176,173	**-**	-
Administration and general expenses	(d)	**269,784**	303,981	**3,942**	3,699
		2,392,540	2,359,403	**43,974**	19,032

(a) Personnel costs comprise the following:

	The Group		The Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Salaries, bonus and allowances	**1,244,643**	1,207,829	**28,952**	11,280
Medical expenses	**33,056**	39,815	**96**	104
Training and convention expenses	**12,817**	16,451	**20**	19
Staff welfare	**11,998**	11,198	**573**	566
Other employees benefits	**93,805**	48,899	**8,342**	1,192
	1,396,319	1,324,192	**37,983**	13,161

(b) Establishment costs comprise the following:

	The Group		The Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	**134,584**	141,702	**663**	748
Depreciation of right-of-use assets	**53,148**	55,211	**940**	940
Amortisation of intangible assets	**61,290**	63,387	**11**	1
Rental of premises	**2,834**	4,051	**-**	-
Information technology expenses	**204,533**	189,228	**124**	133
Security services	**22,845**	28,476	**-**	-
Electricity, water and sewerage	**22,446**	24,855	**36**	44
Hire of plant and machinery	**13,936**	13,677	**-**	-
Others	**28,493**	34,470	**275**	306
	544,109	555,057	**2,049**	2,172

Notes to the Financial Statements

for the financial year ended 30 June 2021

38 OVERHEAD EXPENSES (continued)

(c) Marketing expenses comprise the following:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Advertisement and publicity	**29,782**	34,770	**-**	-
Sales commission and credit card related fees	**110,233**	108,683	**-**	-
Others	**42,313**	32,720	**-**	-
	182,328	176,173	**-**	-

(d) Administration and general expenses comprise the following:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Teletransmission expenses	**24,261**	22,829	**31**	34
Stationery and printing expenses	**13,389**	13,653	**25**	26
Professional fees	**84,402**	94,073	**1,215**	1,200
Insurance fees	**25,649**	44,147	**-**	-
Stamp, postage and courier	**15,928**	15,719	**3**	3
Credit card fees	**37,525**	45,771	**-**	-
Travelling and transport expenses	**3,114**	4,442	**1**	24
Registration and license fees	**10,502**	9,420	**-**	-
Brokerage and commission	**9,583**	8,549	**-**	-
Others	**45,431**	45,378	**2,667**	2,412
	269,784	303,981	**3,942**	3,699

38 OVERHEAD EXPENSES (continued)

The above expenditure includes the following statutory disclosures:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors' remuneration (Note 41)	**11,277**	9,363	**10,758**	8,898
Auditors' remuneration*:				
(i) PwC Malaysia firm				
- statutory audit	**3,198**	2,925	**146**	149
- regulatory related fees	**463**	809	**19**	32
- other services	**372**	520	**182**	165
- tax compliance	**82**	82	**-**	-
(ii) PwC overseas affiliated firms				
- statutory audit	**632**	655	**-**	-
- regulatory related fees	**181**	186	**-**	-
- tax compliance	**91**	91	**-**	-
Property and equipment written off	**2,753**	26,399	**-**	-
Intangible assets written off	**924**	8,357	**-**	-
Options charge/(writeback) arising from ESOS	**26,590**	(3,892)	**7,264**	275

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

Notes to the Financial Statements
for the financial year ended 30 June 2021

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

	The Group	
	2021 RM'000	2020 RM'000
Allowance for impairment losses on loans, advances and financing		
- expected credit losses	**827,947**	502,084
(Writeback of)/allowance for impairment losses on clients' and brokers' balances		
- expected credit losses	**(838)**	1,806
Impaired loans, advances and financing		
- written off	**16,227**	17,976
- recovered from bad debt written off	**(193,381)**	(192,235)
	649,955	329,631

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

	The Group	
	2021 RM'000	2020 RM'000
Expected credit losses on:		
- financial investments at FVOCI	**261**	670
- financial investments at amortised cost	**(130)**	(2)
- other receivables	**352**	194
- cash and short-term funds	**(54)**	(371)
- deposits and placements with banks and other financial institutions	**223**	(254)
	652	237

	The Company	
	2021 RM'000	2020 RM'000
Expected credit losses on investment in debt instruments issued by subsidiary companies	**-**	(3)

Notes to the Financial Statements

for the financial year ended 30 June 2021

41 DIRECTORS' REMUNERATION

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

2021	The Group				The Company			
	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								
Tan Kong Khoon	9,902	-	23	9,925	9,902	-	23	9,925
Non-executive Directors								
Tan Sri Quek Leng Chan	-	-	23	23	-	-	23	23
Lim Lean See (Retired with effect from 22 August 2020)	4	24	-	28	4	24	-	28
Saw Kok Wei (Retired with effect from 22 August 2020)	4	23	-	27	4	23	-	27
Leong Ket Ti	26	265	-	291	14	150	-	164
Raja Noorma binti Raja Othman	32	288	-	320	10	124	-	134
Chong Chye Neo	35	375	-	410	19	185	-	204
Dato' Noorazman bin Abd Aziz	8	118	-	126	8	118	-	126
Ho Heng Chuan (Appointed with effect from 15 October 2020)	10	117	-	127	10	117	-	127
	119*	1,210	23	1,352	69*	741	23	833
Total Directors' remuneration	10,021	1,210	46	11,277	9,971	741	46	10,758
Directors of subsidiaries	11,281	4,114	116	15,511				

* Directors' meeting allowances

Notes to the Financial Statements

for the financial year ended 30 June 2021

41 DIRECTORS' REMUNERATION (continued)

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

2020	The Group Salaries, allowances and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000	The Company 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								
Tan Kong Khoon	8,131	-	22	8,153	8,131	-	22	8,153
Non-executive Directors								
Tan Sri Quek Leng Chan	-	-	23	23	-	-	23	23
Lim Lean See (Retired with effect from 22 August 2020)	14	170	-	184	14	170	-	184
Saw Kok Wei (Retired with effect from 22 August 2020)	12	160	-	172	12	160	-	172
Leong Ket Ti	21	265	-	286	11	150	-	161
Raja Noorma binti Raja Othman	21	256	-	277	6	110	-	116
Chong Chye Neo (Appointed with effect from 28 November 2019)	10	235	-	245	1	65	-	66
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

41 DIRECTORS' REMUNERATION (continued)

Directors and Officers of the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the Group was RM10 million (2020: RM10 million). The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group was RM71,250 (2020: RM67,688) and the apportioned amount of the said premium paid by the Company was RM3,563 (2020: 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.

42 TAXATION

		The Group		The Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Income tax:					
- Current year		**921,966**	635,106	**-**	530
- Over accrual in prior years		**(210,093)**	(7,479)	**-**	(8,786)
		711,873	627,627	**-**	(8,256)
Deferred taxation:					
- Current year		**(250,687)**	(68,592)	**(101)**	52
- Under/(over) accrual in prior years		**133,960**	(38,469)	**-**	-
	24	**(116,727)**	(107,061)	**(101)**	52
Taxation		**595,146**	520,566	**(101)**	(8,204)

Notes to the Financial Statements

for the financial year ended 30 June 2021

42 TAXATION (continued)

	The Group		The Company	
	2021	2020	**2021**	2020
	RM'000	RM'000	**RM'000**	RM'000
Profit before taxation	**3,971,507**	3,299,521	**529,842**	714,409
Tax calculated at a rate of 24% (2020: 24%)	**953,162**	791,885	**127,162**	171,458
Tax effects of:				
- Differences in tax rate of foreign inward and offshore insurance	**(966)**	961	**-**	-
- Income not subject to tax	**(133,440)**	(143,669)	**(171,862)**	(212,865)
- Share of net income of associated companies	**(195,788)**	(175,432)	**-**	-
- Expenses not deductible for tax purposes	**117,010**	112,429	**44,599**	41,989
- Over accrual in prior years	**(76,133)**	(45,948)	**-**	(8,786)
- Recognition of unutilised tax credit previously not recognised	**(68,516)**	(21,303)	**-**	-
- Origination of temporary differences not recognised	**(183)**	1,643	**-**	-
Taxation	**595,146**	520,566	**(101)**	(8,204)

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).

43 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Weighted average number of ordinary shares ('000)	**1,133,791**	1,135,392	**1,137,881**	1,137,985
Net profit attributable to owners of the parent	**2,265,254**	1,857,502	**529,943**	722,613
Basic earnings per share (sen)	**199.8**	163.6	**46.6**	63.5

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.

44 DIVIDENDS

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

	The Group and The Company	
	2021 RM'000	2020 RM'000
Final single-tier dividend of 25.0 sen per share	**284,470**	-
Interim single-tier dividend of 10.8 sen per share (2020: 13.0 sen per share)	**122,891**	147,924
	407,361	147,924

The Directors have declared a final single-tier dividend of 29.2 sen per share in respect of the financial year ended 30 June 2021. The financial statements for the current financial year do not reflect this dividend and will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2022.

Notes to the Financial Statements
for the financial year ended 30 June 2021

45 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	
	2021 RM'000	2020 RM'000
Commitments and contingencies		
Direct credit substitutes*	172,600	134,166
Certain transaction related contingent items	1,676,061	1,489,056
Short-term self liquidating trade related contingencies	671,759	538,144
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
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- more than one year	30,000	30,000
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- less than one year	911,550	894,438
Irrevocable commitments to extend credit:		
- less than one year	23,767,882	20,856,358
- more than one year	20,459,242	17,777,310
Unutilised credit card lines	7,419,464	7,463,767
	55,108,558	49,235,591
Derivative financial instruments		
Foreign exchange related contracts^:		
- less than one year	65,568,146	42,221,526
- one year to less than five years	5,104,301	4,089,668
- five years and above	361,486	288,397
Interest rate related contracts^:		
- less than one year	119,693,163	20,322,617
- one year to less than five years	34,095,456	35,309,632
- five years and above	4,387,355	2,719,803
Equity related contracts^:		
- less than one year	247,217	264,263
- one year to less than five years	121,619	136,115
- five years and above	255,112	-
Credit related contracts^:		
- five years and above	652,187	291,272
Commodity related contracts:		
- less than one year	55,088	-
- one year to less than five years	39,881	-
	230,581,011	105,643,293
	285,689,569	154,878,884

45 COMMITMENTS AND CONTINGENCIES (continued)

(a) Group related commitments and contingencies (continued)

* Included in direct credit substitutes are the financial guarantee contracts of RM121,815,003 (2020: RM92,904,339), 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.

(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.

With effect from 1 May 2021, HLCB has ceased to provide guarantee for this arrangement.

46 CAPITAL COMMITMENTS

The capital commitments are in respect of:
- property and equipment
- intangible assets

Capital expenditure approved by the Directors but not provided for in the financial statements are as follows:

	The Group	
	2021 RM'000	2020 RM'000
Authorised and contracted for	**102,815**	192,700
Authorised but not contracted for	**29,608**	28,052
	132,423	220,752

47 ULTIMATE HOLDING COMPANY

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

Notes to the Financial Statements

for the financial year ended 30 June 2021

48 CAPITAL ADEQUACY

The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components). The consolidated capital adequacy of the Group includes consolidation of all financial and non-financial subsidiary companies, except the insurance/takaful subsidiary companies which shall be deducted in the calculation of Common Equity Tier 1 ("CET 1") capital. The total risk-weighted assets ("RWA") of the Group are computed based on Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk.

The Capital Adequacy Framework (Capital Components) sets out the minimum capital adequacy ratios as well as requirements on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The minimum capital adequacy requirements for CET 1 capital ratio, Tier 1 capital ratio and Total Capital ratio are 4.500%, 6.000% and 8.000% respectively. The Group is also required to maintain CCB of up to 2.500% of total RWA, which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019 onwards. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which the Group has credit exposures. The minimum capital adequacy including CCB for CET 1 capital ratio, Tier 1 capital ratio and Total capital ratio for year 2019 onwards are 7.000%, 8.500% and 10.500% respectively.

BNM had issued a letter dated 31 May 2021 on extension of additional measures to assist borrowers/customers affected by the COVID-19 pandemic. These measures allow banking institutions to remain focused on supporting the economy during these exceptional and unprecedented circumstances, by extending loan/financing flexibilities which will allow banking institutions to respond swiftly to the needs of their customers. On 9 December 2020, BNM issued a revision to the Capital Adequacy Framework (Capital Components), which sets out BNM's requirements on the transitional arrangements for regulatory capital treatment of accounting provisions for banking institutions. The transitional arrangements have allowed banking institutions to add back a portion of the Stage 1 and Stage 2 provisions for Expected Credit Losses to CET 1 over a four year period beginning 2020 or a three year period beginning 2021. Prior to this revision, BNM issued a letter dated 24 March 2020, which has allowed banking institutions to (1) drawdown on the capital conservation buffer of 2.500%; (2) operate below the minimum Liquidity Coverage Ratio of 100%; (3) reduce the regulatory reserves held against expected losses to 0%; and (4) lower minimum Net Stable Funding Ratio to 80%. While regulatory response and support has been encouraging amidst a challenging operating environment, the Group has opted to not avail itself to BNM's support measures.

(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	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Before deducting proposed dividends								
CET 1 capital ratio	**11.866%**	11.432%	**14.030%**	13.950%	**13.911%**	13.761%	**50.575%**	42.128%
Tier 1 capital ratio	**12.801%**	12.399%	**14.561%**	14.523%	**14.245%**	14.118%	**50.575%**	42.128%
Total capital ratio	**15.697%**	15.382%	**16.703%**	16.750%	**16.301%**	16.245%	**61.409%**	52.768%
After deducting proposed dividends								
CET 1 capital ratio	**11.643%**	11.225%	**13.552%**	13.657%	**13.307%**	13.395%	**34.419%**	35.500%
Tier 1 capital ratio	**12.578%**	12.193%	**14.083%**	14.230%	**13.642%**	13.752%	**34.419%**	35.500%
Total capital ratio	**15.474%**	15.175%	**16.224%**	16.456%	**15.697%**	15.879%	**45.253%**	46.139%

Notes to the Financial Statements

for the financial year ended 30 June 2021

48 CAPITAL ADEQUACY (continued)

(b) The component of CET 1, Tier 1 and Tier 2 capital under the Capital Components Framework are as follows:

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 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	19,213,037	16,910,345	20,751,376	18,172,806	14,139,555	12,661,472	389,376	279,828
Other reserves	1,108,509	979,268	1,217,660	1,029,080	366,088	433,536	1,514	4,207
Qualifying non-controlling interests	6,410,633	5,727,807	-	-	-	-	-	-
Less: Treasury shares	(238,970)	(238,834)	(719,030)	(723,344)	(719,030)	(723,344)	-	-
Less: Other intangible assets	(245,593)	(190,515)	(242,317)	(187,505)	(218,277)	(168,060)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(31,745)	(31,380)
Less: Deferred tax assets	-	-	(275,670)	(86,578)	(183,513)	(55,984)	(121,199)	(85,925)
Less: Investment in subsidiary companies/associated companies	(8,491,639)	(7,332,038)	(5,501,542)	(4,644,527)	(2,725,221)	(2,727,486)	(200)	(200)
Total CET 1 capital	17,676,698	15,776,754	21,138,228	19,467,683	16,627,118	15,387,650	490,696	419,480
Tier 1 capital								
Multi-currency Additional Tier 1 capital securities	799,813	799,695	799,785	799,654	799,785	799,654	-	-
Qualifying non-controlling interests	594,101	535,266	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,393,914	1,334,961	799,785	799,654	799,785	799,654	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,393,914	1,334,961	799,785	799,654	399,785	399,654	-	-
Total Tier 1 capital	19,070,612	17,111,715	21,938,013	20,267,337	17,026,903	15,787,304	490,696	419,480
Tier 2 Capital								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,695,147	1,578,441	1,726,493	1,607,378	1,356,795	1,278,446	5,115	5,940
Subordinated obligations	1,599,861	1,599,820	1,499,970	1,499,970	1,499,970	1,499,970	100,000	100,000
Qualifying non-controlling interests	1,019,015	938,135	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,314,023	4,116,396	3,226,463	3,107,348	2,456,765	2,378,416	105,115	105,940
Total capital	23,384,635	21,228,111	25,164,476	23,374,685	19,483,668	18,165,720	595,811	525,420

Notes to the Financial Statements

for the financial year ended 30 June 2021

48 CAPITAL ADEQUACY (continued)

(c) The breakdown of RWA by each major risk category is as follows:

	Hong Leong Financial Group		Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Credit risk*	**135,611,721**	126,275,278	**138,119,456**	128,590,231	**108,543,591**	102,275,706	**409,205**	476,122
Market risk	**4,167,709**	2,901,209	**3,778,671**	2,496,060	**3,895,661**	2,562,366	**248,108**	257,167
Operational risk	**9,194,803**	8,833,392	**8,761,958**	8,468,140	**7,087,877**	6,983,001	**312,925**	262,434
Total RWA	**148,974,233**	138,009,879	**150,660,085**	139,554,431	**119,527,129**	111,821,073	**970,238**	995,723

* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM847,370,000 (2020: RM238,775,000) 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	
	2021	2020
Before deducting proposed dividends		
CET 1 capital ratio	**11.133%**	10.871%
Tier 1 capital ratio	**12.535%**	12.432%
Total capital ratio	**15.112%**	15.173%
After deducting proposed dividends		
CET 1 capital ratio	**11.133%**	10.871%
Tier 1 capital ratio	**12.535%**	12.432%
Total capital ratio	**15.112%**	15.173%

49 SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

Inter-segment pricing is based on internally computed cost of funds.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period.

Business segments

The Group comprises the following main business segments:

Commercial banking	-	Commercial banking business
Investment banking and asset management	-	Investment banking, futures and stock broking, fund and unit trust management
Insurance	-	Life and general insurance and family takaful business
Other operations	-	Investment holding and provision of management services

Notes to the Financial Statements

for the financial year ended 30 June 2021

49 SEGMENTAL INFORMATION (continued)

Business segment reporting

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

The Group 2021	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	5,450,980	315,554	482,663	(50,325)	-	6,198,872
Inter-segment revenue	15,893	71	1,055	612,355	(629,374)	-
Segment revenue	5,466,873	315,625	483,718	562,030	(629,374)	6,198,872
Overhead expenses of which:	(2,077,808)	(141,597)	(157,190)	(32,201)	16,256	(2,392,540)
Depreciation of property and equipment	(126,609)	(3,628)	(3,661)	(686)	-	(134,584)
Amortisation of intangible assets	(56,948)	(1,528)	(2,802)	(12)	-	(61,290)
(Allowance for)/writeback of impairment losses on loans, advances and financing	(653,819)	3,864	-	-	-	(649,955)
(Allowance for)/writeback of impairment losses on other assets	(260)	(542)	150	-	-	(652)
Segment results	2,734,986	177,350	326,678	529,829	(613,118)	3,155,725
Share of results of associated companies	735,953	-	79,829	-	-	815,782
Profit before taxation	3,470,939	177,350	406,507	529,829	(613,118)	3,971,507
Taxation						(595,146)
Net profit for the financial year						3,376,361
Non-controlling interests						(1,111,107)
Profit attributable to owners of the parent						2,265,254
Other information						
Segment assets	237,129,240	4,224,597	26,770,655	19,493,570	(14,338,096)	273,279,966
Segment liabilities	207,670,126	3,267,606	23,065,819	3,118,542	2,224,435	239,346,528
Other significant segment items						
Capital expenditure	145,044	4,099	13,222	485	-	162,850

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 2021

49 SEGMENTAL INFORMATION (continued)

Business segment reporting (continued)

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

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.

Notes to the Financial Statements

for the financial year ended 30 June 2021

49 SEGMENTAL INFORMATION (continued)

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.

- Overseas operations, which includes branch, subsidiary and associate operations in Singapore, Hong Kong, China, Vietnam and Cambodia. The overseas operations are mainly in commercial banking and insurance business.

The Group	Revenue RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
2021				
Malaysia	**5,823,884**	**256,408,779**	**223,803,775**	**128,288**
Overseas operations	**374,988**	**16,871,187**	**15,542,753**	**34,562**
	6,198,872	**273,279,966**	**239,346,528**	**162,850**
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

50 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties and relationship

In addition to the related party disclosures mentioned elsewhere in the financial statements, other significant related parties transactions and their relationship with the Company are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
HLCM Capital Sdn Bhd, 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

50 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 (formerly known as HLI-Hume 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")	Substantial shareholder
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements ("GLM Group")	Subsidiary and associated companies of substantial shareholder
Subsidiary companies of the Company as disclosed in Note 11	Subsidiary companies of the Company
Key management personnel	The key management personnel of the Group and the Company consists of: - 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 2021

50 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions

Transactions with related parties are as follows:

	The Group			
2021	**Parent company RM'000**	**Associated companies RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Income				
Interest on deposits	-	336	-	-
Interest on loans	-	-	4,103	1
Dividend income	-	-	2,489	-
Rental income	-	117	2,099	-
Brokerage fee received	-	-	1,866	228
Insurance premium received	-	368	8,678	-
Commission on product	-	12,707	-	-
Others	-	-	849	312
	-	13,528	20,084	541
Expenditure				
Rental and maintenance	-	-	9,451	-
Interest on deposits	-	-	-	23
Interest paid on short-term placements	-	-	7,647	2,287
Interest paid on current account and fixed deposits	-	-	1,049	-
Management fees	-	-	39,587	-
Insurance expenses	-	2,337	262	-
Other miscellaneous expenses	-	1,118	9,619	-
	-	3,455	67,615	2,310
Amount due from:				
Loans	-	-	112,785	-
Redeemable preference shares	-	-	25,000	-
Insurance premium receivable	-	-	1,439	-
Credit card	-	-	-	109
Others	-	-	164	-
	-	-	139,388	109
Amount due to:				
Current account and fixed deposits	-	-	3,093	11,091
Short-term placements	-	-	35,617 *	104,200
Others	-	-	16,278	-
	-	-	54,988	115,291

* Transaction with subsidiary companies of ultimate holding company

Notes to the Financial Statements

for the financial year ended 30 June 2021

50 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	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

Notes to the Financial Statements

for the financial year ended 30 June 2021

50 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Company			
2021	**Parent company RM'000**	**Subsidiary companies RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Income				
Dividend income	-	506,075	-	-
Interest on deposits	-	137	-	-
Lease income - sublease	-	203	-	-
Interest on debt instruments	-	110,230	-	-
Management fees	-	9,324	-	-
Other Income	-	1,302	-	-
	-	627,271	-	-
Expenditure				
Insurance	-	88	36	-
Management fees	-	-	2,130	-
Interest on lease liabilities	-	288	-	-
Other miscellaneous expenses	-	679	316	-
	-	1,055	2,482	-
Amount due from:				
Money at call and deposit placements	-	1,601	-	-
Others	-	10	-	-
	-	1,611	-	-
Amount due to:				
Lease liabilities	-	5,099	-	-

50 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	-	-

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

	The Group	
	2021 RM'000	**2020 RM'000**
The approved limit on loans, advances and financing for key management personnel	**2,402**	2,602

Notes to the Financial Statements

for the financial year ended 30 June 2021

50 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel

Key management compensation

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Salaries and other short-term employee benefits	**13,509**	11,586	**12,990**	11,121
Executive share schemes expenses	**7,264**	275	**7,264**	275

Included in the above is the Directors' compensation which is disclosed in Note 41.

Loans made to key management personnel of the Group is on similar terms and conditions generally available to other employees within the Group. No specific allowances were required for loans made to key management personnel.

51 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's financial risk management policies are adopted from its main operating subsidiary companies which are involved in banking and finance, securities and insurance related business.

The Board of Directors ("The Board") of each main operating subsidiary company has the overall responsibility to ensure there is proper oversight of the management of risks in each of the subsidiary company. The Board sets the risk appetite and tolerance level that are consistent with each subsidiary company's overall business objectives and desired risk profile. A number of committees and dedicated risk management functions have been established to address and manage specific areas of risk and implement various risk management policies and procedures.

Specifically, a Board Audit and Risk Management Committee ("BARMC") comprising members of the Directors, has been set up to oversee that risk management at all levels is being managed effectively. They, in turn, report all the risk management activities to the Directors.

Commercial Banking

Group Risk Management ("GRM")

The Banking Group has implemented risk management framework with the objective to ensure the overall financial soundness and stability of the Banking Group's business operations. The Banking Group's risk management framework outlines the overall governance structure, aspiration, values and risk management strategies which aligns the Banking Group's risk profile, capital strategies and return objectives. Appropriate methodologies and measurements have been developed to manage uncertainties such that deviations from intended strategic objectives are closely monitored and kept within tolerable levels.

51 FINANCIAL INSTRUMENTS (continued)

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

<u>Commercial Banking</u> (continued)

Group Risk Management ("GRM") (continued)

From a governance perspective, the Board has the overall responsibility to define the Banking Group's risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is assisted by the Board Risk Management Committee ("BRMC") in approving the Banking Group's risk management framework as well as the attendant capital management and planning policy, risk appetite statements, risk management strategies and risk policies.

Dedicated management level committees are established by the Banking Group to oversee the development and the effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

BRMC is supported by the GRM function. The GRM function has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Banking Group. The core functions of the Banking Group's GRM function is to support line management in identification and management of key and emerging risks for the Banking Group, to measure these risks, to manage the risk positions and to determine the optimum capital allocations. The Banking Group regularly reviews its risk management framework to reflect changes in markets, products, regulatory and emerging best market practice.

Credit Risk Management

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfil their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Banking Group. The Banking Group has established a credit risk governance policy to ensure that exposure to credit risk is kept within the Banking Group's financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines that are reviewed and concurred by the Management Credit Committee ("MCC"), endorsed by the Credit Supervisory Committee ("CSC") and the BRMC, and approved by the Board. These policies are subject to review and enhancements, at least on an annual basis.

Credit portfolio strategies and significant exposures are reviewed by both the BRMC and the Board. These portfolio strategies are designed to achieve a desired portfolio risk tolerance level and sector distribution.

The Banking Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While the business units are responsible for credit origination, the credit approving function rests mainly with the Credit Evaluation Departments, the MCC and the CSC. The Board delegates approving and discretionary authority to the MCC and the various personnel of the Banking Group based on job function and designation.

For any new products, credit risk assessment also forms part of the new product sign-off process to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

Notes to the Financial Statements

for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

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

Commercial Banking (continued)

Credit Risk Management (continued)

The Banking Group's exposure to credit risk is mainly from its retail, small and medium enterprise ("SME"), commercial and corporate customers. The credit assessment for retail customers is managed on a portfolio basis and the risk scoring models and lending templates are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts. The SME, commercial and corporate customers are individually assessed and assigned with a credit rating, which is based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered.

In addition, the Banking Group also conducts periodic stress testing of its credit portfolios to ascertain credit risk impact to capital under the relevant stress scenarios.

Independent Credit Review Team conducts independent post approval reviews on sampling basis to ensure that quality of credit appraisals, approval standards and operational robustness are in accordance with the credit standards, lending policies and the directives established and approved by the Banking Group's management.

Market Risk Management

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

The Banking Group adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. Value at Risk ("VaR"), set in accordance with the size of positions and risk tolerance appetites.

Portfolios held under the Banking Group's trading books are tracked using daily mark-to-market positions, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using VaR and other measurements.

Foreign exchange risks arising from adverse exchange rate movements, is managed by the setting of preset limits, matching of open positions against these preset limits and imposition of cut-loss mechanisms.

Interest rate risk is identified, measured and controlled through various types of limit. In addition, the Banking Group regularly review the interest rate outlook and develop strategies to protect the total net interest income from adverse changes in market interest rates. This applies to both interest rate risk exposures in the trading book and the banking book. In managing interest rate risk in the banking book, the Banking Group measures earnings at risk and economic value or capital at risk.

In addition, the Banking Group also conducts periodic stress testing of the respective portfolios and on an overall basis to ascertain market risk under abnormal market conditions.

51 FINANCIAL INSTRUMENTS (continued)

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

Commercial Banking (continued)

Liquidity Risk Management

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arise from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Banking Group's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

Besides adhering to the Regulatory Liquidity Requirement, the Banking Group has put in place a robust and comprehensive liquidity risk management framework consisting of risk appetite, policies, triggers and controls which are reviewed and concurred by the Banking Group Asset-Liability Committee, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cashflow, maintenance of high quality long-term and short-term marketable debt securities, diversification of funding base as well as maintenance of a liquidity compliance buffer to meet any unexpected cash outflows.

The Banking Group has in place liquidity contingency funding plans and stress test 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 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 2021

51 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 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.

51 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 2021

51 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.

51 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
2021				
+100 basis points ("bps")	**(127,371)**	**(1,088,491)**	**(181)**	**-**
-100 bps	**154,983**	**1,116,103**	**181**	**-**
2020				
+100 bps	34,835	(806,870)	(860)	-
-100 bps	(12,402)	829,303	860	-

Notes to the Financial Statements
for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis

The Group and the Company take on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows.

The table below sets out the principal structure of foreign exchange exposures of the Group and the Company:

	The Group Net receivable/ (payable) exposure	
	2021 RM'000	**2020 RM'000**
United States Dollar ("USD")	**707,221**	474,780
Euro ("EUR")	**(143,486)**	3,529
Great Britain Pound ("GBP")	**8,974**	11,042
Singapore Dollar ("SGD")	**24,089**	124,247
Chinese Yuan Renminbi ("CNY")	**212,251**	6,566
Hong Kong Dollar ("HKD")	**453,212**	439,644
Japanese Yen ("JPY")	**29**	40
Australian Dollar ("AUD")	**(55,083)**	(20,278)
Others	**244,886**	109,615
	1,452,093	1,149,185

51 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis (continued)

An analysis of the exposures to assess the impact of a one per cent change in the RM exchange rates to the profit after tax are as follows:

	The Group Increase/(decrease)	
	2021 RM'000	2020 RM'000
+ 1%		
United States Dollar ("USD")	3,366	1,492
Euro ("EUR")	(1,091)	27
Great Britain Pound ("GBP")	66	76
Singapore Dollar ("SGD")	253	869
Chinese Yuan Renminbi ("CNY")	1,613	49
Hong Kong Dollar ("HKD")	(646)	388
Australian Dollar ("AUD")	(389)	(172)
Others	1,862	834
	5,034	3,563
- 1%		
United States Dollar ("USD")	(3,366)	(1,492)
Euro ("EUR")	1,091	(27)
Great Britain Pound ("GBP")	(66)	(76)
Singapore Dollar ("SGD")	(253)	(869)
Chinese Yuan Renminbi ("CNY")	(1,613)	(49)
Hong Kong Dollar ("HKD")	646	(388)
Australian Dollar ("AUD")	389	172
Others	(1,862)	(834)
	(5,034)	(3,563)

Notes to the Financial Statements

for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iii) Equity risk

Equity risk refers to the impact of change in equity positions held by the Group for yield purposes.

	The Group Increase/(decrease)	
	Impact on profit after tax RM'000	Impact on equity RM'000
2021		
+ 20% change in equity market price	**94,140**	**84,648**
- 20% change in equity market price	**(94,140)**	**(84,648)**
2020		
+ 20% change in equity market price	64,673	57,827
- 20% change in equity market price	(64,673)	(57,827)

Notes to the Financial Statements

for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

	The Group Non-trading book							
2021	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	3,986,933	877,225	-	-	-	2,066,547	-	6,930,705
Deposits and placements with banks and other financial institutions	-	2,567,250	4,613,988	-	-	9,241	-	7,190,479
Financial assets at fair value through profit or loss	-	-	-	-	-	5,296,824	22,742,389	28,039,213
Financial investments at fair value through other comprehensive income	1,629,768	410,652	1,598,521	23,633,078	8,475,196	53,843	-	35,801,058
Financial investments at amortised cost	829,227	45,054	1,796,298	14,993,380	6,743,650	286,584	-	24,694,193
Derivative financial instruments								
- Trading derivatives	-	-	-	-	-	-	1,050,702	1,050,702
- Hedging derivatives	-	-	-	731	195	-	-	926
Loans, advances and financing								
- Performing	130,465,824	519,175	884,518	9,070,473	12,983,441	372,428	-	154,295,859
- Impaired^	84,405	6,077	7,207	45,180	340,029	-	-	482,898
Clients' and brokers' balances	-	-	-	-	-	526,781	-	526,781
Other receivables	37,949	157	705	4,074	-	1,964,880	-	2,007,765
Statutory deposits with Central Banks	-	-	-	-	192,177	301,428	-	493,605
Total financial assets	137,034,106	4,425,590	8,901,237	47,746,916	28,734,688	10,878,556	23,793,091	261,514,184

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

Notes to the Financial Statements

for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

	The Group							
	Non-trading book							
2021	**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	69,329,187	34,044,417	43,654,840	1,511,637	1,607,004	31,621,735	-	181,768,820
Investment accounts of customers	97,691	153,874	886,485	-	-	7,104	-	1,145,154
Deposits and placements of banks and other financial institutions	10,268,158	1,874,711	703,175	1,026,623	290,668	16,126	-	14,179,461
Obligations on securities sold under repurchase agreements	499,969	242,393	-	-	-	388	-	742,750
Bills and acceptance payable	9,683	12,991	8,550	-	-	158,418	-	189,642
Derivative financial instruments								
- Trading derivatives	-	-	-	1,643	-	-	952,103	953,746
- Hedging derivatives	1,810	-	3,479	11,916	-	-	-	17,205
Clients' and brokers' balances	-	-	-	-	-	207,183	-	207,183
Payables and other liabilities	1,635	574	17,571	-	-	16,529,229	-	16,549,009
Recourse obligations on loans/financing sold to Cagamas Berhad	-	-	47,711	979,421	-	6,707	-	1,033,839
Provision for claims	-	-	-	-	-	247,366	-	247,366
Borrowings	282,000	400,000	-	(25,335)	-	5,361	-	662,026
Multi-currency Additional Tier 1 capital securities	-	-	-	793,977	-	12,578	-	806,555
Subordinated obligations	-	-	-	1,649,970	548,690	8,519	-	2,207,179
Lease liabilities	4,047	7,959	33,858	128,815	19,857	10,336	-	204,872
Insurance funds	-	-	-	-	-	17,731,780	-	17,731,780
Total financial liabilities	80,494,180	36,736,919	45,355,669	6,078,667	2,466,219	66,562,830	952,103	238,646,587
Net interest sensitivity gap	56,539,926	(32,311,329)	(36,454,432)	41,668,249	26,268,469			
Financial guarantees	-	-	-	-	-	606,213		
Credit related commitments and contingencies	-	-	-	-	-	52,588,138		
Treasury related commitments and contingencies (hedging)	-	-	200,000	879,167	200,000	-		
Net interest sensitivity gap	-	-	200,000	879,167	200,000	53,194,351		

Notes to the Financial Statements

for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

	The Group Non-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 2021

51 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

	The Group Non–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 2021

51 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Company's exposure to interest/profit rate risks. Included in the tables are the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

	The Company Non-trading book							
2021	**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	10,614	-	-	-	-	-	-	10,614
Deposits and placements with banks and other financial institutions	-	3,360	-	-	-	-	-	3,360
Other receivables	78	157	705	4,074	-	504	-	5,518
Amount due from subsidiary companies	-	-	-	-	-	10	-	10
Total financial assets	10,692	3,517	705	4,074	-	514	-	19,502
Financial liabilities								
Payables and other liabilities	289	-	14,928	-	-	1,165	-	16,382
Borrowings								
- Term loans	1,000	-	-	-	-	-	-	1,000
- Revolving credit	125,000	-	-	-	-	94	-	125,094
- Commercial papers	156,000	-	-	-	-	(154)	-	155,846
- Senior notes	-	400,000	-	-	-	5,421	-	405,421
Multi-currency Additional Tier 1 capital securities	-	-	-	800,000	-	5,975	-	805,975
Subordinated obligations	-	-	-	-	1,600,000	1,242	-	1,601,242
Lease liabilities	69	139	642	4,249	-	-	-	5,099
Total financial liabilities	282,358	400,139	15,570	804,249	1,600,000	13,743	-	3,116,059
Net interest sensitivity gap	(271,666)	(396,622)	(14,865)	(800,175)	(1,600,000)			

Notes to the Financial Statements

for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Company's exposure to interest/profit rate risks. Included in the tables are the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

	The Company 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 notes	-	-	-	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 2021

51 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Company to meet its contractual or regulatory obligations when they become due without incurring substantial losses. The liquidity risk is identified based on concentration, volatility of source of fund and funding maturity structure and it is measured primarily using Bank Negara Malaysia's New Liquidity Framework and depositor's concentration ratios. The Group and the Company seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity:

	The Group							
2021	**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	3,282,848	2,656,285	877,225	-	-	-	114,347	6,930,705
Deposits and placements with banks and other financial institutions	472,207	402,877	4,086,549	2,171,919	51,745	-	5,182	7,190,479
Financial assets at fair value through profit or loss	108	202,807	642,825	454,960	541,622	19,495,103	6,701,788	28,039,213
Financial investments at fair value through other comprehensive income	389,565	940,668	323,144	541,136	1,057,683	32,479,768	69,094	35,801,058
Financial investments at amortised cost	817,213	34,692	139,213	32,292	1,779,218	21,891,565	-	24,694,193
Derivative financial instruments	30,404	137,314	140,519	81,345	103,225	558,821	-	1,051,628
Loans, advances and financing	12,121,795	7,346,074	4,736,943	2,389,468	1,304,291	126,880,186	-	154,778,757
Clients' and brokers' balances	204,732	-	-	-	322,049	-	-	526,781
Other receivables	1,131,860	8,309	190,547	19,759	106,011	142,573	520,174	2,119,233
Statutory deposits with Central Banks	-	-	-	-	-	-	493,605	493,605
Tax recoverable	-	-	9,310	13,965	21,835	-	10,865	55,975
Investment in associated companies	-	-	-	-	-	-	6,872,915	6,872,915
Deferred tax assets	-	-	-	-	(6,072)	(373,763)	399,088	19,253
Property and equipment	-	-	-	-	-	-	1,355,232	1,355,232
Investment properties	-	-	-	-	-	-	469,610	469,610
Goodwill arising on consolidation	-	-	-	-	-	-	2,410,644	2,410,644
Intangible assets	-	-	-	-	-	-	259,994	259,994
Right-of-use assets	-	78	157	235	548	3,997	205,679	210,694
Total assets	18,450,732	11,729,104	11,146,432	5,705,079	5,282,155	201,078,250	19,888,217	273,279,969

Notes to the Financial Statements

for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

	The Group							
2021	**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	73,295,875	25,418,033	34,136,965	23,026,162	20,712,536	5,179,249	-	181,768,820
Investment accounts of customers	10,879	87,633	154,762	349,307	542,573	-	-	1,145,154
Deposits and placements of banks and other financial institutions	7,066,237	3,360,096	2,050,228	315,989	69,620	1,317,291	-	14,179,461
Obligations on securities sold under repurchase agreements	-	500,345	242,405	-	-	-	-	742,750
Bills and acceptances payable	109	9,575	12,991	8,519	31	-	158,417	189,642
Derivative financial instruments	23,961	41,334	62,894	65,192	99,290	678,280	-	970,951
Clients' and brokers' balances	207,183	-	-	-	-	-	-	207,183
Payables and other liabilities	5,093,880	7,482,549	84,234	7,519	4,097,880	1,422	100,657	16,868,141
Recourse obligations on loans/financing sold to Cagamas Berhad	-	-	5,734	973	47,711	979,421	-	1,033,839
Provision for claims	-	-	-	-	247,366	-	-	247,366
Provision for taxation	-	-	-	-	27,016	-	353,793	380,809
Borrowings	-	281,940	-	-	-	380,086	-	662,026
Multi-currency Additional Tier 1 capital securities	-	-	4,806	1,799	-	799,950	-	806,555
Subordinated obligations	-	-	4,651	2,626	-	2,199,902	-	2,207,179
Lease liabilities	293	4,006	8,591	12,593	23,630	154,986	773	204,872
Insurance funds	-	555	115	2,140	5,956,321	11,772,649	-	17,731,780
Total liabilities	85,698,417	37,186,066	36,768,376	23,792,819	31,823,974	23,463,236	613,640	239,346,528
Total equity	-	-	-	-	-	-	33,933,438	33,933,438
Total liabilities and equity	85,698,417	37,186,066	36,768,376	23,792,819	31,823,974	23,463,236	34,547,078	273,279,966
Net liquidity gap	(67,247,685)	(25,456,962)	(25,621,944)	(18,087,740)	(26,541,819)	177,615,014		

Notes to the Financial Statements

for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

	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 2021

51 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

	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 2021

51 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

	The Company							
2021	**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	10,614	-	-	-	-	-	-	10,614
Deposits and placements with banks and other financial institutions	-	-	3,360	-	-	-	-	3,360
Other receivables	34	-	-	-	-	1,928	-	1,962
Amount due from subsidiary companies	-	-	-	-	-	-	10	10
Tax recoverable	-	-	-	-	-	-	10,836	10,836
Investment in subsidiary companies	-	-	4,862	4,309	-	-	19,449,081	19,458,252
Deferred tax assets	-	-	-	-	-	-	184	184
Property and equipment	-	-	-	-	-	-	3,189	3,189
Intangible assets	-	-	-	-	-	-	107	107
Right-of-use assets	-	78	157	235	548	3,997	-	5,015
Total assets	10,648	78	8,379	4,544	548	5,925	19,463,407	19,493,529
Liabilities								
Payables and other liabilities	-	307	-	803	14,928	1,182	-	17,220
Borrowings								
- Term loans	-	1,000	-	-	-	-	-	1,000
- Revolving credits	-	125,094	-	-	-	-	-	125,094
- Commercial papers	-	155,846	-	-	-	-	-	155,846
- Senior notes	-	-	-	-	-	405,421	-	405,421
Multi-currency Additional Tier 1 capital securities	-	-	-	-	-	805,975	-	805,975
Subordinated obligations	-	-	-	-	-	1,601,242	-	1,601,242
Lease liabilities	-	69	139	211	431	4,249	-	5,099
Total liabilities	-	282,316	139	1,014	15,359	2,818,069	-	3,116,897
Total equity	-	-	-	-	-	-	16,376,632	16,376,632
Total liabilities and equity	-	282,316	139	1,014	15,359	2,818,069	16,376,632	19,493,529
Net liquidity gap	10,648	(282,238)	8,240	3,530	(14,811)	(2,812,144)		

Notes to the Financial Statements
for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

	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 asset	-	-	-	-	-	-	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 notes	-	-	-	-	-	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 2021

51 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

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

	The Group					
2021	**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	49,758,632	37,683,565	52,198,537	41,731,977	1,422,046	182,794,757
Investment accounts of customer	99,105	160,125	913,760	-	-	1,172,990
Deposits and placements of banks and other financial institutions	10,501,491	2,026,846	411,494	1,026,623	290,667	14,257,121
Obligations on securities sold under repurchase agreements	523,564	247,913	-	-	-	771,477
Bills and acceptances payable	165,760	-	-	-	-	165,760
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(10,275,203)	(6,678,297)	(7,356,782)	(2,560,880)	(1,158,337)	(28,029,499)
- Outflow	10,321,768	6,717,484	7,409,099	2,611,842	1,167,193	28,227,386
- Net settled derivatives	22,831	45,183	256,605	290,032	104,661	719,312
Clients' and brokers' balances	207,183	-	-	-	-	207,183
Payables and other liabilities	12,385,630	70,461	4,093,899	25	1,403	16,551,418
Recourse obligations on loans/financing sold to Cagamas Berhad	-	7,824	76,626	996,758	-	1,081,208
Provision for claims	-	-	247,366	-	-	247,366
Borrowings	488	409,668	2,858	257,226	-	670,240
Multi-currency Additional Tier 1 capital securities	-	19,237	60,305	891,507	-	971,049
Subordinated obligations	-	7,860	131,961	1,929,892	622,721	2,692,434
Lease liabilities	5,572	11,367	41,348	117,260	65,008	240,555
Insurance funds	555	115	6,031,596	4,144,409	17,222,083	27,398,758
Total financial liabilities	73,717,376	40,729,351	64,518,672	51,436,671	19,737,445	250,139,515

Notes to the Financial Statements

for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

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

	The 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 2021

51 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

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

	The Company					
2021	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	307	-	15,732	-	1,182	17,221
Borrowings						
- Term loans	2	4	18	1,008	-	1,032
- Revolving credit	221	441	2,037	115,834	-	118,533
- Commercial papers	265	547	804	165,719	-	167,335
- Senior notes	-	408,676	-	-	-	408,676
Multi-currency Additional Tier 1 capital securities	-	9,719	30,423	849,159	-	889,301
Subordinated obligations	-	-	72,085	1,719,312	-	1,791,397
Total financial liabilities	795	419,387	121,099	2,851,032	1,182	3,393,495

Notes to the Financial Statements

for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

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

	The Company					
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

51 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's commitments and contingencies:

	The Group		
	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
2021			
Direct credit substitutes	**172,400**	**200**	**172,600**
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	**911,550**	**-**	**911,550**
Short-term self liquidating trade related contingencies	**426,359**	**7,254**	**433,613**
Irrevocable commitments to extend credit	**23,767,882**	**20,459,242**	**44,227,124**
Other commitments, such as formal standby facilities and credit lines, with an original maturity	**-**	**30,000**	**30,000**
Unutilised credit card lines	**7,419,464**	**-**	**7,419,464**
Total commitments and contingencies	**32,697,655**	**20,496,696**	**53,194,351**
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	17,777,310	38,633,668
Other commitments, such as formal standby facilities and credit lines, with an original maturity	-	30,000	30,000
Unutilised credit card lines	7,463,767	-	7,463,767
Total commitments and contingencies	29,666,127	17,857,310	47,523,437

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 2021

51 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

The table below shows the maximum exposure to credit risk for the Group and the Company that are subject to impairment:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 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)	**12,345,550**	18,617,174	**13,974**	19,170
Securities purchased under resale agreements	**-**	50,172	**-**	-
Financial assets and investments portfolios (exclude shares and unit trust investments)				
- Financial investments at FVOCI	**35,731,964**	28,488,979	**-**	-
- Financial investments at amortised cost	**24,694,193**	20,969,566	**-**	-
Loans, advances and financing	**154,778,757**	145,520,789	**-**	-
Clients' and brokers' balances	**526,781**	575,973	**-**	-
Other receivables	**1,964,880**	1,735,460	**504**	45,413
Amount due from subsidiary companies	**-**	-	**10**	34
	230,042,125	215,958,113	**14,488**	64,617
Credit risk exposure relating to off-balance sheet assets:				
Commitments and contingencies	**53,194,351**	47,523,437	**-**	-
Total maximum credit risk exposure	**283,236,476**	263,481,550	**14,488**	64,617

51 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

The table below shows the credit exposure of the Group and the Company that are not subject to impairment:

	The Group	
	2021 RM'000	**2020 RM'000**
Financial assets at FVTPL	**21,493,030**	19,107,478
Derivative assets	**1,051,628**	1,176,645
	22,544,658	20,284,123

(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 RM117.8 million (2020: RM159.6 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 92.07% (2020: 86.57%). 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 94.08% (2020: 85.64%).

Notes to the Financial Statements

for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit exposure by stage

Financial assets of the Group and the Company are classified into three stages as below:

Stages	Description
Stage 1: 12 months ECL - 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.

51 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The credit quality of financial instruments other than loans, advances and financing are determined based on the ratings of counterparties as defined equivalent rating of other international rating agencies as defined below.

Sovereign	Refer to financial asset issued by federal government or guarantee by federal government.
Investment grade	Refers to the credit quality of the financial asset that the issuer is able to meet payment obligation and exposure bondholder to low credit risk of default.
Non-investment grade	Refers to low credit quality of the financial asset that is highly expose to default risk.
Un-graded	Refers to financial assets which are currently not assigned with ratings due to unavailability of rating models.
Credit impaired	Refers to the asset that is being impaired.

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

The Group 2021	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	2,207,460	-	-	2,207,460
Investment grade	1,941,951	-	-	1,941,951
Non-Investment grade	75,384	-	-	75,384
Un-graded	8,121,045	-	-	8,121,045
Gross carrying amount	12,345,840	-	-	12,345,840
Expected credit losses	(290)	-	-	(290)
Net carrying amount	12,345,550	-	-	12,345,550

Notes to the Financial Statements

for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial investments at FVOCI:				
Sovereign	24,629,368	-	-	24,629,368
Investment grade	10,286,102	-	-	10,286,102
Non-investment grade	177,654	-	-	177,654
Un-graded	638,840	-	-	638,840
Gross carrying amount	35,731,964	-	-	35,731,964
Expected credit losses	(2,266)	-	-	(2,266)
Net carrying amount	35,729,698	-	-	35,729,698
Financial investments at amortised cost:				
Sovereign	22,697,936	-	-	22,697,936
Investment grade	958,690	-	-	958,690
Un-graded	1,037,647	-	-	1,037,647
Gross carrying amount	24,694,273	-	-	24,694,273
Expected credit losses	(80)	-	-	(80)
Net carrying amount	24,694,193	-	-	24,694,193
Loans, advances and financing:				
Good	125,801,033	255,907	-	126,056,940
Adequate	19,113,301	1,886,310	-	20,999,611
Marginal	-	7,580,674	-	7,580,674
Un-graded	1,163,444	12,501	-	1,175,945
Credit impaired	-	-	717,672	717,672
Gross carrying amount	146,077,778	9,735,392	717,672	156,530,842
Expected credit losses	(1,075,247)	(459,868)	(234,635)	(1,769,750)
Others*	17,665	-	-	17,665
Net carrying amount	145,020,196	9,275,524	483,037	154,778,757

* Included fair value changes arising from fair value hedges.

51 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group 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
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	(1,566)	-	-	(1,566)
Net carrying amount	28,487,413	-	-	28,487,413
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

Notes to the Financial Statements

for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
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.

(v) Collateral and other credit enhancements obtained

	The Group	
	2021 RM'000	2020 RM'000
Properties	**315,415**	378,268

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 2021

51 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											
2021	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	-	16,092	177,267	-	2,900,140	-	1,500	-	3,094,999	-	1,118,442	45
Mining and quarrying	-	-	-	-	286,701	-	-	-	286,701	-	140,888	-
Manufacturing	-	30,141	-	-	12,689,435	-	351	-	12,719,927	-	8,512,571	213,999
Electricity, gas and water	-	1,194,791	2,913,441	657,805	648,736	-	-	-	5,414,773	-	463,631	3,129
Construction	-	302,160	460,104	5,010	4,262,062	-	79	-	5,029,415	1,000	4,155,869	12,270
Wholesale and retail	-	-	68,148	-	13,761,363	-	-	-	13,829,511	-	8,199,353	213,977
Transport, storage and communications	-	198,658	481,713	-	4,804,651	-	70	-	5,485,092	-	1,730,336	2,521
Finance, insurance, real estate and business services	12,061,163	13,794,396	11,327,133	1,970,122	12,256,108	322,049	1,905,576	1,051,628	54,688,175	-	6,148,829	113,540
Government and government agencies	284,387	5,956,792	20,263,849	22,061,256	-	-	3,825	-	48,570,109	-	-	42,938
Education, health and others	-	-	-	-	1,584,308	-	-	-	1,584,308	-	519,652	-
Household	-	-	-	-	100,852,419	-	-	-	100,852,419	-	20,645,682	2,661
Purchase of securities	-	-	-	-	293,866	204,732	-	-	498,598	911,550	-	-
Others	-	-	40,309	-	438,968	-	53,479	-	532,756	30,000	11,335	133
	12,345,550	21,493,030	35,731,964	24,694,193	154,778,757	526,781	1,964,880	1,051,628	252,586,783	942,550	51,646,588	605,213

Notes to the Financial Statements

for the financial year ended 30 June 2021

51 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(vi) Credit risk exposure analysed by industry analysis for the financial assets are set out below: (continued)

	The 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

51 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(vi) Credit risk exposure analysed by industry analysis for the financial assets are set out below: (continued)

	The Company			
	Short-term funds and placements with banks and other financial institutions RM'000	Other receivables RM'000	Amount due from subsidiaries RM'000	Total credit risk exposures RM'000
2021				
Finance, insurance, real estate and business services	**13,974**	**504**	**10**	**14,488**
2020				
Finance, insurance, real estate and business services	19,170	45,413	34	64,617

(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 RM319.9 million (2020: RM398.3 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 2021

51 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.

The amounts of loans, advances and financing whose cash flows are modified and of which modification loss is recognised during the year for the Group are RM1,012.8 million (2020: RM15,338.5 million).

(ix) Sensitivity analysis

The Group have performed ECL sensitivity assessment on loans, advances and financing based on the changes in key macroeconomic variables, such as consumer price index, private consumption, house price index, unemployment rates and banking system credit while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the ECL of the Group.

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant:

(a) Retail

	The Group Changes	
	2021	**2020**
Private consumption	**+/- 100 bps**	+/- 50 bps
House price index	**+/- 100 bps**	+/- 150 bps
Unemployment rate	**+/- 200 bps**	+/- 100 bps

	The Group	
	2021 RM'000	**2020 RM'000**
Total effect of ECL on the positive changes in key variables	**(10,113)**	(7,238)
Total effect of ECL on the negative changes in key variables	**4,702**	362

51 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(ix) Sensitivity analysis (continued)

(b) Non-retail

	The Group Changes 2021	The Group Changes 2020
Banking system credit	**+/- 100 bps**	+/- 100 bps
Gross domestic product	**+/- 100 bps**	+/- 50 bps

	The Group 2021 RM'000	The Group 2020 RM'000
Total effect of ECL on the positive changes in key variables	**(5,196)**	(3,606)
Total effect of ECL on the negative changes in key variables	**3,160**	1,457

(iix) Overlays and adjustments for expected credit losses amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL for the year ended and as at 30 June 2021.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021.

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

The borrowers and customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays and post-model adjustments were generally made at portfolio level in determining the sufficient level of ECL.

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19 with a gradual recovery, the impact of these post-model adjustments were estimated at portfolio level, remain outside the core MFRS 9 process and amount to RM812.2 million (2020: RM301.0 million) of the Group's ECL on loans, advances and financing as at 30 June 2021.

Notes to the Financial Statements
for the financial year ended 30 June 2021

52 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the statement of financial position date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

(a) Determination of fair value and fair value hierarchy

The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Valuation techniques

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices 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.

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

	Fair value			
The Group	**Level 1**	**Level 2**	**Level 3**	**Total**
2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Recurring fair value measurements				
Financial assets				
Financial assets at FVTPL				
- Money market instruments	-	13,953,809	-	13,953,809
- Quoted securities	5,994,242	-	-	5,994,242
- Unquoted securities	-	7,716,433	374,729	8,091,162
Financial investments at FVOCI				
- Money market instruments	-	20,621,026	-	20,621,026
- Quoted securities	4,658,127	-	-	4,658,127
- Unquoted securities	-	10,452,811	69,094	10,521,905
Derivative financial instruments	2,886	971,829	76,913	1,051,628
	10,655,255	53,715,908	520,736	64,891,899
Financial liabilities				
Derivative financial instruments	1,654	892,384	76,913	970,951
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,358,498	-	1,358,498
	1,654	2,250,882	76,913	2,329,449

Notes to the Financial Statements

for the financial year ended 30 June 2021

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy: (continued)

The Group 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	3,955,513	-	-	3,955,513
- Unquoted securities	-	10,047,531	60,094	10,107,625
Derivative financial instruments	8	1,163,145	13,492	1,176,645
	8,520,495	44,498,285	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

The Company	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021				
Recurring fair value measurements				
Financial assets				
Financial assets at FVTPL				
- Quoted securities	**-**	**-**	**-**	**-**
2020				
Recurring fair value measurements				
Financial assets				
Financial assets at FVTPL				
- Quoted securities	292,671	-	-	292,671

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 (2020: RM Nil).

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, as below:

	The Group			
	Financial assets			Financial liability
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
2021				
As at 1 July	**354,383**	**60,094**	**13,492**	**13,492**
Fair value changes recognised in statements of income	**21,778**	**-**	**77,666**	**77,666**
Net fair value changes recognised in other comprehensive income	**-**	**9,000**	**-**	**-**
Purchases	**-**	**-**	**62,449**	**62,449**
Disposal	**(1,432)**	**-**	**-**	**-**
Settlements	**-**	**-**	**(76,694)**	**(76,694)**
As at 30 June	**374,729**	**69,094**	**76,913**	**76,913**
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2021	**21,778**	**-**	**77,666**	**77,666**
Total gain recognised in other comprehensive income relating to assets held on 30 June 2021	**-**	**9,000**	**-**	**-**
2020				
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	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2021

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair value hierarchy (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

	The Group					
2021 Description	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	374,729	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments at FVOCI						
Unquoted shares	69,094	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	76,913	(76,913)	Monte Carlo Simulation	Equity volatility	4% to 72%	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 -25%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair value hierarchy (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (continued)

2020 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	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

52 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
2021				
Derivative financial instruments				
- Equity derivatives	Equity volatility	**+10%**	**802**	**(802)**
		-10%	**(1,009)**	**1,009**
	Equity/FX	**+10%**	**(504)**	**504**
	Correlation	**-10%**	**(113)**	**113**
	Total*		**(824)**	**824**
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)

* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Fair values of financial instruments not carried at fair value

Set out below is the comparison of the carrying amount and fair value of those financial instruments of the Group and the Company which are not carried at fair value in the financial instruments, but for which fair value is disclosed. It does not include those short term/on demand financial assets and financial liabilities where the carrying amount are reasonable approximation of their fair values:

	The Group			
	Carrying amount 2021 RM'000	Fair value 2021 RM'000	Carrying amount 2020 RM'000	Fair value 2020 RM'000
Financial assets				
Financial investments at amortised cost				
- Money market instruments	**19,415,499**	**19,420,730**	15,233,895	15,524,230
- Quoted securities	**881,763**	**864,795**	1,003,155	996,921
- Unquoted securities	**4,396,931**	**4,427,722**	4,732,516	4,812,302
Loans, advances and financing	**154,778,757**	**155,640,565**	145,520,789	146,260,202
	179,472,950	**180,353,812**	166,490,355	167,593,655
Financial liabilities				
Deposits from customers	**180,410,322**	**180,319,716**	170,774,547	170,959,392
Recourse obligations on loans sold to Cagamas Berhad	**1,033,839**	**1,066,933**	1,049,005	1,068,699
Borrowings	**662,026**	**659,502**	1,152,827	1,154,170
Subordinated obligations	**2,207,179**	**2,345,731**	1,906,982	2,101,159
Multi-currency Additional Tier 1 capital securities	**806,555**	**861,981**	806,499	885,632
	185,119,921	**185,253,863**	175,689,860	176,169,052

	The Company			
	Carrying amount 2021 RM'000	Fair value 2021 RM'000	Carrying amount 2020 RM'000	Fair value 2020 RM'000
Financial liabilities				
Borrowings	**687,361**	**684,837**	1,208,506	1,209,849
Subordinated obligations	**1,601,242**	**1,688,242**	1,600,594	1,721,873
Multi-currency Additional Tier 1 capital securities	**805,975**	**832,299**	805,639	845,756
	3,094,578	**3,205,378**	3,614,739	3,777,478

Notes to the Financial Statements
for the financial year ended 30 June 2021

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Fair values of financial instruments not carried at fair value (continued)

The following table analyses within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value but for which fair value is disclosed:

The Group	Carrying amount RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
2021				
Financial assets				
Financial investments at amortised cost				
- Money market instruments	**19,415,499**	**-**	**19,420,730**	**-**
- Quoted securities	**881,763**	**-**	**864,795**	**-**
- Unquoted securities	**4,396,931**	**-**	**4,427,722**	**-**
Loans, advances and financing	**154,778,757**	**-**	**155,640,565**	**-**
	179,472,950	**-**	**180,353,812**	**-**
Financial liabilities				
Deposits from customers	**180,410,322**	**-**	**180,319,716**	**-**
Recourse obligations on loans sold to Cagamas Berhad	**1,033,839**	**-**	**1,066,933**	**-**
Borrowings	**662,026**	**-**	**659,502**	**-**
Subordinated obligations	**2,207,179**	**-**	**2,345,731**	**-**
Multi-currency Additional Tier 1 capital securities	**806,555**	**-**	**861,981**	**-**
	185,119,921	**-**	**185,253,863**	**-**
2020				
Financial assets				
Financial investments at amortised cost				
- Money market instruments	15,233,895	-	15,524,230	-
- Quoted securities	1,003,155	-	996,921	-
- Unquoted securities	4,732,516	-	4,812,302	-
Loans, advances and financing	145,520,789	-	146,260,202	-
	166,490,355	-	167,593,655	-
Financial liabilities				
Deposits from customers	170,774,547	-	170,959,392	-
Recourse obligations on loans sold to Cagamas Berhad	1,049,005	-	1,068,699	-
Borrowings	1,152,827	-	1,154,170	-
Subordinated obligations	1,906,982	-	2,101,159	-
Multi-currency Additional Tier 1 capital securities	806,499	-	885,632	-
	175,689,860	-	176,169,052	-

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Fair values of financial instruments not carried at fair value (continued)

The following table analyses within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value but for which fair value is disclosed: (continued)

The Company	Carrying amount RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
2021				
Financial liabilities				
Borrowings	**687,361**	**-**	**684,837**	**-**
Subordinated obligations	**1,601,242**	**-**	**1,688,242**	**-**
Multi-currency Additional Tier 1 capital securities	**805,975**	**-**	**832,299**	**-**
	3,094,578	**-**	**3,205,378**	**-**
2020				
Financial liabilities				
Borrowings	1,208,506	-	1,209,849	-
Subordinated obligations	1,600,594	-	1,721,873	-
Multi-currency Additional Tier 1 capital securities	805,639	-	845,756	-
	3,614,739	-	3,777,478	-

(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 2021

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Fair value methodologies and assumptions (continued)

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of banks and other financial institutions, bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Recourse obligations on loans sold to Cagamas Berhad

For amounts due to Cagamas Berhad with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amounts due to Cagamas Berhad with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

Subordinated obligations, senior 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.

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Fair value methodologies and assumptions (continued)

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Company would receive or pay to transfer the contracts at the statements of financial position date.

53 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

				Related amount not set off in the statements of financial position		
The Group 2021	**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	798,117	(271,336)	526,781	-	-	526,781
Derivative financial instruments	1,051,628	-	1,051,628	(589,540)	(116,226)	345,862
Total	1,849,745	(271,336)	1,578,409	(589,540)	(116,226)	872,643
Financial liabilities						
Clients' and brokers' balances	390,776	(183,593)	207,183	-	-	207,183
Derivative financial instruments	970,951	-	970,951	(605,619)	(275,677)	89,655
Obligations on securities sold under repurchase agreements	742,750	-	742,750	(742,750)	-	-
Payables and other liabilities	16,955,884	(87,743)	16,868,141	-	-	16,868,141
Total	19,060,361	(271,336)	18,789,025	(1,348,369)	(275,677)	17,164,979

Notes to the Financial Statements

for the financial year ended 30 June 2021

53 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows: (continued)

The Group 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	Related amount not set off in the statements of financial position: Values of the financial instruments RM'000	Related amount not set off in the statements of financial position: 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

54 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 2021

54 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

Executive Share Scheme ("ESS") established using the shares of the Company - The Company and its subsidiary company Hong Leong Assurance Berhad (continued)

(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.

54 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

Executive Share Scheme ("ESS") established using the shares of the Company - The Company and its subsidiary company Hong Leong Assurance Berhad (continued)

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			
	2021		2020	
	Number of trust shares held unit'000	Cost RM'000	Number of trust shares held unit'000	Cost RM'000
As at 1 July	**13,718**	**238,834**	9,172	161,909
Purchase of treasury shares	**10**	**136**	4,548	76,958
Exercise of share option	**-**	**-**	(2)	(33)
As at 30 June	**13,728**	**238,970**	13,718	238,834

	The Company			
	2021		2020	
	Number of trust shares held unit'000	Cost RM'000	Number of trust shares held unit'000	Cost RM'000
As at 1 July	**9,636**	**180,587**	8,089	152,144
Purchase of treasury shares	**-**	**-**	1,547	28,443
As at 30 June	**9,636**	**180,587**	9,636	180,587

Notes to the Financial Statements

for the financial year ended 30 June 2021

54 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

Executive Share Scheme ("ESS") established using the shares of the Company - The Company and its subsidiary company Hong Leong Assurance Berhad (continued)

ESOS

The options granted under the scheme are as follows:

	The Group					
Grant date	As at 1 July	Option granted	Exercised	Ceased/ forfeited	Outstanding as at 30 June	Exercisable as at 30 June
2021						
15-Dec-17	**12,425,000**	**-**	**-**	**-**	**12,425,000**	**-**
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	-

	The Company					
Grant date	As at 1 July	Option granted	Exercised	Ceased/ forfeited	Outstanding as at 30 June	Exercisable as at 30 June
2021						
15-Dec-17	**7,000,000**	**-**	**-**	**-**	**7,000,000**	**-**
2020						
15-Dec-17	10,000,000	-	-	(3,000,000)	7,000,000	-

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.

54 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

Executive Share Scheme ("ESS") established using the shares of the Company - The Company and its subsidiary company Hong Leong Assurance Berhad (continued)

ESOS (continued)

The value of share options and the key inputs for share options valuation were as follows:

	Options 2018	
	2021	**2020**
Fair value of share options (RM)	**1.20 - 3.35**	0.65 - 1.61
Share price at valuation date (RM)	**17.80**	13.10
Original exercise price (RM)	**17.12**	17.12
Expected volatility (%)	**27.74**	33.24
Weighted average dividend yield (%)	**0.61**	3.21
Weighted average risk free rate (%)	**1.85**	2.10

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 2021 is 0.97 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 2021

54 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

Executive Share Scheme ("ESS") established using the shares of subsidiary of the Company - Hong Leong Bank Berhad ("HLB") (continued)

(i) ESOS

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 (2020: Nil) share options have been granted under the ESOS with 11,966,502 (2020: 13,702,915) options remain outstanding.

54 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

Executive Share Scheme ("ESS") established using the shares of subsidiary of the Company - Hong Leong Bank Berhad ("HLB") (continued)

(i) ESOS (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:

	2021		2020	
	Before Rights Issue	After Rights Issue	Before Rights Issue	After Rights Issue
Fair value of share options (RM)	**1.48**	**1.64**	1.36 - 1.48	1.52 - 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)	**1.27**	**1.13**	3.40	3.00
Expected volatility (%)	**11.74**	**12.21**	11.74	12.21
Weighted average dividend yield (%)	**0.67**	**0.70**	1.96	2.04
Weighted average risk free rate (%)	**0.78**	**0.82**	2.31	2.44

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 5.83 years from grant date. The weighted average remaining option life as at 30 June 2021 is 0.02 year.

Notes to the Financial Statements

for the financial year ended 30 June 2021

54 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

Executive Share Scheme ("ESS") established using the shares of subsidiary of the Company - Hong Leong Bank Berhad ("HLB") (continued)

(i) ESOS (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:

	2021 After Rights Issue	2020 After Rights Issue
Fair value of share options (RM)	**1.22**	1.09 - 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)	**1.13**	3.00
Expected volatility (%)	**12.21**	12.21
Weighted average dividend yield (%)	**0.70**	2.04
Weighted average risk free rate (%)	**0.82**	2.44

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 5.17 years from grant date. The weighted average remaining option life as at 30 June 2021 is 0.02 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 2021 is 0.68 years.

54 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

Executive Share Scheme ("ESS") established using the shares of subsidiary of the Company - Hong Leong Bank Berhad ("HLB") (continued)

(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 2021, an additional of 249,138 ordinary shares were vested and transferred pursuant to the HLB's ESGS, 10,194 ordinary shares forfeited with 343,854 ordinary shares remain outstanding.

55 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 30 November 2020, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFG, announced that HLF Credit (Perak) Bhd, a wholly-owned subsidiary of HLB, had placed Promizul Sdn Bhd ("Promizul"), its wholly-owned subsidiary, under member's voluntary winding-up pursuant to Section439(1)(b) of the Companies Act 2016. Promizul is currently dormant and there are no future plans to activate the company.

(b) On 16 December 2020, HLB announced that it had placed HL Bank Nominees (Singapore) Pte. Ltd. ("HL Bank Nominees"), its wholly-owned subsidiary in Singapore, under member's voluntary winding-up. HL Bank Nominees is dormant.

(c) On 3 May 2021, HLFG announced that HLA Holdings Sdn Bhd, a wholly-owned subsidiary of HLFG, had placed RC Holdings Sdn Bhd ("RCH"), its wholly-owned subsidiary, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. RCH is currently dormant and there are no future plans to use the company.

(d) On 2 June 2021, HLB announced that it had placed EB Realty Sendirian Berhad ("EB Realty"), its wholly-owned subsidiary, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. EB Realty is currently dormant and there are no future plans to activate the company.

(e) The World Health Organisation declared the outbreak of Coronavirus disease (COVID-19) as a global pandemic in March 2020. The COVID-19 pandemic continues to create uncertainty around the world. The direct and indirect effects of the COVID-19 have impacted the global economy, markets and the Group's counterparties and clients. The process to determine ECL requires numerous estimates and assumptions, some of which require a high degree of judgement, which would be impacted by COVID-19. Changes in the estimates and assumptions can result in significant changes in ECL. The Group is not able to predict the COVID-19's potential future direct or indirect effects. However, the Group is proactively taking actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

Notes to the Financial Statements
for the financial year ended 30 June 2021

56 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

There are no material subsequent events after the financial year that require disclosure or adjustments to the financial statements except for the following:

On 6 July 2021, BNM announced that individuals, microenterprise borrowers and SMEs affected by the COVID-19 pandemic, may start applying for the six-month moratorium from 7 July 2021 onwards, in line with the Government's Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (PEMULIH). In addition to the moratorium, banks will also offer a reduction in instalments and other packages, including to reschedule and restructure financing and advances to suit the specific financial circumstances of borrowers.

Arising from this, where the original contractual terms of the loans, advances and financing have been modified for credit reasons and the loans, advances and financing have not been derecognised, this may result in modification loss to be recognised in the income statements, with a corresponding decrease in the gross carrying value of the loans, advances and financing.

57 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
2021			
Financial investments at fair value through other comprehensive income			
- net fair value changes and changes in expected credit losses	**(288,353)**	**70,779**	**(217,574)**
Cash flow hedge			
- net fair value gain/(loss)	**3,235**	**(777)**	**2,458**
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 (loss)/gain	(7,633)	1,869	(5,764)

58 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 51(d) to the financial statements.

(b) Life policyholders' fund

Material judgement is required in determining the liabilities and in the choice of assumptions.

Assumptions in use are based on the past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals.

Assumption are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

59 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 2021.

Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, Tan Kong Khoon and Ho Heng Chuan, being two of the Directors of Hong Leong Financial Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 84 to 273 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 2021 and financial performance of the Group and the Company for the year then ended 30 June 2021, 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	**HO HENG CHUAN**
Director	Director

Kuala Lumpur
22 September 2021

Statutory Declaration

Pursuant to Section 251(1) of the Companies Act, 2016

I, Teh Tiong Khim, the Officer primarily responsible for the financial management of Hong Leong Financial Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 84 to 273 are to the best of my knowledge and belief correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by	)	
the abovenamed Teh Tiong Khim at	)	
Kuala Lumpur in Wilayah Persekutuan on	)	**TEH TIONG KHIM**
22 September 2021	)	MIA No. 13898

Before me,

Pesuruhjaya Sumpah
Commissioner for Oaths

Independent Auditors' Report

to the members of Hong Leong Financial Group Berhad
Registration No: 196801000439 (8024-W) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Hong Leong Financial Group Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021, 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 2021 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 84 to 273.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

to the members of Hong Leong Financial Group Berhad
Registration No: 196801000439 (8024-W) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters	How our audit addressed the key audit matters
Impairment of loans, advances and financing for the Group. Refer to Note O of the summary of significant accounting policies, Notes 7, 40 and 58 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 56.6% of total assets for the Group. In addition, the expected credit loss ("ECL") impairment is a highly subjective area as the Group exercised significant judgement in 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 judgemental 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 (including the borrowers who requested for payment relief assistance due to COVID-19). Individual assessment • Estimates on the amount and timing of future cash flows based on realisation of collateral.	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 (including the borrowers who requested for payment relief assistance due to COVID-19); • 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 in the 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 borrowers in high risk industries impacted by COVID-19, and borrowers who requested for payment relief assistance due to COVID-19, 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 cash flows used by the Group in the impairment loss calculation, challenged the assumptions and compared estimates to external evidence where available. Calculations of the discounted cash flows were also re-performed.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters	How our audit addressed the key audit matters
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; and • Assumptions used in the ECL models, which are expected future cash flows, forward-looking macroeconomic factors, probability weighted multiple scenarios and model overlay adjustments made, given the economics uncertainty arising from COVID-19 that may impact the future ECL.	Collective assessment To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the Group, we 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 Group to determine the key assumptions used in respective ECL models; • Assessed and tested the significant modelling assumptions, including the basis or judgement used for management's overlays; • Assessed and considered reasonableness of forward-looking forecasts assumptions, taking into consideration the economic uncertainty arising from COVID-19; • Assessed and tested the identification and calculation of model overlay adjustments to the ECL due to the impact of COVID-19; 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 outcomes of our independent testing results were not significantly different from the Group's assessment on impairment of loans, advances and financing.

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)

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.

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.

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)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 11 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF1146
Chartered Accountants

ONG CHING CHUAN
02907/11/2021 J
Chartered Accountant

Kuala Lumpur
22 September 2021

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Second Annual General Meeting ("AGM") of Hong Leong Financial Group Berhad ("Company") will be held on fully virtual basis through live streaming and online remote voting from the online meeting platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657) provided by Boardroom Share Registrars Sdn Bhd on Thursday, 28 October 2021 at 10.00 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2021.

2. To approve the payment of Director Fees of RM808,634.50 for the financial year ended 30 June 2021 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM135,000 from the 52^{nd} AGM to the 53^{rd} AGM of the Company. **(Resolution 1)**

3. To re-elect the following Directors pursuant to the Company's Constitution:

   (a) Mr Tan Kong Khoon **(Resolution 2)**
   (b) Mr Ho Heng Chuan **(Resolution 3)**

4. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as resolutions:

5. **Ordinary Resolution**
   Authority to Directors to Allot Shares

   "**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 5)**

6. **Ordinary Resolution**
   Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM"), GuoLine Capital Assets Limited ("GCA") and Persons Connected with them

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries (excluding Hong Leong Bank Berhad and Hong Leong Capital Berhad and their respective subsidiaries) to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(A) and (C) of the Company's Circular to Shareholders dated 29 September 2021 ("the Circular") with HLCM, GCA and persons connected with them ("Hong Leong Group"), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Hong Leong Group than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

Notice of Annual General Meeting

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **(Resolution 6)**

7. **Ordinary Resolution**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust ("Tower REIT")

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries (excluding Hong Leong Bank Berhad and Hong Leong Capital Berhad and their respective subsidiaries) to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of the Company's Circular to Shareholders dated 29 September 2021 with Tower REIT provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Tower REIT than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **(Resolution 7)**

8. To consider any other business of which due notice shall have been given.

By Order of the Board

JACK LEE TIONG JIE
(MAICSA 7060133)
(SSM PC No. 202008001704)
Group Company Secretary

Kuala Lumpur
29 September 2021

Notice of Annual General Meeting

NOTES:-

1. The Fifty-Second AGM of the Company will be conducted on fully virtual basis through live streaming and online remote voting using remote participation and electronic voting facilities provided by Boardroom Share Registrars Sdn Bhd via its online meeting platform at https://meeting.boardroomlimited.my. Please refer to the Administrative Notes to members for the detailed steps on remote participation and electronic voting.

2. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 21 October 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

3. 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.

4. 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.

5. 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.

6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to a vote by way of a poll.

Notice of Annual General Meeting

EXPLANATORY NOTES

1. **Resolution 1 on Director Fees and Other Benefits**

   - Director Fees of RM808,634.50 are inclusive of Board Committee Fees of RM191,737.50 and Meeting Allowances of RM67,500.

   - Directors' Other Benefits refer to Directors' & Officers' Liability Insurance coverage based on premium paid/payable, and Directors' training benefits of up to RM45,000 as well as Chairman's car benefits of up to RM90,000.

2. **Resolution 5 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 30 October 2020 and which will lapse at the conclusion of the 52nd 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 6 and 7 on Recurrent Related Party Transactions of A Revenue or Trading Nature**

   The proposed Ordinary Resolutions, if passed, will empower the Company and its subsidiaries (excluding Hong Leong Bank Berhad and Hong Leong Capital Berhad and their respective subsidiaries) ("HLFG Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLFG Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not, in the Company's opinion detrimental to the minority shareholders of the Company ("Proposed Shareholders' Mandate").

   Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 29 September 2021 which is available on the Company's Corporate website (http://www.hlfg.com.my/agm2021).

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-Second 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-Second 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 30 AUGUST 2021

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 30 August 2021

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	321	7.77	6,921	0.00
100 – 1,000	1,103	26.72	603,874	0.05
1,001 – 10,000	1,676	40.60	6,363,651	0.56
10,001 – 100,000	778	18.85	23,801,327	2.07
100,001 – less than 5% of issued shares	248	6.01	229,641,021	20.01
5% and above of issued shares	2	0.05	887,100,096	77.31
	4,128	100.00	1,147,516,890	100.00

List of Thirty Largest Shareholders as at 30 August 2021

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)	26,128,500	2.28
4.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd.	13,515,378	1.18
5.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	12,492,710	1.09
6.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Nomura)	12,032,500	1.05
7.	RHB Trustees Berhad - Exempt AN for Hong Leong Financial Group Berhad (HLFG-ESS)	9,636,000	0.84
8.	Soft Portfolio Sdn. Bhd.	6,602,130	0.58
9.	Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	5,544,000	0.48
10.	Tan Sri Quek Leng Chan	5,438,664	0.47
11.	Chua Holdings Sdn Bhd	4,967,949	0.43

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2021 (continued)

List of Thirty Largest Shareholders as at 30 August 2021 (continued)

Name of Shareholders		No. of Shares	%
12.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West Clt OD67)	4,897,800	0.43
13.	Hong Bee Hardware Company, Sdn. Berhad	4,530,506	0.39
14.	RHB Trustees Berhad - Exempt AN for Hong Leong Financial Group Berhad (HLA-ESS)	4,091,900	0.36
15.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Affin-Hwg)	3,949,099	0.34
16.	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	3,691,850	0.32
17.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Bank of Singapore Limited (Foreign)	3,475,810	0.30
18.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (CIMB PRIN)	3,283,600	0.29
19.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	3,276,441	0.29
20.	Pertubuhan Keselamatan Sosial	3,232,600	0.28
21.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	3,173,641	0.28
22.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	2,786,732	0.24
23.	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Commerce Trustee Berhad – Kenanga Growth Fund	2,492,600	0.22
24.	Kheng Lim Holdings Sdn Bhd	2,269,492	0.20
25.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Norges Bank (FI 17)	2,197,622	0.19
26.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Amundi)	2,011,500	0.17
27.	Choong Yee How	2,000,000	0.17
28.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	1,983,234	0.17
29.	AmanahRaya Trustees Berhad - Amanah Saham Malaysia	1,773,300	0.15
30.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Aberdeen)	1,574,900	0.14
		1,040,150,554	90.64

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2021 (continued)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2021 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	-	-
Tan Sri Quek Leng Chan	5,438,664	0.47	893,702,226	77.88[A]
HL Holdings Sdn Bhd	-	-	595,982,955	51.94[B]
Kwek Holdings Pte Ltd	-	-	891,630,602	77.70[A]
Kwek Leng Beng	1,315,841	0.11	891,630,602	77.70[A]
Hong Realty (Private) Limited	-	-	891,630,602	77.70[A]
Hong Leong Investment Holdings Pte Ltd	-	-	891,630,602	77.70[A]
Davos Investment Holdings Private Limited	-	-	891,630,602	77.70[A]
Kwek Leng Kee	-	-	891,630,602	77.70[A]
Guoco Group Limited	291,117,141	25.37	-	-
GuoLine Overseas Limited	-	-	291,117,141	25.37[C]
GuoLine Capital Assets Limited	-	-	291,117,141	25.37[C]

Notes:

[A] Held through Hong Leong Company (Malaysia) Berhad ("HLCM") and company(ies) in which the substantial shareholder has interest

[B] Held through HLCM

[C] Held through Guoco Group Limited

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2021

Subsequent to the financial year end, there is no change, as at 30 August 2021, 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 77 to 79 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

Other Information

LIST OF PROPERTIES HELD AS AT 30 JUNE 2021

	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	87	7,416	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	22	2,005	26/06/1997
3	No. 42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 859 years (31/12/2779)	Branch Premises	4,425	39	1,316	27/12/1983
4	No. 133, 135 & 137 Jalan Kampong Nyabor 96000 Sibu, Sarawak	Freehold	Branch Premises	4,871	29	2,805	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	30	1,072	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	1,375	27/12/1994
8	No. 26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch Premises	3,750	35	481	30/12/1986
9	No. 120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/08/2063)	Branch Premises	3,355	55	495	31/05/1990
10	No. 100, Jalan Gurney 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch Premises	5,107	35	1,971	25/06/1992
11	No. 12, 14 & 16 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch Premises	4,174	30	3,401	25/06/1992
12	No. 63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant	4,760	26	3,085	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	25	927	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	34	1,069	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	27	181	26/06/1997
16	Lot 3073 & 3074 Jalan Abang Galau 97000 Bintulu, Sarawak	Leasehold - 60 years (12/02/2056)	Branch Premises	2,582	24	894	26/06/1997
17	Lot 34, Putra Industrial Park 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	25	2,547	26/01/1995
18	No. 1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 60 years (19/07/2030)	Vacant	10,619	46	18	30/06/1977
19	No. 9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch Premises	9,320	28	720	01/01/1994
20	No. 45, Jalan Burma 10500 Pulau Pinang	Freehold	Vacant	14,277	43	1,735	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	26	321	26/12/1995
22	No. 55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Vacant	11,720	42	905	01/10/1984
23	No. 27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/02/2078)	Branch Premises	4,694	26	228	24/11/1995
24	No. 75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch Premises	1,900	24	581	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	31	797	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	39	306	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	41	371	31/07/1988
28	No. 161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	2,454	25	2,669	14/02/1996
29	No. 8A-D, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Vacant	12,854	28	311	22/10/1977
30	No. 109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch Premises	2,740	33	199	01/09/1988
31	No. 1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch Premises	5,432	53	29	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	81	77	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	22	1,084	18/12/1999
34	No. 2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Vacant	12,173	22	2,062	18/12/1999
35	Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch Premises	3,243	22	443	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	21	1,383	23/11/1999
37	Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/02/2084)	Branch Premises	5,988	22	1,052	31/05/1991
38	No. 1 & 2 Jalan Raya 09800 Serdang Kedah Darul Aman	Freehold	Branch Premises	5,840	20	340	20/09/2000
39	No. 133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch Premises	4,700	20	315	13/12/2000
40	No. 65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	HLB's CSR Community Center	2,223	25	4,656	14/10/1996
41	No. 64, Jalan Tun Mustapha 87007 Labuan	Leasehold 999 years (28/12/2881)	Branch Premises	1,370	30	373	30/05/1991
42	No. 159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	16	2,525	25/11/2005
43	No. 163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	16	2,602	25/10/2005
44	No. 114 & 116, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch Premises	12,200	15	3,379	07/06/2006
45	Lot A08-A09, Jalan SS 6/5A Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya	Freehold	Vacant	9,800	15	2,519	06/07/2006
46	No. 2 Jalan Puteri 2/4 Bandar Puteri 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	11,850	14	4,925	28/06/2007
47	Tower A, PJ City Development 46100 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (14/08/2094)	Branch Premises	194,489	13	69,675	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	11	4,532	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	11	7,942	01/05/2011
50	No. 122, Kapit By-Pass 96807 Kapit Sarawak	Leasehold - 60 years (29/04/2045)	Branch Premises	1,200	28	173	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	34	95	24/05/1983
52	No. 9, Jalan Cheng Lock 50000 Kuala Lumpur Wilayah Persekutuan	Freehold	Vacant	2,199	48	255	18/09/1972
53	No. 3, Jalan Bandar Satu Pusat Bandar Puchong 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	4,687	26	1,653	03/04/1997
54	No. 32 & 34, Jalan 21/19 Sea Park 46300 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant	3,080	58	2,087	19/08/1997
55	No. 26 & 27, Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	3,600	25	1,317	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	17	3,195	02/12/2005
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 (07/06/2087)	2 units apartment	2,088	25	167	21/04/1994

Other Information

	Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. age (Years)	Net book value (RM'000)	Date of acquisition
58	No. S-3, Kompleks Negeri Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan Darul Khusus	Leasehold - 99 years (30/01/2078)	Vacant	1,680	37	223	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	25	445	17/04/1998
60	No. 67 & 69, Jalan Merdeka 75000 Taman Merdeka Raya Melaka	Leasehold - 99 years (07/07/2093)	Branch Premises	3,080	26	606	15/08/1999
61	No. 35, 37 & 39, Jalan Johor Satu Taman Desa Cemerlang 81800 Ulu Tiram Johor Darul Takzim	Freehold	Branch Premises	13,965	18	1,841	12/02/2003
62	No. 21, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai Johor Darul Takzim	Freehold	Branch Premises	2,624	24	907	05/04/1999
63	No. B-278 & B-280, Jalan Beserah 25300 Kuantan Pahang Darul Makmur	Freehold	Branch Premises	3,208	20	1,305	04/08/1999
64	No. 31, 33, 35 & 37, Jalan Usahaniaga 1 Taman Niagajaya 14000 Bukit Mertajam Seberang Perai Tengah, Penang	Freehold	Branch Premises	15,844	18	1,101	10/07/2003
65	Lot 171, Jalan Council 95000 Bandar Sri Aman Sarawak	Leasehold - 60 years (20/06/2050)	Branch Premises	1,740	25	120	21/06/1990
66	Lot No. 2013, Jalan Pisang Barat 93150 Kuching Sarawak	Leasehold - 99 years (31/12/2038)	Storage	1,390	28	-	23/09/1992
67	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	26	1,524	04/02/1997
68	No. 177, Limbok Hill 70000 Seremban Negeri Sembilan Darul Khusus	Freehold	Single-storey Detached House	6,730	48	9	16/08/1972

Other Information

	Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. age (Years)	Net book value (RM'000)	Date of acquisition
69	No. 11, Jalan Emas 2 Taman Emas Cheras 43200 Cheras, Selangor	Freehold	Vacant	5,804	28	-	25/05/1993
70	No. 53 & 55, Jalan Sultan Ismail 50250 Kuala Lumpur	Freehold	Branch Premises	9,600	24	17,431	01/06/2015
71	No. 300, Jalan Jelutong 11600 Pulau Pinang	Freehold	Branch Premises	16,652	19	13,126	23/06/2015
72	Lot 1, Block 35 Fajar Commercial Complex Jalan Lembaga 91000 Tawau, Sabah	Leasehold - 998 years (31/12/2895)	Branch Premises	13,880	49	4,699	17/08/2015
73	Menara Hong Leong No. 6, Jalan Damanlela Bukit Damansara 50490 Kuala Lumpur	Freehold	Head Office/ Branch Premises	668,331	6	557,262	03/07/2015
74	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	3	15,827	16/11/2018
75	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	3	2,040	13/09/2018
76	Lot 942 Jalan Parry 98000 Miri Sarawak	Leasehold - 60 Years (06/04/2057)	Branch Premises	5,496	24	754	31/01/1997
77	Lot 1, 2 & 3, Block 18 Bandar Indah, Mile 4 North Road, Bandar Indah Sandakan, Sabah	Freehold	Branch Premises	6,760	21	2,610	08/11/2001
78	No 3 Persiaran Greentown 4 Greentown Business Centre 30450 Ipoh	Leasehold - 99 Years (21/11/2094)	Branch Premises	8,846	26	411	04/12/1995
79	Bangunan HLA 7 Jalan Yayasan 86000 Kluang	Leasehold - 99 Years (23/03/2084)	Branch Premises	6,019	32	354	30/12/1989

Other Information

	Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. age (Years)	Net book value (RM'000)	Date of acquisition
80	Wisma Hong Leong 18 Jalan Perak 50450 Kuala Lumpur	Freehold	Office Premises	333,594	20	258,000	13/11/2001
81	Unit 2.1.2, 1A, Stonor Condominium Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,904	28	459	30/06/1993
82	Unit 1.1.5, 1A Stonor Condominium Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,815	28	438	30/06/1993
83	14-23 Darul Aman Jalan Tun Ismail 25000 Kuantan Pahang Darul Makmur	Freehold	Branch Premises	5,610	28	450	21/02/1993
84	No 1 Persiaran Greentown 4 Pusat Perdagangan Greentown 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 Years (21/11/2094)	Branch Premises	5,246	26	432	04/12/1995
85	Block B, PJ City Jalan 219 Seksyen 51A 46100 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 Years (12/12/2107)	Office Premises	202,194	13	56,900	29/04/2008
86	31 & 32 Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor	Freehold	Branch Premises	8,932	29	1,420	31/12/2013
87	Menara Raja Laut No. 288 Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	Freehold	Office Premises	839,574	28	209,000	06/04/2015
88	No 2682 Jalan Aston 14000 Bukit Mertajam Pulau Pinang	Freehold	Branch Premises	10,160	3	2,653	14/03/2018
89	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan	Freehold & Leasehold - 999 years	Branch Premises	4,793	27	1,723	31/12/1993
90	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	26	49,330	20/02/2010

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-Second Annual General Meeting ("Fifty-Second AGM") of the Company to be held on fully virtual basis through live streaming and online remote voting from the online meeting platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657) provided by Boardroom Share Registrars Sdn Bhd on Thursday, 28 October 2021 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below with an "X":

	RESOLUTIONS	**FOR**	**AGAINST**
1.	To approve the payment of Director Fees and Directors' Other Benefits		
2.	To re-elect Mr Tan Kong Khoon as a Director		
3.	To re-elect Mr Ho Heng Chuan as a Director		
4.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
5.	To approve the ordinary resolution on Authority to Directors to Allot Shares		
6.	To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad, GuoLine Capital Assets Limited and persons connected with them		
7.	To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust		

Dated this__________day of__________2021

____
Number of shares held

____
Signature(s) of Member

____
CDS Account No.

Notes:

1. *The Fifty-Second AGM of the Company will be conducted on fully virtual basis through live streaming and online remote voting using remote participation and electronic voting facilities provided by Boardroom Share Registrars Sdn Bhd via its online meeting platform at https://meeting.boardroomlimited.my. Please refer to the Administrative Notes to members for the detailed steps on remote participation and electronic voting.*
2. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 21 October 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
3. *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.*
4. *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.*
5. *A proxy may but need not be a member of the Company.*
6. *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.*
7. *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 10 below).*
8. *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.*
9. *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.*
10. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of Proxies	***% of shareholdings to be represented***

11. *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

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