



 **HongLeong** Financial Group Berhad

Annual Report **2022**



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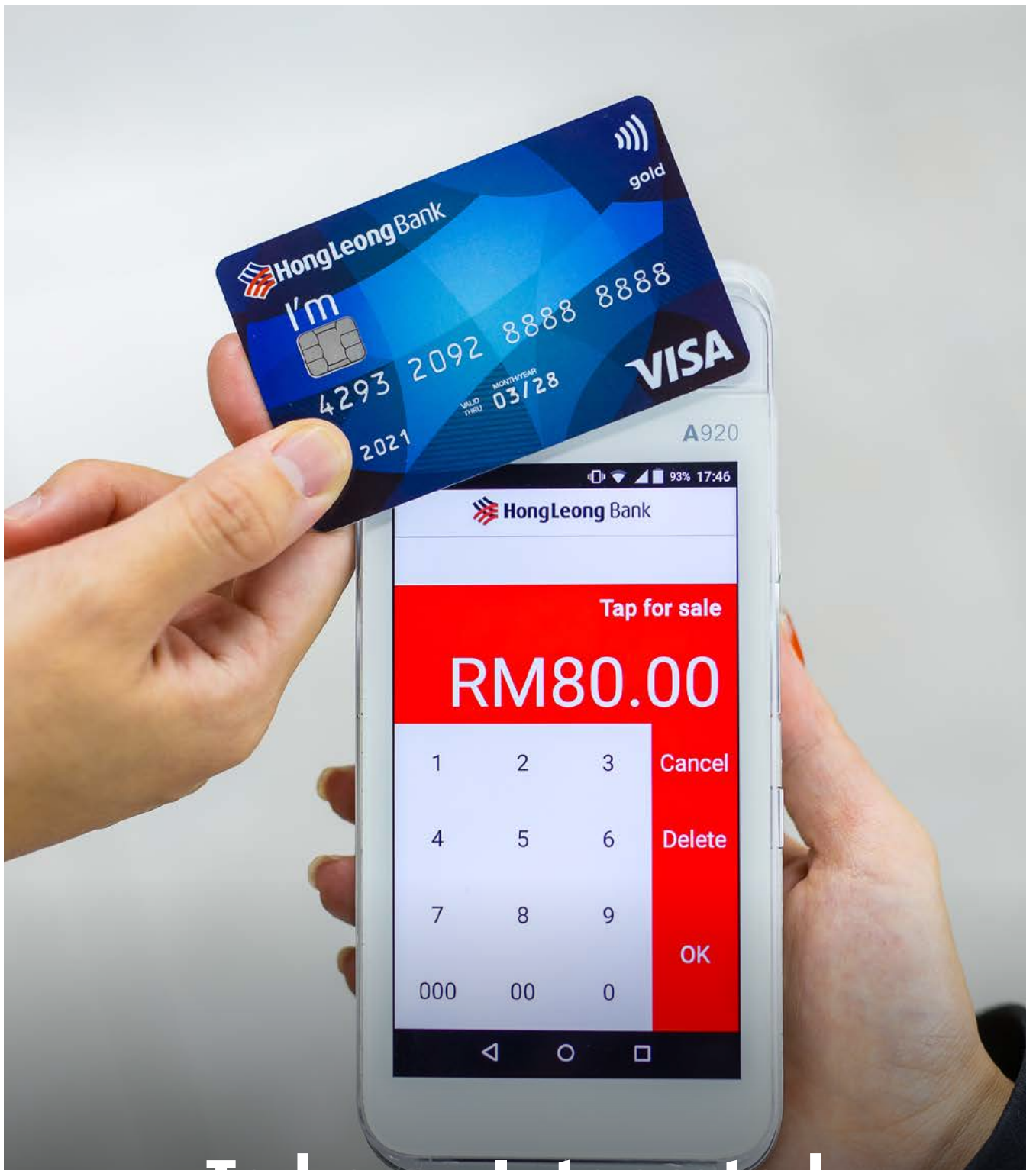
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Get access to Hong Leong Financial Group's website



**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

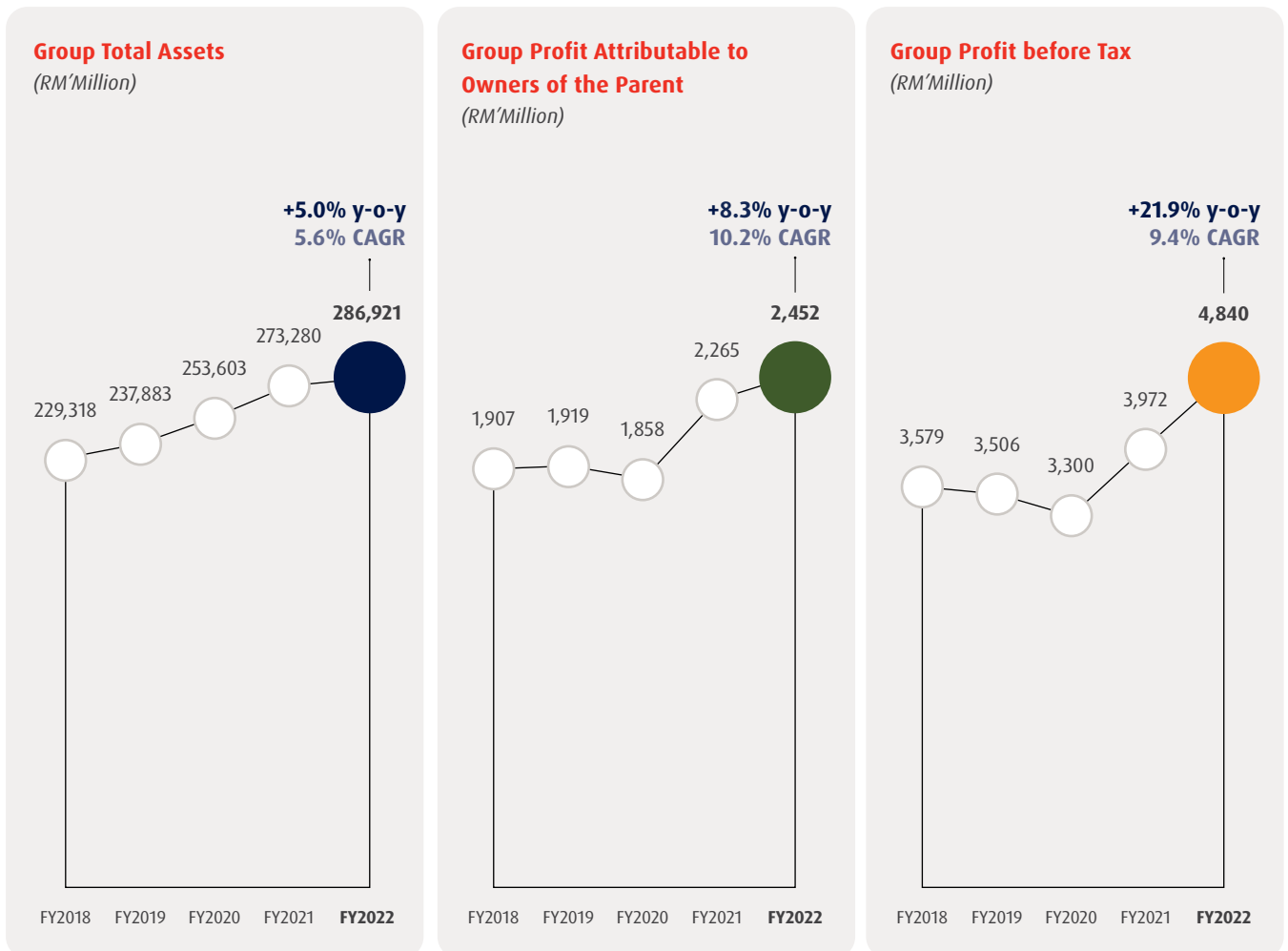


Honour



Unity

Five Year Group Financial Highlights

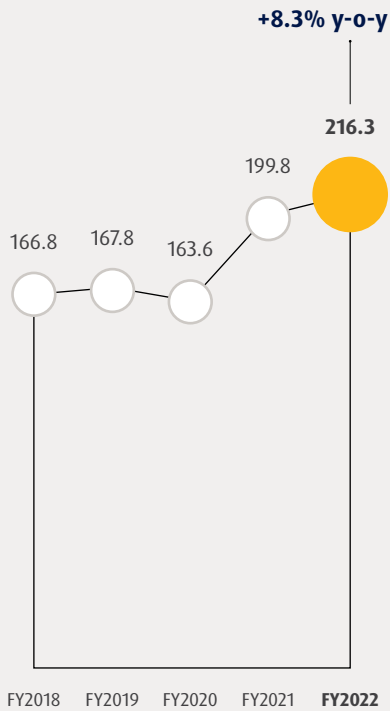


The Group	FY2018 RM'Million	FY2019 RM'Million	FY2020 RM'Million	FY2021 RM'Million	FY2022 RM'Million
Statements of Financial Position					
Total assets	229,318	237,883	253,603	273,280	286,921
Net loans	128,851	137,058	145,521	154,779	167,177
Total liabilities	202,638	209,282	222,550	239,347	250,931
Deposits from customers	156,883	161,888	171,237	181,769	197,383
Shareholders' funds	17,804	19,097	20,898	22,818	24,276
Commitments and contingencies	177,098	174,186	154,879	285,690	214,693
Statements of Income					
Revenue	5,351	5,278	5,258	6,199	6,252
Profit before tax	3,579	3,506	3,300	3,972	4,840
Net profit	2,895	2,914	2,779	3,376	3,683
Profit attributable to owners of the parent	1,907	1,919	1,858	2,265	2,452

Five Year Group Financial Highlights

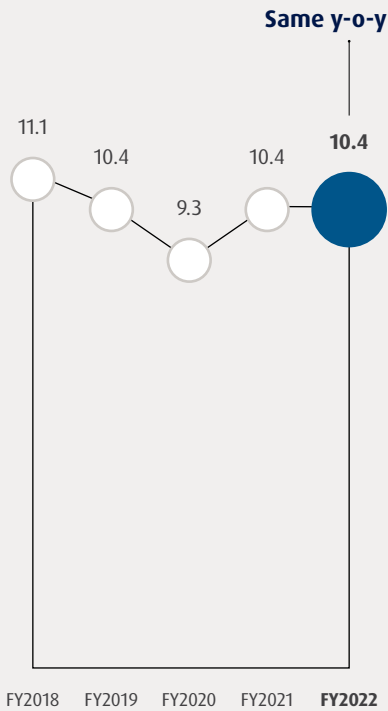
Group Basic Earnings per Share

(sen)



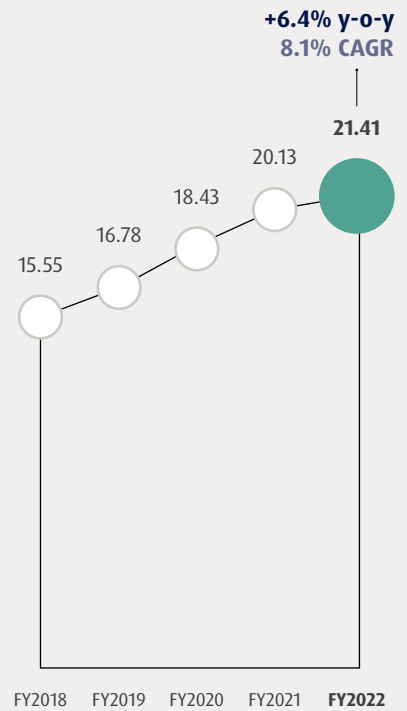
Group Return on Equity

(%)



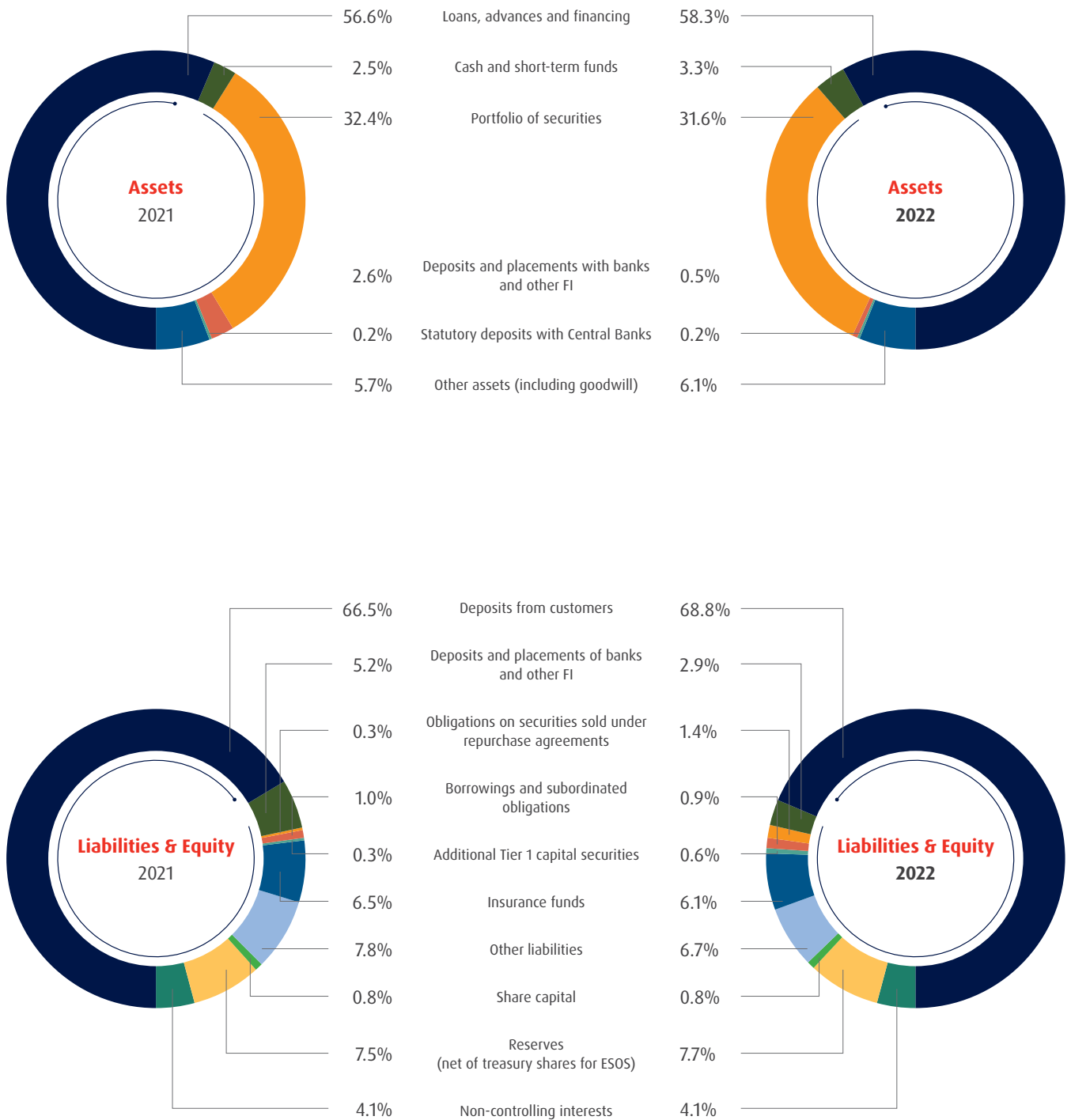
Group Book Value per Share

(RM)



The Group	FY2018	FY2019	FY2020	FY2021	FY2022
Key Performance Indicators					
Share price (RM)	18.00	18.54	13.10	17.80	18.50
Book value per share (RM)	15.55	16.78	18.43	20.13	21.41
Basic earnings per share (sen)	166.8	167.8	163.6	199.8	216.3
Dividend per share (sen)	40.0	42.0	38.0	40.0	46.0
Financial Ratios (%)					
Profitability Ratios					
Return on equity	11.1%	10.4%	9.3%	10.4%	10.4%
Return on average assets	0.9%	0.8%	0.8%	0.9%	0.9%
Cost/income ratio	42.9%	45.1%	44.9%	38.6%	37.7%
Asset Quality/Loan Ratios					
Gross loans to deposits ratio	82.8%	85.4%	85.7%	86.1%	85.6%
Gross impaired loans ratio	0.9%	0.8%	0.6%	0.5%	0.5%

Simplified Group Statements of Financial Position



Group Quarterly Financial Performance

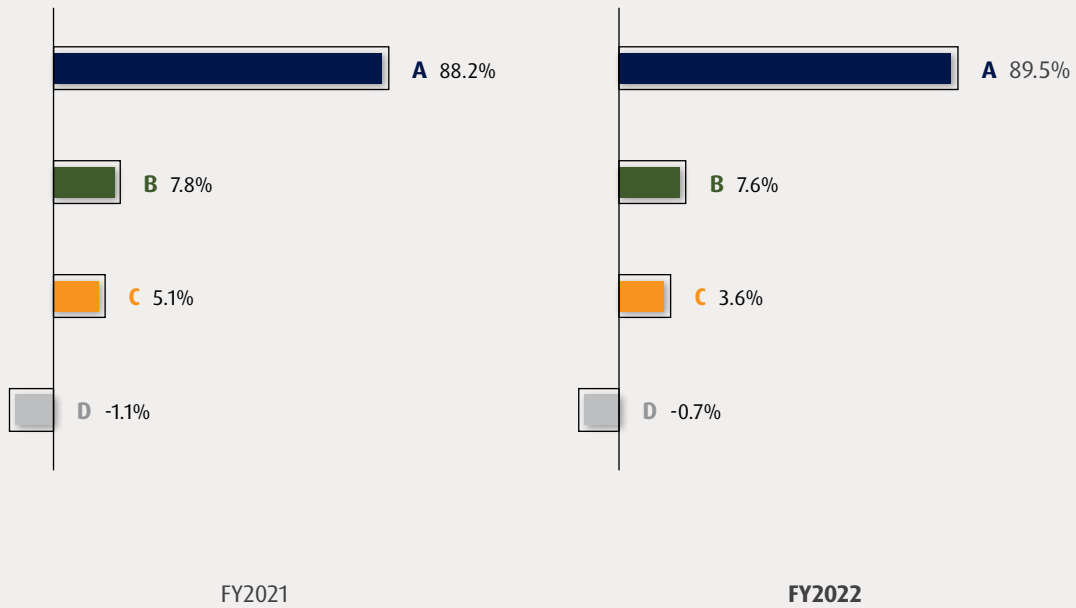
RM'Million	2021				
	Q1	Q2	Q3	Q4	Year
Statements of Income					
Revenue	1,499	1,619	1,580	1,501	6,199
Profit before tax	988	967	1,063	953	3,972
Net profit	855	795	871	855	3,376
Profit attributable to owners of the parent	587	528	577	573	2,265
Key Performance Indicators					
Share price (RM)	14.3	18.1	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

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

Segmental Information

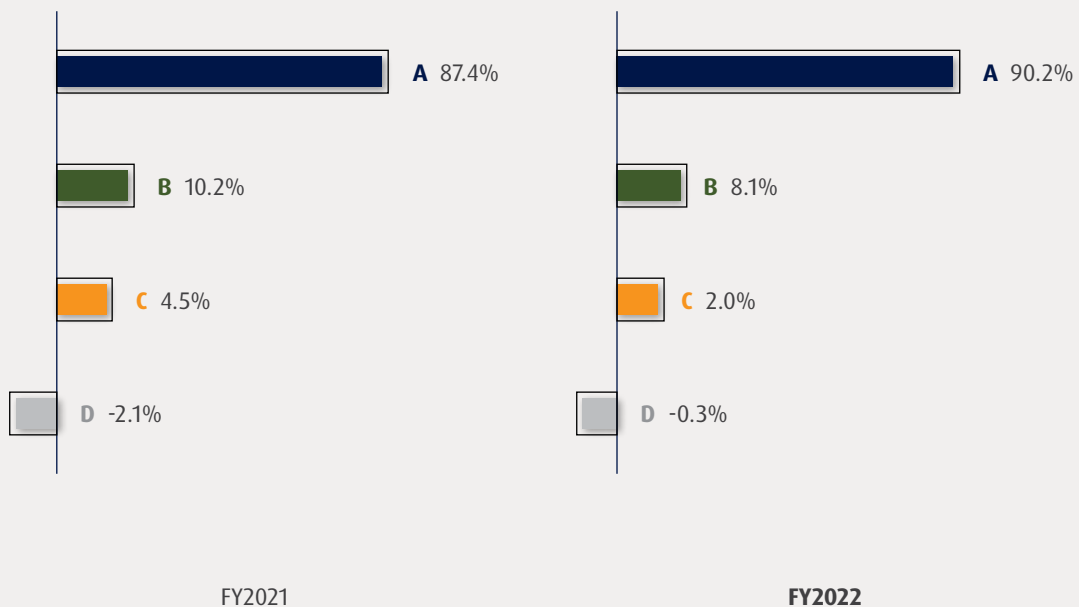
Operating Revenue

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
FY2022 46.0 sen +15.0% y-o-y

Share Price

FY2021 RM17.80
FY2022 RM18.50 +3.9% y-o-y

Market Capitalisation

FY2021 RM 20.4 bil
FY2022 RM 21.2 bil +3.9% y-o-y

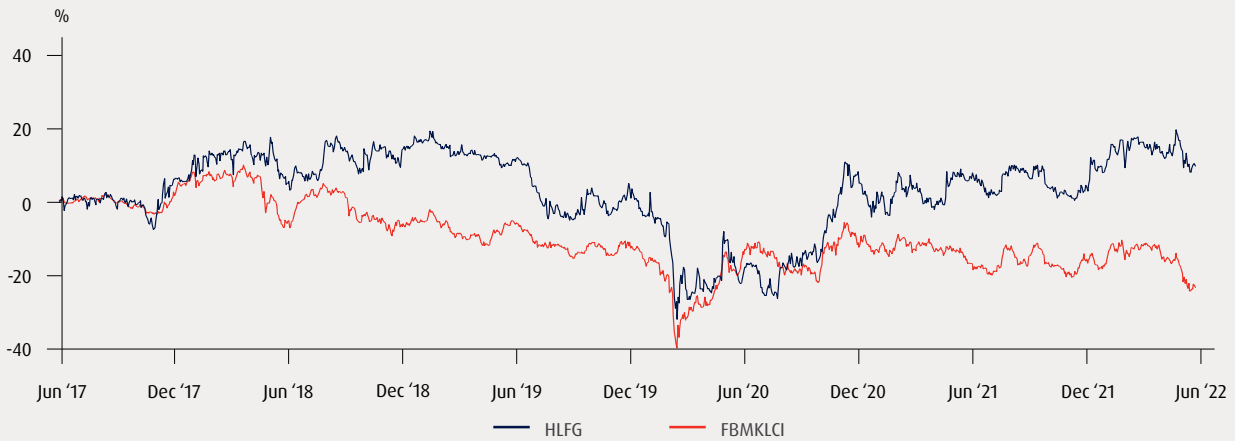
Earnings per Share

FY2021 199.8 sen
FY2022 216.3 sen +8.3% y-o-y

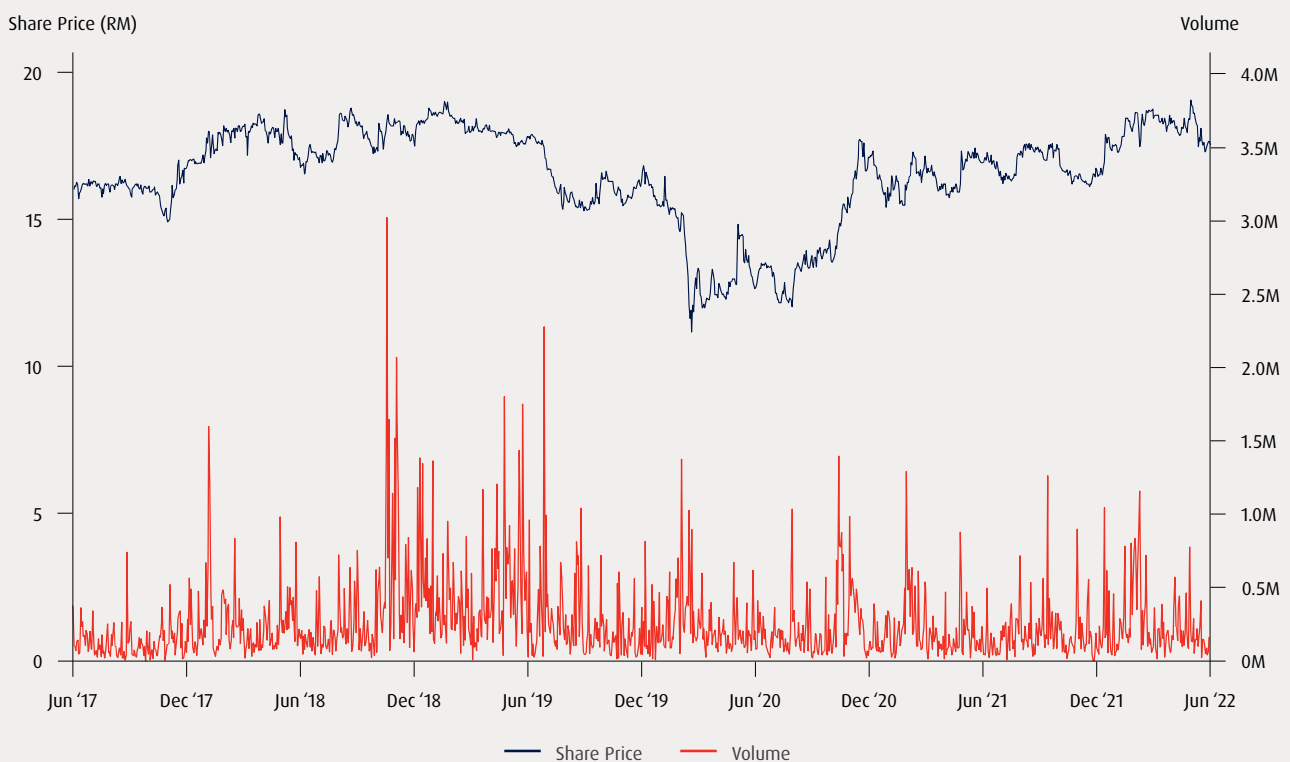
Group Return on Equity

FY2021 10.4%
FY2022 10.4% Same y-o-y

Hong Leong Financial Group Share Price Vs Benchmark FBMKLCI



Hong Leong Financial Group Share Price & Volume



Financial Calendar

ANNUAL GENERAL MEETING

31 October 2022 (Monday)
53rd Annual General Meeting

DIVIDENDS

Interim Single-Tier Dividend of 15.0 sen per share

Announcement

28 February 2022

Entitlement

15 March 2022

Payment

30 March 2022

Final Single-Tier Dividend of 31.0 sen per share

Announcement

30 August 2022

Entitlement

7 November 2022

Payment

23 November 2022

ANNOUNCEMENT OF CONSOLIDATED RESULTS

29 November 2021

Monday

unaudited results for
1st quarter ended
30 September 2021

30 May 2022

Monday

unaudited results for
3rd quarter ended
31 March 2022

28 February 2022

Monday

unaudited results for
2nd quarter ended
31 December 2021

30 August 2022

Tuesday

unaudited results for
4th quarter and financial year ended
30 June 2022

Corporate Milestones

JULY

2006

Changed name to 'Hong Leong Financial Group Berhad'



OCTOBER

2007

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



APRIL

2008

HLA proposed to acquire PJ City premises



JULY

2008

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



OCTOBER

2009

HLCB 1:1 Rights Issue completed



FEBRUARY

2009

Insurance holding company, HLAH, was incorporated



JANUARY

2009

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



OCTOBER

2008

HLIB acquired SBB Securities Sdn Bhd



FEBRUARY

2010

Sichuan Jincheng consumer finance JV incorporated



OCTOBER

2010

MSIG Strategic Partnership completed



MAY

2011

HLB acquired EON Capital Bhd's assets and liabilities



SEPTEMBER

2012

Merger of HLIB & MIMB Investment Bank completed



Corporate Milestones

NOVEMBER

2019

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



NOVEMBER

2020

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



FEBRUARY

2022

HLB broadened portfolio to include Regional Wealth Management



JULY

2018

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



JANUARY

2018

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



DECEMBER

2015

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



JUNE

2014

HLFG Group FY14 pretax profit surpassed the RM3b mark



JUNE

2013

HLAS obtained Singapore general insurance license



JULY

2013

HLB Cambodia commenced operations



OCTOBER

2013

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



NOVEMBER

2013

HLB established a Representative Office in Nanjing, China



Awards & Accolades

HONG LEONG FINANCIAL GROUP BERHAD

The Asian Banker CEO Leadership Achievement for Malaysia Award 2022

Best CEO Award

Organised by The Asian Banker

The Asian Banker CEO Leadership Achievement for Malaysia Award 2022

Best Managed Bank and Financial Holding Group

Organised by The Asian Banker

Financial Services RM10B And Above Market Capitalisation

Highest Growth in Profit After Tax Over Three Years

Organised by The Edge Billion Ringgit Club 2021

HONG LEONG BANK BERHAD

Global Good Governance Award 2022

3G Best Sustainability Disclosure & Reporting Award 2022

Organised by Cambridge IFA

Global Good Governance Award 2022

3G Leadership in Corporate Governance Award 2022

Organised by Cambridge IFA

Global Good Governance Award 2022

3G Best CSR Campaign Award 2022

Organised by Cambridge IFA

LinkedIn's 2022 Top Companies

LinkedIn's 2022 Top Companies

Organised by LinkedIn

Employee Experience Awards 2022

Silver for Best First Time Manager Programme

Organised by Human Resources Online

Employee Experience Awards 2022

Bronze for Best Career Development Programme

Organised by Human Resources Online

Digital CX Awards 2022

Best Customer Insights Initiative-Overall

Organised by The Digital Banker

Sustainable Energy Financing-Conventional Financing 2021

National Energy Awards 2021

Organised by Ministry of Energy, Science, Technology, Environment & Climate Change (MESTECC)

CRISIL - Analysts from the only Malaysian Bank to be Recognised

Recognised as 2nd Most Helpful Analysts in Domestic Currency Asian Bonds in Asia Ex Japan

Organised by CRISIL

CRISIL - The only Malaysian Bank to be Recognised

Recognised as Most Helpful Traders in Domestic Currency Asian Bonds Top 4 Ranking in Asia Ex Japan

Organised by CRISIL

Asset-Backed/Asset-Based/Covered Sustainability Bond of the Year 2021

Environmental Finance Bond Awards

Organised by Environmental Finance

LHDN - Hari Hasil Ke-26 LHDN

Anugerah Pembayar Cukai Terbaik Tahun 2021 - In Recognition of HLB's Continuous Commitment in Good Tax Governance and Compliance

Organised by LHDN

Awards & Accolades

HONG LEONG BANK BERHAD (CONTINUED)

<p>AsiaMoney Awards 2021</p> <hr/> <p>Best Digital Bank in Malaysia</p> <p><i>Organised by Asiamoney</i></p>	<p>Leaders for Women Survey</p> <hr/> <p>Leaders for Women Survey 2021 in Asia</p> <p><i>Organised by Asiamoney</i></p>	<p>The Asian Banker Transaction Finance Awards 2021</p> <hr/> <p>Best Cash Management in Malaysia 2021</p> <p><i>Organised by The Asian Banker</i></p>
<p>The Asian Banker Malaysia Awards 2021</p> <hr/> <p>The Best SME Bank in Malaysia 2021 Three Consecutive Years 2019, 2020, 2021</p> <p><i>Organised by The Asian Banker</i></p>	<p>Benchmark Award</p> <hr/> <p>Gold Award in The Asset ESG Corporate Awards 2021</p> <p><i>Organised by The Asset</i></p>	<p>Sustainability & CSR Awards Malaysia 2021</p> <hr/> <p>Company of the Year Award (Banking) for Excellence in COVID-19 Support & Community Welfare</p> <p><i>Organised by CSR Malaysia</i></p>

HONG LEONG INVESTMENT BANK BERHAD

<p>Bursa Excellence Awards 2021</p> <hr/> <p>Best Retail Equities Participating Organisation – Investment Bank – 2nd runner up</p> <p><i>Organised by Bursa Malaysia</i></p>	<p>Islamic Finance News Awards 2021</p> <hr/> <p>Project & Infrastructure Finance: Deal of the Year 2021</p> <p><i>Organised by Islamic Finance News</i></p>	<p>Islamic Finance News Awards 2021</p> <hr/> <p>Malaysia: Deal of the Year 2021</p> <p><i>Organised by Islamic Finance News</i></p>
<p>15th Annual Alpha Southeast Asia Best Deal & Solution Awards 2021</p> <hr/> <p>Most Innovative Islamic Finance Deal of the Year & Best Islamic Finance Deal of the Year</p> <p><i>Organised by Alpha Southeast Asia</i></p>	<p>15th Annual Alpha Southeast Asia Best Deal & Solution Awards 2021</p> <hr/> <p>Best Sukuk Ijarah Deal of the Year</p> <p><i>Organised by Alpha Southeast Asia</i></p>	<p>15th Annual Alpha Southeast Asia Best Deal & Solution Awards 2021</p> <hr/> <p>Best Local Currency Sukuk of the Year & Most Innovative Islamic Finance Deal of the Year</p> <p><i>Organised by Alpha Southeast Asia</i></p>
<p>The Asset Triple A Islamic Finance Awards 2021</p> <hr/> <p>Best Initial Public Offering Underwriter</p> <p><i>Organised by The Asset</i></p>	<p>RAM Award of Distinction 2020*</p> <hr/> <p>Lead Manager Award by Number of Issues - 3rd ranking</p> <p><i>Organised by RAM Ratings</i></p>	<p>RAM Award of Distinction 2020*</p> <hr/> <p>Lead Manager Award (Sukuk) by Number of Issues - 3rd ranking</p> <p><i>Organised by RAM Ratings</i></p>

* Award received in FY2022 due to deferment resulting from COVID-19 pandemic

Awards & Accolades

HONG LEONG ASSET MANAGEMENT BHD

Refinitiv Lipper Fund Awards 2022 –
Malaysia Provident (Group Award)

**Hong Leong Asset
Management Bhd
Best Equity Award**

Organised by Refinitiv

Refinitiv Lipper Fund Awards 2022 –
Malaysia Provident (Funds Award)

**Hong Leong Dividend Fund
Best Fund over 3 Years:
Equity Malaysia Income**

Organised by Refinitiv

Refinitiv Lipper Fund Awards 2022 –
Malaysia Provident (Funds Award)

**Hong Leong Dividend Fund
Best Fund over 5 Years:
Equity Malaysia Income**

Organised by Refinitiv

Refinitiv Lipper Fund Awards 2022 –
Malaysia Provident (Funds Award)

**Hong Leong Dividend Fund
Best Fund over 10 Years:
Equity Malaysia Income**

Organised by Refinitiv

Refinitiv Lipper Fund Awards 2022 –
Malaysia Provident (Funds Award)

**Hong Leong Asia-Pacific
Dividend Fund
Best Fund over 3 Years:
Equity Asia Pacific ex Japan**

Organised by Refinitiv

Refinitiv Lipper Fund Awards 2022 –
Malaysia Provident (Funds Award)

**Hong Leong Asia-Pacific
Dividend Fund
Best Fund over 5 Years:
Equity Asia Pacific ex Japan**

Organised by Refinitiv

Refinitiv Lipper Fund Awards 2022 –
Malaysia Provident (Funds Award)

**Hong Leong Growth Fund
Best Fund over 5 Years:
Equity Malaysia Diversified**

Organised by Refinitiv

Refinitiv Lipper Fund Awards 2022 –
Malaysia Provident (Funds Award)

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

Organised by Refinitiv

Refinitiv Lipper Fund Awards 2022 –
Malaysia Provident (Funds Award)

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

Organised by Refinitiv

Refinitiv Lipper Fund Awards 2022 –
Malaysia Islamic (Funds Award)

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

Organised by Refinitiv

Refinitiv Lipper Fund Awards 2022 –
Malaysia Islamic (Funds Award)

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

Organised by Refinitiv

Refinitiv Lipper Fund Awards 2022 –
Malaysia Islamic (Funds Award)

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

Organised by Refinitiv

Refinitiv Lipper Fund Awards 2022 –
Global Islamic (Funds Award)

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

Organised by Refinitiv

Refinitiv Lipper Fund Awards 2022 –
Global Islamic (Funds Award)

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

Organised by Refinitiv

Refinitiv Lipper Fund Awards 2022 –
Global Islamic (Funds Award)

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

Organised by Refinitiv

Awards & Accolades

HONG LEONG ASSET MANAGEMENT BHD (CONTINUED)

**Refinitiv Lipper Fund Awards 2022 –
Malaysia Provident (Funds Award)**

**Hong Leong Dana Maa’rof Fund
Best Fund over 3 Years:
Mixed Asset MYR Balanced**

Organised by Refinitiv

**Refinitiv Lipper Fund Awards 2022 –
Malaysia Provident (Funds Award)**

**Hong Leong Dana Maa’rof Fund
Best Fund over 5 Years:
Mixed Asset MYR Balanced**

Organised by Refinitiv

**Refinitiv Lipper Fund Awards 2022 –
Malaysia Islamic (Funds Award)**

**Hong Leong Dana Maa’rof Fund
Best Fund over 3 Years:
Mixed Asset MYR Balanced**

Organised by Refinitiv

**Refinitiv Lipper Fund Awards 2022 –
Malaysia Islamic (Funds Award)**

**Hong Leong Dana Maa’rof Fund
Best Fund over 5 Years:
Mixed Asset MYR Balanced**

Organised by Refinitiv

**Refinitiv Lipper Fund Awards 2022 –
Global Islamic (Funds Award)**

**Hong Leong Dana Maa’rof Fund
Best Fund over 3 Years:
Mixed Asset MYR Balanced**

Organised by Refinitiv

**Refinitiv Lipper Fund Awards 2022 –
Global Islamic (Funds Award)**

**Hong Leong Dana Maa’rof Fund
Best Fund over 5 Years:
Mixed Asset MYR Balanced**

Organised by Refinitiv

HONG LEONG ASSURANCE BERHAD

Insurance Asia Awards 2022

Domestic Life Insurer of the Year – Malaysia

Organised by Asian Banking and Finance Magazine

International Finance Awards 2022

Best Life Insurance Company – Malaysia

Organised by International Finance Magazine

HONG LEONG MSIG TAKAFUL BERHAD

Global Halal Excellence Awards 2022

Excellence in Takaful Insurance Services

Organised by My Events Turnkey

International Business Magazine Award 2022

Best Takaful Operator for Malaysia

Organised by International Business Magazine

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present our Annual Report and Audited Financial Statements of Hong Leong Financial Group Berhad ("HLFG" or "the Group") for the financial year ("FY") ended 30 June 2022.



NAVIGATING A COMPLEX ECONOMIC LANDSCAPE

The year under review has been fraught with challenges from the effects of a prolonged pandemic and the unprecedented floods that affected various parts of the country. The Group successfully navigated these challenges while supporting our customers who were in need of assistance and delivering a commendable set of results for our shareholders.

During the financial year, the revival in the global economy was hobbled by emergent strains of COVID-19, supply chain related disruptions, heightened inflationary pressures and volatility in the financial markets as interest rates rose at a rapid pace in

Chairman's Statement



some advanced economies. These were further exacerbated by the outbreak of Russian-Ukraine war that threatened food and energy security and as a consequence, the cost of raw materials was further inflated. On the domestic front, Malaysia's economy was on the mend as the nation entered transition to the endemic phase on 1 April 2022 with the reopening of international borders. This has led to a positive trajectory in external trade and improving domestic demand. The economy expanded by 8.9% on a year-on-year ("y-o-y") basis in the second quarter of 2022, albeit from a low base. Malaysia's inflation rate remained relatively benign from the effects of various government subsidy mechanisms that has shielded our domestic consumers from the full extent of cost pressures. Nevertheless, domestic inflation has trended higher with the Consumer Price Index registered an increase of 4.4% y-o-y in July 2022. This would increase the cost burdens for both consumers and businesses alike.

REVIEW OF THE YEAR'S PERFORMANCE

For the year under review, we have successfully weathered the challenges to deliver a commendable set of results. HLFGB recorded a net profit attributable to shareholders ("PATAMI") of RM2,452 million, 8.3% higher than the preceding financial year. Excluding the one-off impact of Cukai Makmur ("Prosperity Tax"), our PATAMI would have been higher by 17.2% y-o-y. HLFGB's earnings per share in FY2022 improved to 216.3 sen, from 199.8 sen in the previous financial year. The return on equity remained at 10.4%, while net assets per share rose 6.4% from RM20.13 to RM21.41. In FY2022, the Board of Directors has declared a final dividend of 31 sen per share and combined with the interim dividend of 15 sen per share paid on 30 March 2022, the total dividend for FY2022 is 46 sen per share, higher than last year by 6 sen for a total dividend payment of RM528 million.

Our key operating company, Hong Leong Bank Berhad ("HLB") recorded a net profit of RM3,289 million, an increase of 15.0% y-o-y supported by top-line growth, prudent cost control, lower loan impairment allowances and robust contributions from associates. The commercial banking business remains in a healthy state underpinned by our strong fundamentals, disciplined management of asset quality and strong growth in loans and financing that enabled us to deliver a set of robust performance. HLB continued to strategically invest in digital solutions to expand its capabilities to meet the evolving needs of the customers. The Bank has also reorganised its teams to give the wealth management business a sharper focus in growing its non-interest income base.

Our Islamic banking business, Hong Leong Islamic Bank Berhad ("HLISB") saw encouraging asset and deposit growths of 14.4% and 10.3% respectively, while profit before zakat and taxation was recorded at RM438.5 million as compared to RM524.4 million in the preceding year, impacted by higher provisions during the year. HLISB has strengthened their Islamic banking coverage through digitalisation, simplification of customers' experience with innovative Islamic financial solutions and broadening access to the non-Muslim community.

For the Life Insurance business, Hong Leong Assurance Berhad's ("HLA") reported net profit of RM257 million was relatively flat on y-o-y basis as Customer-facing activities of our agency force was curtailed as a precautionary health measure in the beginning of the financial year. HLA's gross premium grew by 1% y-o-y to RM3,170 million while our New Business Embedded Value ("NBEV") trended higher by 13.1% y-o-y to RM200 million, largely driven by the positive impact on higher long term MGS rates and refinement in actuarial methodology. Our focus is to accelerate product innovation by leveraging on technology and data to transform our value proposition and to rejuvenate our agency recruitment.

Chairman's Statement

Our Family Takaful business, Hong Leong MSIG Takaful Berhad ("HLMT") continues its strong growth trajectory with a gross contribution of RM544 million in FY2022, improving against last year by 61.9%. As a result, HLMT's industry market share on an annual contribution equivalent basis grew to 8.4% from 2.2% in 2017. Over the 5 years, gross contribution from the agency channel grew by 8.5 times underpinned by new product innovation and robust agency recruitment. HLMT complements our Financial Group's Islamic financial service franchise and offers attractive growth potential given that Takaful in Malaysia remains largely underpenetrated.

Outside Malaysia, HL Assurance Pte Ltd in Singapore delivered a 37% higher gross premium than previous year resulting in a 46% y-o-y growth in underwriting profit. Hong Leong Insurance (Asia) Limited in Hong Kong, however recorded a marginally lower gross premium than previous year due to strict COVID-19 related travel restrictions.

Hong Leong Capital Berhad ("HLCB") reported a lower net profit of 64.4% y-o-y to RM72 million, largely due to a decline in profit contribution from Hong Leong Investment Bank ("HLIB") that was affected by delayed completion of mandated-deals and significantly lower traded volume on Bursa Malaysia. Our fund management business under Hong Leong Asset Management Berhad ("HLAM") recorded an increase in profit after tax by 2.3% to RM19.0 million amidst tough investment market conditions. In FY2022, HLAM continued to deliver impressive fund performance by winning 20 individual Refinitiv Lipper Fund Awards for Malaysia Universe and Global Islamic. The team has also won the Best Equity Group - Malaysia Provident, which is a highly coveted award.

STRENGTHENING OUR FOUNDATIONS

The Group's philosophy embodies an entrepreneurial vision focused on building long-term sustainable value for all its stakeholders. This vision guides our operating businesses to remain relevant, trustworthy, progressive, competitive and sustainable in pursuit of growth and the creation of business value. We believe 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.

OUR DIGITAL TRANSFORMATION

The pandemic and the movement restrictions that followed have reshaped the daily life for many and has accelerated digital adoption and transformed the way we shop, where and how we

work and the way we manage our financial-services. Increasingly, consumers expect autonomous and hassle-free processes with a higher degree of personalisation to accommodate their new lifestyles. HLFG consistently upgrade our service delivery with the changing technology environs and diligently implement the priority of our "Digital at the Core" strategy across all operating businesses.

Our commercial banking business, HLB has relentlessly innovated and enhanced their digital banking solutions to provide their customers with a simple and seamless experience driven by their "Built Around You" brand promise. Presently, more than 65% of HLB customers are on our digital banking platforms, and 91% of all banking transactions are performed over the internet and mobile banking apps.

HLA's digital transformation and product re-positioning plans have improved the performance metrics, showing our efforts in long term value creation. We are investing into digital capabilities to grow customer base for our local and overseas businesses. Both of our overseas companies continue to focus on enhancing their online distribution channels in their digital-led and data-driven general insurance business model. In FY2022, the total number of registered users for our insurance Customer Portal HLA360° increased 21.2% to 373,230.

At HLCB, we have invested and provided more digital solutions to enhance our customers' investment and trading experiences as well as to improve our cost efficiency and operational productivity. The Stockbroking division operated under HLIB is enhancing its HLeBroking digital platform to provide our clients with a fully digital account opening experience.

Overall, HLFG is committed to invest in its digital capabilities to drive sustainable business growth to all our stakeholders and aspire to deliver best in class customer experience across all our operating businesses.

COMMITMENT TO OUR CUSTOMERS

At HLFG, we remained committed to play our part in assisting our customers and affected communities through these extraordinary times. Our commercial bank, HLB had extended support to the individuals and businesses affected by the flood disaster that occurred in December 2021 with a range of relief assistance programmes on top of facilitating government-initiated programmes.

In support of the Bantuan Keluarga Malaysia ("BKM") initiative, HLA and HLMT participated in the Perlindungan Tenang Voucher programme, which is a financial assistance scheme by the

Chairman's Statement

Government of Malaysia to expand social protection for the lower-income group. Under this scheme, our customers may redeem the RM75 voucher that was allocated to eligible BKM recipients through HLA Stackable Microinsurance plans. The HLA Stackable Microinsurance was introduced to enable the company to reach out to the underserved market with an accessible life protection plan.

For our investment banking business, the key focus area is to promote financial inclusion and literacy through continuous engagement with our clients and local communities. We believe that financial literacy is the basis from which sound investment decisions can be made and we assist our clients by providing consultation and support catered to their individual needs. HLCB's educational resources are offered across several platforms to raise financial awareness and literacy among the community.

COMMITMENT TO OUR PEOPLE

Our employees' well-being is a priority. We believe that our businesses are best served by having the right talent who are able to be nurtured and developed as their career progresses with us. We strive 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.

Talent development also involves inculcating a diverse and inclusive workforce. We value a corporate culture where our employees regardless of their age, religion, nationality, gender or background have an 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 to help inculcate a positive corporate culture where people are treated fairly, respected and valued.

COMMITMENT TO GOOD GOVERNANCE

HLFG is committed to a high standard of governance, professionalism, ethics and integrity in the conduct of our business and 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. The Board has put in place a corporate governance framework to perform its oversight roles and responsibilities effectively. The Board Audit and Risk Management Committee ("BARMC") oversee the affairs relating to risk management, compliance

and internal controls while the Group Board Information and Technology Committee oversees technology and cyber security related matters.

We have in place group-wide policies and procedures which include the Board Charter, Code of Conduct and Ethics, Anti-Bribery and Corruption Policy ("ABC"), Gifts and Entertainment Policy and Whistleblowing Policy, which are reviewed annually. Policy principles are communicated company-wide and all employees attest to key policies such as Code of Conduct & Ethics and ABC Policy. Monitoring of internal compliance controls was conducted by the Compliance function, and results of such compliance reviews were reported to BARMC for assessment. To enhance our corporate governance culture and awareness, in-house and external training sessions on ABC, financial crime compliance and ESG were organised for directors and employees.

OUR SUSTAINABILITY JOURNEY

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 that we live in. It is imperative that we embrace these sustainable principles and approach them in a strategic manner to realise long-term shareholder value while taking into account the interest of all other stakeholders. The pandemic and events linked to climate change has brought about the increased focus on the importance of sustainable business endeavours.

In 2021, the Malaysian Government of Malaysia has announced the goal of reaching net zero emissions by 2050 in the Twelfth Malaysia Plan and committed that Malaysia would not be building any new coal power plants, strive to expand electric vehicle infrastructure and introduce a blue economic blueprint for coastal development. HLFG is committed to contribute efforts to slow global warming and avert the broader environmental degradation caused by climate change. In FY2022, our Group has taken steps to measure and monitor the Greenhouse Gas ("GHG") emissions at our key operating companies. At HLFG, we have reduced our combined GHG emission by 21.4% over the past four (4) financial years. On 29 April 2022, HLB had issued its maiden Green Additional Tier 1 Capital Securities amounting to RM900 million in nominal value. The issuance achieved a milestone of being the first issuance of a green AT1 bond by a bank in Malaysia.

Across our Group, we have been updating our internal policies to include ESG considerations and sustainability best practices. At HLFG company, we have updated our procurement policy to embed ESG considerations into our selection of vendors. We have also set out the tax strategy and approach in conducting our tax affairs and tax compliance. For our commercial banking business,

Chairman's Statement

HLB has embedded various ESG considerations into their products and services such as investment products onboarding and further enhancement to its Business & Corporate Banking lending ESG assessment framework that includes new sector-specific guidelines. Our asset management companies, HLAM and Hong Leong Islamic Asset Management ("HLISAM") have introduced an ESG Framework into their Investment Policy, and similarly at HLA, it had implemented an ESG Policy for the investment department to incorporate sustainability factors into their investment decisions. On 20 April 2022, HLAM launched its first ESG fund, the Hong Leong Global ESG Fund.

During the year, our insurance division and investment banking division have set out their respective sustainability framework to guide and accelerate the sustainability agenda with the objective of delivering sustainability-linked value to stakeholders. As we pursue our sustainability agenda, the focus is to grow our Group responsibly and at the same time, contribute positively to our environment, customers, employees and communities. In FY2022, 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.

OUTLOOK

At the time of writing, the numerous global macroeconomic headwinds and geo-political tensions that remain at play do pose a threat to the current fragile post-pandemic economic recovery. The surging inflationary pressures, the effects of a strong US dollar on emerging markets and the risk of recession in major economies will likely weigh on the outlook of the global economy.

Looking ahead, we are cognisant that the growth outlook is troubled by uncertainties and the path to full economic recovery may be uneven. While we expect Malaysia's economy to remain resilient supported by firm domestic demand, improvement in the labour market and robust external trade performance seen in the first half of 2022, Malaysia's open and trade reliant economy remains susceptible to global external shocks especially if this involves the country's major trading partners.

Against this backdrop, the Group shall be vigilant in managing our key business risks. The Group's balance sheet and risk metrics remain 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 11.8% and a total capital ratio of 15.9%. Prudent cost management remained a priority with increasing inflationary pressures on our operating cost. We shall judiciously manage our operating cost with targeted investment in talent and digitalisation while maintaining a strong focus on risk management as we enter the new financial year.

ACKNOWLEDGEMENT

Last but not least, I would like to take this opportunity to express my appreciation and gratitude to the Board of Directors, senior management and employees of HLFG Group for their dedication and commitment. The senior management team must also be recognised for successfully navigating the year's challenges. I would like to express my appreciation to Dato' Noorazman Bin Abd Aziz, who resigned from the Board on 14 January 2022, for his contribution and support throughout this challenging period and to welcome Ms Emily Kok, who joined the Board on 26 April 2022. Ms Emily Kok comes from a diverse background of venture capital, private equity, management and entrepreneurship.

My sincere appreciation also goes out to our regulators, shareholders, investors, customers and business partners. Thank you for your support and we hope you will continue to support us as we look forward to another year of growth for the Group.

QUEK LENG CHAN

Chairman

20 September 2022

Management Discussion & Analysis



We are pleased to present the Management Discussion and Analysis (“MD&A”) for the financial year ended 30 June 2022 (“FY2022”). 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 FY2022.

FY2022 remained a challenging year as the global economic recovery faced challenges ranging from the emergence of new strains of the COVID-19, supply chain disruption, the Russia-Ukraine armed conflict and high inflation rate. Interest rates rose at a rapid pace in some advanced economies and negatively impacted the investment markets. Malaysia benefited from its high vaccination rate and was able to remove mobility restrictions and as a result, domestic demand and trade numbers improved.

Nonetheless, strong external headwinds clouded the economic landscape and investment sentiments.

Against this backdrop, our business operations and financial performance remained resilient in FY2022. The Group recorded a net profit attributable to shareholders of RM2.45 billion, representing 8.3% improvement over previous year supported by robust contributions from the Group’s core businesses – our commercial banking division in particular. In line with the group-wide strategy of being “digital at the core”, we continued to deliver commendable financial results and 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 Family Takaful, housed under our insurance holding company HLA Holdings Sdn Bhd (“HLAH”); and
- Investment banking and asset management under Hong Leong Capital Berhad (“HLCB”).

Management Discussion & Analysis

In FY2022, HLFG Group's Profit Before Tax ("PBT") increased by 21.9% year-on-year ("y-o-y") to RM4.84 billion while the Net Profit attributable to Shareholders ("PATAMI") increased by 8.3% y-o-y to RM2.45 billion. Excluding the one-off impact of Cukai Makmur ("Prosperity Tax"), the normalised PATAMI would have registered at RM2.65 billion, an increase of 17.2% y-o-y. During the year, our commercial banking business contributed more than 90% of the Group's PBT, up from 87.4% in the previous financial year. The robust performance of HLB was mainly driven by top-line growth, prudent cost control, lower loan impairment allowances and robust contributions from associates. HLB achieved a higher growth of 8.0% y-o-y in loans and financing, that gave rise to higher net interest income of RM4.7 billion, an increase of 7% y-o-y.

The robust contribution from associates came from Bank of Chengdu ("BOCD"), our associate in China. The share of profit from BOCD increased by 40.5% y-o-y to RM1.0 billion and its contribution made up 20.9% of HLFG Group's profitability.

In terms of asset quality, the Group's credit cost has reduced significantly from RM650 million a year ago to RM163 million as conditions for loans under moratorium stabilised in part to HLB's payment relief assistance efforts. Our gross impaired loan ratio ("GIL") remained stable at 0.49%; the result was credited to our rigorous discipline in risk management and our extensive customer engagement efforts to reach out to our affected customers.

HLFG achieved a Return on Equity ("ROE") of 10.4%, and our book value per share grew by 6.4% y-o-y to RM21.41. In line with the

Group's performance, the Board of Directors have declared a final dividend of 31 sen to make up a full financial year dividend of 46 sen. This is 6 sen higher than the previous financial year.

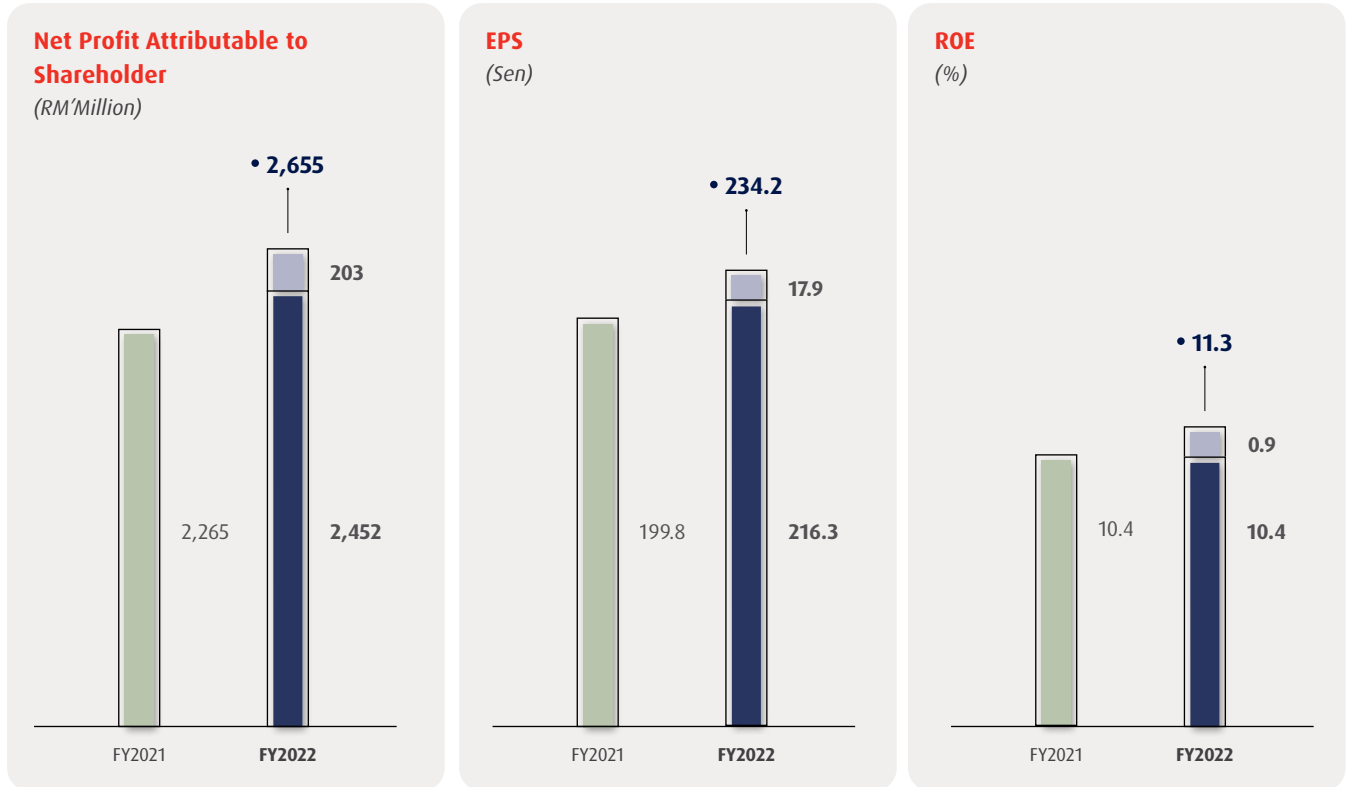
With the economic outlook remaining uneven in the immediate term, the Group shall be prudent in its capital and risk management to ensure our operating businesses remain resilient and adequately capitalised to deliver our business objectives. The Group consolidated capital position is above regulatory limits with a Common Equity Tier 1, Tier 1 and Total Capital Ratios at 11.8%, 13.0% and 15.9% respectively as at 30 June 2022.

During the year, RAM Rating Services Berhad ("RAM") reaffirmed AA1/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 HLB's strong retail and small and medium enterprise ("SME") franchises and effective risk management.

On 20 July 2022, HLFG was recognised as the Best Managed Bank and Financial Holding group in Malaysia by the prestigious The Asian Banker Leadership Achievement Awards 2022. Held once every three years, the Leadership Achievement Awards programme is highly coveted and we are honoured to have received this award for the second consecutive time. This award is an attestation to the efforts of the entire Group and a reflection of our commitment to execute diligently our business strategies in building sustainable value for our shareholders.

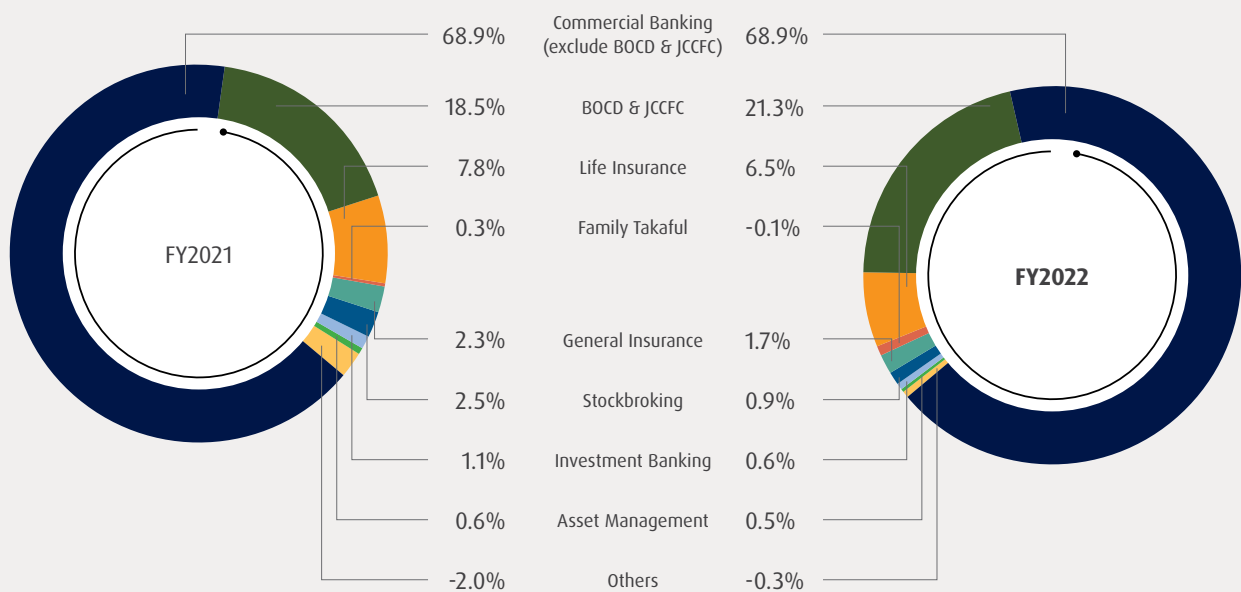


Management Discussion & Analysis



- Normalised
- Cukai Makmur (Prosperity Tax)

PBT contribution by business segments for FY2021 and FY2022



Notes:

- General Insurance include MSIG
- Others (include consolidation entries)

Management Discussion & Analysis

COMMERCIAL BANKING FINANCIAL & OPERATIONAL REVIEW

HLB Financial Highlights	FY2021	FY2022	Growth (%)
Profitability & Efficiency (RM'Million)			
Revenue	5,467	5,597	2.4%
Operating Profit	3,389	3,499	3.2%
Profit Before Tax ("PBT")	3,471	4,367	25.8%
Profit After Tax ("PAT")	2,861	3,289	15.0%
Earnings Per Share (sen)	140	161	14.9%
Net Interest Margin ("NIM") (%)	2.14%	2.14%	0.0%
Cost-to-Income Ratio ("CIR") (%)	38.0%	37.5%	-0.5%
Return on Assets (%)	1.25%	1.34%	0.1%
Return on Equity (%)	10.1%	10.9%	0.8%
Balance Sheet (RM'Million)			
Total Assets	237,129	254,331	7.3%
Gross Loans, Advances and Financing	155,822	168,234	8.0%
Customer Deposits	183,290	197,292	7.6%
Asset Quality			
Gross Impaired Loan Ratio	0.46%	0.49%	0.03%
Loan Impairment Coverage Ratio ("LIC")	247%	212%	-35%
LIC (provisions made on GIL and security value)	317%	282%	-35%
Liquidity and Capital Ratio			
Loan-to-Deposit Ratio	83.9%	83.5%	-0.4%
Common Equity Tier-1 Capital Ratio	13.6%	13.4%	-0.2%
Tier 1 Capital Ratio	14.1%	14.5%	0.4%
Total Capital Ratio	16.2%	16.7%	0.5%

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.

Management Discussion & Analysis

Profitability & Efficiency

In FY2022, HLB's revenue reported at RM5.6 billion or an increase of 2.4% y-o-y, underpinned by higher net interest income ("NII") buoyed by loans and financing growth and effective funding cost management. NII increased to RM4.62 billion or 7.2% y-o-y as expansion in loans and financing and robust control over cost of funds mitigated the impact from lower securities yield. NIM remained stable y-o-y at 2.14%.

Operating expenses remained stable at RM2,098 million while CIR improved to 37.5%, delivering a positive jaws effect. The Bank had managed its operating expenses prudently and in a disciplined manner that resulted in y-o-y improvement in CIR from 38% to 37.5% in FY2022.

Notwithstanding the economic headwinds, HLB's robust underlying performance and sound fundamentals, coupled with lower loan impairment allowances had delivered a higher PBT of 25.8% y-o-y to RM4,367 million and PAT was up 15.0% y-o-y to RM3,289 million respectively. HLB's ROE climbed to 10.9% from 10.1% and earnings per share improved from 140 sen to 161 sen in FY2022.

Balance Sheet & Liquidity

Gross loans, advances and financing grew by 8.0% y-o-y to RM168 billion. The Bank's domestic loans growth of 6.7% y-o-y continued to outperform the industry growth rate with residential mortgages expanded by 6.8% y-o-y while domestic loans to business enterprises increased by 13.3% y-o-y.

Residential mortgages increased to RM82 billion backed by healthy loan pipeline, while the vehicle financing stood at RM18 billion or up 5.3% y-o-y driven by higher automotive vehicle sales that was supported by vehicle sales tax exemption.

Domestic loans to business enterprises increased to RM55.2 billion, whilst the SMEs financing segment grew 15.7% y-o-y with the rebound in economic activities and our continued support to those customers that require financial assistance during the recovery phase. The Bank's community banking initiative, within the SME segment maintained a solid growth of 17.0% y-o-y, attributed to the seamless banking experience provided to customers via our strong commitment in technologies and innovation.

HLB customer deposits for FY2022 rose by 7.6% y-o-y to RM197.3 billion, with CASA expanding 11.5% y-o-y that uplifted the CASA ratio to 33.5% from 32.3% a year ago. Our sound deposit base was a result of the Bank's effective cash management offerings and improved cross-selling efforts. The Loan-to-Deposit ratio of

83.5% and a Loan-to-Fund ratio of 84.7% placed HLB in a healthy funding position to support sustainable business growth.

Asset Quality & Capital Adequacy

The Bank's asset quality remained solid, with a stable GIL ratio of 0.49%. The loan impairment coverage ratio ("LIC") stood at 212% as at 30 June 2022. Inclusive of provisions made and the value of securities held on our GIL, the LIC ratio increased to 282%. HLB's capital position remained robust, with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 13.4%, 14.5% and 16.7% respectively as at 30 June 2022. On April 2022, the Bank issued a Green Capital Securities of RM900 million to bolster its Tier 1 and Total Capital Ratio, providing further support for future business growth.

HLB has declared a final dividend of 37 sen per share, bringing the total dividend to 55 sen per share for FY2022, with a dividend payout ratio of approximately 34%.

Personal Financial Services ("PFS")

The PFS division remained the largest contributor to HLB in FY2022 for its revenue and PBT by 50.7% and 35.0% respectively. The mortgage business recorded a modest loan growth of 5.4% y-o-y in FY2022 on the back of the ongoing economic recovery with approvals for properties in the affordable housing segment, especially for first homebuyers grew by 42%. The auto financing business recorded an improvement of 4.0% y-o-y supported by new model launches, sales tax exemptions and strong promotional offers by car manufacturers. The Bank expanded penetration into the top five automotive brands through strategic collaborations and better dealer coverage that contributed to overall volume growth in FY2022. For personal loans, the Bank experienced higher demand for financing with new funding expanded by 31% y-o-y as the economy rebounded and country transitioned to endemicity. In terms of asset quality, PFS registered a low GIL ratio of 0.40% in FY2022 that could provide the business some headroom to support our customers with their credit needs and provide payment relief assistance when the government's PEMULIH programme expires.

PFS CASA deposits grew 6% y-o-y with the CASA ratio maintaining at 37.3% as the resumption of economic activities supported new accounts growth by 33.3% versus FY2021. Our mobile deposit specialists had also intensified the acquisition of customers through community-based programmes such as HLB@School and HLB@Work. The Bank also launched several digital initiatives to nurture environmental stewardship among the younger generation and promote a wider adoption of cashless transactions. HLB Earth Hero is a first-in-market personalised

Management Discussion & Analysis

banking platform designed for young children to learn to “Earn, Save and Spend” linked to an eco-friendly theme reported a 92.2% y-o-y growth in junior account opening. A “Project Cashless Kampung” inclusivity initiative was rolled out in Sekinchan, Selangor to enable all 800 business owners to receive cashless and contactless payments while educating the community about the security and convenience of such payment systems.

During the year, the rapid adoption of digital banking and payments continued with digital financial transactions increasing by 36% y-o-y and our Connect platform saw a 13% growth in its user base. With over two million users in total, the number of monthly active users on Connect also improved to 71% of the PFS customer base in FY2022 compared to 66% in FY2021. In total, 92% of all financial and non-financial PFS transactions are now conducted via Connect.

Moving ahead, PFS is committed to move towards a more digitalised business environment and will put our customer needs at the forefront as we expect the growing acceptance of digital banking to continue driving business growth in these areas.

Regional Wealth Management (“RWM”)

In spite of volatile market conditions, the Regional Wealth Management business (“RWM”) revenue increased by 10% y-o-y and registered a 18% y-o-y growth in overall assets under management (“AUM”). The sales in unit trust slowed during the financial year but this was offset by better performance in the bancassurance, fixed income and structured products. Bancassurance fee income improved by 58% y-o-y, mainly contributed by revival in credit insurance sales whilst capital-protected structured products garnered strong sales growth of more than 212% as customers sought shelter from equity market volatility. Moving ahead, RWM diverse range of products, disciplined focus on cross-selling and client experience will enable the business to navigate the volatility in the financial markets and contribute to the Bank’s performance next year.

Business & Corporate Banking (“BCB”)

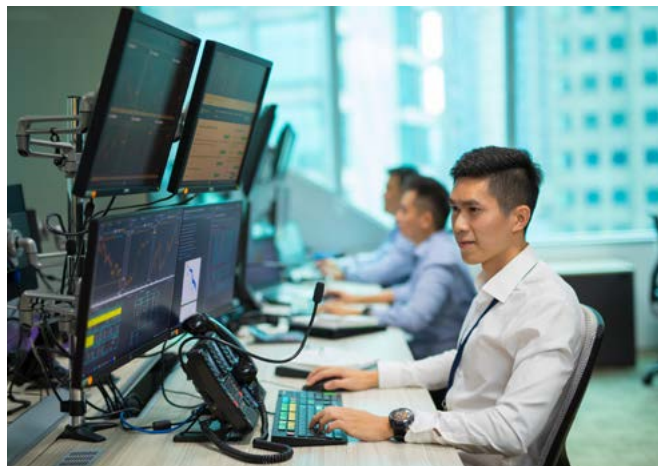
The BCB division reported a revenue of RM1,489 million or 9% growth y-o-y and accounted for 21% of HLB’s PBT. BCB delivered a commendable performance with loans and financing growth outpacing that of the industry at 11% y-o-y. We focused on our strategic segments of commercial and SME client segments, both of which registered strong growth, expanding by 13% and 17% y-o-y respectively. The loans growth was backed by 27% y-o-y rise in demand deposits.

With the gradual recovery in the economy, BCB continued to provide financial support to our commercial and SME customers as they revived their business from the effects of the pandemic with working capital facilities, range of bank-initiated payment relief assistance programmes and the facilitation of access to government financial assistance programmes. In FY2022, HLB disbursed RM128 million under the PEMULIH Government Guarantee Scheme Programme (“PGGS”) that provides financing to businesses of up to RM1 million with a maximum tenure of seven years.

On the digital front, BCB enhanced the digital banking experience for our customers with the launch of BCB digital onboarding experience for account opening and Hong Leong ConnectFirst (“HLCF”) sign-ups, where nine out of ten new accounts were being onboarded digitally. This enhancement reduced the time for our customers and improved the efficiency of account opening process over conventional methods without the need to adhere to branch opening hours.

BCB’s sustained performance particularly in SMEs segment, had garnered industry recognition in the form of awards and accolades such as our fourth consecutive award as the Best SME Bank in Malaysia and the Best Cash Management Bank in Malaysia from The Asian Banker. Their focus on sustainability and support towards financing of renewable energy projects over the last few years had also earned HLB’s recognition as the Best Bank for Sustainable Energy Financing at the National Energy Awards in 2021.

Moving forward, BCB will remain focused on supporting Malaysian businesses, particularly the SMEs, via our comprehensive suite of financing and banking services, which we will continue to improve to meet the evolving needs of the market and our customers.



Management Discussion & Analysis

Global Markets (“GM”)

Global Markets reported a revenue of RM681 million or a decline of 32% y-o-y, contributed to 13% of HLB’s PBT. In FY2022, GM liquid asset portfolio was affected by lower portfolio yields in a rising interest rate environment while managing the negative mark-to-market impact on our bond holdings. Trading income was also impacted by the local and global bond sell-offs and the narrowing interest rate differentials of USD/MYR.

During the year, GM worked closely with our internal partners and customers to deliver innovative treasury solutions for the Bank and launched Hong Leong ConnectFirst Live, which allowed our corporate customers to book FX rates, including forward contracts directly with us. In line with the greater adoption of digital banking channels by customers, our digital remittance in foreign exchange (“FX”) volumes continued to remain strong and exceeded our branch volumes throughout FY2022.

Moving ahead, GM shall be prudent on balance sheet management in anticipation of further rise in interest rates as central banks adopt a more hawkish monetary policy stance. As the rebound in global trade flows has been positive for FX volumes, we expect our SME, commercial and retail customers continue to be active in FY2023.

Islamic Banking

Hong Leong Islamic Bank Berhad (“HLISB”) had navigated through a challenging financial year and reported a lower Profit Before Zakat and Taxation (“PBZT”) of RM438 million, or a decrease of 16.4% y-o-y. Financing assets recorded 11% y-o-y growth attributed to healthy growth in our retail, SMEs and corporate businesses financing, while the Halal sector recorded 15.5% growth in assets. The total assets of HLISB grew 14% y-o-y to RM51.4 billion in FY2022, that was above the average industry rate of 8%. Asset quality remained stable with a low Gross Impaired Financing (“GIF”) ratio at 0.44% for the financial year.

In the year under review, HLISB continued to offer assistance to all individuals and corporate customers, including SMEs and Micro SMEs, who were experiencing financial difficulties because of the prolonged pandemic. This was facilitated via the Bank’s COVID-19 Payment Relief Assistance Plans or the government’s PEMULIH programme to support vulnerable customers in their recovery efforts. In addition, HLISB, together with HLB, mobilised a flood relief assistance programme offering a payment deferment of up to six months on financing facilities for individuals, SME and Micro SME customers who were affected by the floods in December 2021.

HLISB is committed to become a sustainable and inclusive financial partner to our customers, led by our “Digital at the Core” ethos and brand promise of delivering services that are built around our customers’ needs. HLISB launched a new green energy financing facility, Solar Plus Financing-i which enables homeowners to install a solar powered energy system and immediately enjoy savings on monthly electricity bills. Meanwhile, the established Term Investment Account-i (“TIA-i”) that offers conveniently packaged and high-quality financing assets had gained a strong footing amongst our customers with the retail fund size having grown 40% y-o-y to RM618 million. In the SME segment, HLISB supported the SMEs and Halal sector businesses to raise financing through our partnerships with SME Corporation via the Shariah-Compliant SME Financing Scheme 3.0 (“SSFS 3.0”) Programme and Syarikat Jaminan Pembiayaan Perniagaan (“SJPP”).

Moving ahead, we will continue to be guided by the principles of value-based intermediation and the Bank’s sustainability agenda for transitioning towards a value-based business model. HLISB planned to provide more value-based finance solutions, support financial inclusion via our Islamic wealth management services, expand the SME and Halal business, upskill our workforce and explore the realm of Islamic social finance.

Overseas Banking Operations

HLB’s regional banking business contributed to 26.1% share of HLB’s PBT in FY2022, bolstered by positive business momentum in the countries of operations. HLB continued to see encouraging loan growth from businesses in Vietnam (39.3% y-o-y) and Cambodia (32.0% y-o-y), and strong profit contributions from BOCD. HLB owned 18% equity interest in BOCD, which contributed to HLB’s PBT of RM1.0 billion or 23.2% share of PBT in FY2022.

For its overseas branches, HLB’s Singapore operation is represented by HL Bank Singapore (“HLBS”) and a branch in Hong Kong (“HLBHK”). In FY2022, HLBS recorded a revenue of RM187 million and its gross loans grew 23% y-o-y to close at RM7.6 billion. The branch’s growth was driven by its ongoing transformation into a more holistic financial services provider, expanding from a niche Private Wealth Management outfit to business financing for the local SMEs and extending PFS products to cover the mass affluent segment. For HLBHK, the businesses were adversely affected by the severe restrictions and social distancing measures amid recurring waves of COVID-19 since January 2022.

In parallel, our overseas franchise continues to invest and develop its digital capabilities to better serve the customers which includes enhanced mobile banking platforms, eKYC for retail customers, payment gateway platform and peer-to-peer instant fund transfer service capability.

Management Discussion & Analysis

INSURANCE/TAKAFUL FINANCIAL & OPERATIONAL REVIEW

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

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

In FY2022, HLAH recorded a net profit of RM339.0 million or 14.1% lower as compared to previous year. There was a one-off tax credit item in the prior year results and excluding the impact of this one-off item, the FY2022 net profit would have slightly decreased by 3.1% y-o-y on a normalised basis.

Life Insurance

HLA, as a life insurer, is the largest operating business within our insurance division, comprising 79.7% of HLAH's total insurance PBT. HLA's PBT increased modestly by 0.9% y-o-y to RM314 million in FY2022. The gross premiums slightly increased to RM3.2 billion or 0.8% y-o-y while new business regular premiums ("NBRP") decreased to RM641 million or 12.6% y-o-y mainly due to lower contribution from agency channels disrupted by movement control restrictions and COVID-19 resurgence. The new business embedded value ("NBEV") improved by 13.1% y-o-y to RM200 million while embedded value ("EV") improved by 13.7% y-o-y to RM3.3 billion in FY2022. The improvements in NBEV and EV were driven by the positive impacts from higher long-term MGS rates and refinement in actuarial methodology. HLA's digital transformation and product re-positioning plans had also contributed to deliver long-term value creation.

Our emphasis on Investment-Linked segment had resulted in a robust growth of 12% y-o-y and recorded premium of RM2.4 billion. Our market ranking in terms of new business for the Investment-Linked segment remained at No. 4 position as at 30 June 2022.

In terms of distribution, HLA continues to focus on building a productive and professional agency force while executing its Bancassurance by leveraging off the distribution network of its sister company HLB's wide network of branches. The agency channel accounted for more than 70% of the total gross premiums contribution followed by the Banca channel. The total premiums from Banca channel grew modestly to RM686 million in FY2022 compared to RM667 million last year.

HLA's management expense ratio was 6.0% in FY2022, 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 2022 for the 7th consecutive time. During the same period, HLA had also been awarded the Best Life Insurance Company by International Finance Awards 2022 for the 5th time. These awards truly reflected HLA's steadfast commitment to innovative insurance solutions, comprehensive coverage, and multi-channel distribution, which are the catalysts in delivering excellent customer experience.

Family Takaful

Our Family Takaful business, HLMT registered a robust business growth trajectory with a 62% y-o-y increase in its gross contribution to RM544 million in FY2022 and outperformed the industry's growth of 29%. The improvement in the gross contribution was underpinned by robust agency channel expansion over the past years. HLMT's industry market share on an annual contribution equivalent basis expanded to 8.4% from 2.2% back in year 2017. In support of the Bantuan Keluarga Malaysia ("BKM") initiative, HLMT had provided Takaful coverage to more than 200,000 customers under the Perlindungan Tenang Voucher programme, which is a financial assistance scheme by the Government of Malaysia to expand social protection for the lower-income group.

In FY2022, HLMT launched a brand promise campaign which focused on three core values: trust, legacy and dedication. Our brand message on the three core values resonates in the current times as these values connect us and help us to achieve our goals together.

During the year, HLMT was conferred Best Takaful Operator for Malaysia for the 3rd consecutive year by International Business Magazine Awards and Excellence in Takaful Insurance Services award by Global Halal Excellence Awards.

Management Discussion & Analysis



Overseas General Insurance

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

In FY2022, HLAS achieved a solid gross premium growth of 37% y-o-y and its underwriting profit improved 46% y-o-y. In spite of the disruptions from COVID-19, HLAS was able to find opportunities by diversifying its portfolio through continuous development in affinity partnerships to grow the customer database. HLAS is now positioned as an established general insurer in the Singapore market.

HLIA's gross premium declined by 2% in FY2022 as compared to last financial year. This was mainly due to reduction in economic activities from Hong Kong's "zero-COVID" policy and international border restrictions. HLIA was able to diversify its business to expand its commercial business portfolio and partly mitigated the adverse impact of border restrictions on its travel related insurance.

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 subsidiary companies are

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

HLCB recorded a PBT of RM97.2 million in FY2022, a decrease of 45.2% y-o-y. The lower profit contribution was mainly attributed to a contraction of 46.7% y-o-y in Bursa Malaysia's trading volumes that affected HLIB's stockbroking business; and a weaker performance in the investment banking division that was affected by lower capital market activity and delays in the completion of some mandated deals. The unit trust and fund management business achieved a marginal annual growth rate of 1.8% in PBT to RM25.2 million despite tougher market conditions in FY2022.

HLCB had adopted a prudent approach in respect of the dividend payment and had declared a final dividend of 19.0 sen per share for FY2022 that was 7 sen lower than last year. The total capital ratio of HLCB's key operating subsidiary, HLIB, remained healthy at 46.4% as at 30 June 2022.

Management Discussion & Analysis

Investment Banking

The Investment Banking business achieved a revenue of RM68.2 million or a decrease of 19.4% y-o-y mainly due to lower market activity and delays in completion of some mandated deals within the current financial year caused by disruptions from the movement restrictions.

Treasury & Markets was the main revenue contributor to the Investment Banking business, accounted for 58.2 % of the total revenue in FY2022. Treasury & Markets revenue fell 17.8% y-o-y to RM39.7 million due to a challenging trading environment affected by the rapid upswing in bond yields.

The Equity Markets performance rebounded with a jump in revenue growth of 47.9% y-o-y, mainly attributed to the improvement in Initial Public Offerings (“IPO”) related deal flows driven by an active IPO space in Malaysia during the financial year. The business had also actively pursued a more diverse range of corporate mandates and opportunities to diversify the income contribution mix under current market conditions.

The Debt Markets revenue fell 60.1% y-o-y and was adversely affected by delays in the completion of some mandated deals within the current financial year caused by disruptions from the movement restrictions.

Moving ahead, Treasury & Markets would continue to diligently manage its bond portfolio and identify trading and/or arbitrage opportunities in what we expect to be a volatile market. Our Debt Markets and Equity Markets divisions shall continue to provide innovative solutions to our customers and look at ways to collaborate in the areas of sustainable investments.

Stockbroking

The Stockbroking business of HLIB recorded revenue of RM95.1 million or 41.4% y-o-y reduction mainly driven by lower net brokerage income earned in FY2022. The performance was significantly affected by a much lower trading activity at Bursa Malaysia with traded volumes decreased by 46.7% y-o-y in FY2022. Although a decline was expected in FY2022 following record high traded volumes in FY2021, however the contraction in trading volume had exceeded expectations.

Net Brokerage income contribution from our retail segment had dropped to 73.3% while our institutional business increased to 26.7%. This was in line with the shift in the overall market with retail participation in trading at Bursa Malaysia declining to 29.3% from 36.4% as compared to the previous year. The reduced retail participation during the financial year has led to a lower market share for our stockbroking business.

Moving ahead, our stockbroking business aims to drive new areas of growth with plans to launch a new Shariah trading platform and further enhance its digital trading platform to allow a fully digital account opening experience for our customers.

Asset Management

The unit trust and fund management business operated under HLAM and its subsidiary, HLISAM recorded a PBT of RM25.2 million for FY2022, a marginal growth of 1.8% y-o-y. The improved performance was attributed to the increased net fee income earned from equity funds and fixed income funds with higher average Assets Under Management (“AUM”) of RM3.4 billion (45.0% y-o-y) and RM4.9 billion (61.3% y-o-y) respectively. The improvement was offset by weaker income contribution from the money market funds as the average AUM declined by 36.2% y-o-y to RM7.7 billion following the withdrawal of tax exemption effective 1 January 2022 on the distribution of interest income to non-individual unit holders.

In FY2022, HLAM won an impressive record of 20 individual Refinitiv Lipper Fund Awards for Malaysia Universe and Global Islamic and one Group Award for Best Equity Group – Malaysia Provident, which is a highly coveted award. This marks HLAM’s 5th time winning in the Group Award category for Best Equity – Malaysia Provident.

On 20 April 2022, HLAM launched its first ESG fund, the Hong Leong Global ESG Fund, aiming to provide medium- to long-term capital growth by investing in a globally diversified portfolio of companies with a focus on ESG criteria in the investment process. Moving ahead, HLAM shall continue to work closely with their distributors and customers via the digital platforms and virtual engagements to further build and diversify the AUM base.

Management Discussion & Analysis

SUSTAINABILITY

At HLFG, we have increased focus in managing Environmental, Social and Governance (“ESG”) and its associated risks under a Group-wide approach. The Group has stepped up its commitment to support the global sustainability agenda and taken further steps to embed the principles and practices of sustainability into our businesses. During the year, we have conducted a group-wide Greenhouse Gas (“GHG”) emissions study, which covered the Company and key operating companies, in line with the GHG Protocol Corporate Accounting and Reporting Standards. Our operating companies, HLA and HLCB have set out their respective sustainability framework to guide and accelerate the sustainability agenda with the objective of delivering sustainability-linked value to stakeholders. We have also developed internal policies taking into consideration of ESG and sustainability best practices that covers the products and services, tax strategy and approach, lending assessment framework, investment policy and investment decisions across our businesses within the Group. Details of our sustainability achievements are set out in our Sustainability Statement.

OUTLOOK

Looking forward, we expect Malaysia’s economy to remain resilient supported by firm domestic demand, rebound in tourism-related sectors, improvement in the job market and robust growth in external trade surplus.

Nevertheless, we foresee the country’s economic recovery momentum will face external headwinds from a slowing global economy, rising inflationary pressures and the effects of a strengthening US dollar on emerging markets currencies. The Group shall remain cautious and be guarded against emerging risks as we operate amidst a challenging business environment in the new financial year. We shall continue to manage the businesses prudently, advancing on multiple fronts whilst strengthening our foundations for a digitalised and sustainable future.

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 members of staff throughout the HLFG Group for their dedication and commitment.

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

FURTHER INFORMATION

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

- HLB’s FY2022 MD&A in their FY2022 annual report at www.hlb.com.my or www.bursamalaysia.com;
- HLAH and HLA’s financial statements at www.hla.com.my; and
- HLCB’s FY2022 MD&A in their FY2022 annual report at www.hlcap.com.my or www.bursamalaysia.com.

Sustainability Statement



ENHANCING OUR RESPONSIBILITY TO DELIVER SUSTAINABLE VALUE

In line with our greater focus on sustainability, we are pleased to present to you our Sustainability Report for the financial year ended 30 June 2022 (“FY2022”). The report provides a comprehensive overview of our initiatives and progress at addressing Economic, Environmental, Social and Governance sustainability matters within our business and operations.

At Hong Leong Financial Group (“HLFG” or “the Group”), we are cognisant of the evolving global development that has brought the importance of corporate sustainability into sharp focus. As the world faces unprecedented challenges from the effects of climate change, it is paramount that all corporate entities embrace sustainability and step up their efforts to promote positive changes that will benefit the environment and our society.

We also recognise the benefits our businesses and stakeholders stand to gain in this journey towards sustainability. By embracing sustainable practices, we can enhance our competitive advantages, meet evolving customer needs, improve our operational efficiencies, attract talent and gain new opportunities amidst the shifting industry landscape. At the same time, we will be able to enhance our brand’s reputation as a responsible corporate entity, mitigate risks that may impact our ability to generate long-term value for our stakeholders and drive positive change within the markets in which we operate.

In line with our greater focus on sustainability, we are pleased to present to you our Sustainability Report for the financial year ended 30 June 2022 (“FY2022”). The report provides a comprehensive overview of our initiatives and progress at addressing Economic, Environmental, Social and Governance sustainability matters within our business and operations.

Sustainability Statement

OUR REPORTING APPROACH

This report has been prepared in accordance with the Global Reporting Initiative (“GRI”) Standards and in adherence to sustainability reporting requirements set forth by Bursa Malaysia. The report covers the following content:

- Stakeholder inclusiveness – capturing our stakeholder’s expectations and concerns;
- Sustainability performance – presenting the performance aligned with the wider context of sustainability;
- Material matters – prioritising the key sustainability material matters identified by the stakeholder group; and
- Completeness – covering all reporting requirements relevant to the Group and aligning with the requirement context.

We aim to expand the coverage of our sustainability disclosures progressively to include our management approach for climate-related issues moving forward, that will be presented in alignment with the Task Force on Climate-Related Financial Disclosures (“TCFD”) framework.

Materiality matters that are crucial to HLFGB are highlighted in this report as follows:

- GRI 201 Economic Performance
- GRI 205 Anti-Corruption
- GRI 302 Energy
- GRI 303 Water
- GRI 305 Emission
- GRI 306 Waste
- GRI 401 Employment
- GRI 404 Training and Education
- GRI 405 Diversity and Equal Opportunity
- GRI 413 Local Communities
- GRI 418 Customer Privacy

For more information on the materiality disclosures, please refer to the Materiality Matrix on page 39.

REPORTING PERIOD

This report covers HLFGB’s sustainability performance and progress for the financial year (“FY”) – 1 July 2021 to 30 June 2022, unless otherwise stated.

SCOPE AND BOUNDARIES

This report encompasses sustainability data collected from the following core businesses, focusing on key operating companies within:

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

FEEDBACK

We welcome your views, comments or feedback, which may be directed to the Group Chief Financial Officer at:

Email : cfo-hlfg@hongleong.com.my
 Telephone : 03-2080 9888
 Fax : 03-2080 9800
 Address : Level 30, Menara Hong Leong, No. 6 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur

Our Sustainability Approach

A STRATEGY THAT REFLECTS OUR ETHOS

HLFG was built on a strong heritage of value creation for our stakeholders and the communities within which we operate. Over the decades, we have taken a progressive approach towards integrating sustainability into our businesses in order to drive strength and resilience across the Group.

This approach is inspired by our vision and our goal, and reflects the eight core values that encapsulate the collective character of our organisation. We are committed to grow our businesses responsibly whilst conscientiously balancing the environmental, economic and social considerations in our pursuit to generate sustainable value for our stakeholders.

OUR STRATEGY

Fundamentally, we strive to ensure our sustainability practices are in harmonious co-existence of entrepreneurialism and professional business management, that is achieved through technological innovation and transformation underpinned by an effective risk management framework. As an investment holding company, HLFGB takes responsibility to lead our respective operating companies in enhancing their Environment, Social and Governance (“ESG”) performance in the areas of climate action, community programmes, fair labour practices and many more.

Sustainability Statement

Our approach is guided by five Sustainability Pillars for the Group that sets out the key focus areas within which we aspire to augment our sustainability practices. These pillars provide the framework upon which all our sustainability efforts are evaluated, monitored and developed, that have been adopted by our key operating companies for their respective sustainability agenda.

Refer to page 40 for details on our Sustainability Pillars.

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 VALUES

<p>Honour</p> <p>To always conduct our business activities with honour and integrity</p>	<p>Human Resource</p> <p>To enhance quality of human resources as it is the essence of management excellence</p>	<p>Entrepreneurship</p> <p>To collectively pursue management's vision and foster an entrepreneurial spirit</p>	<p>Innovation</p> <p>To nurture and remain committed towards continuous and timely innovation</p>
<p>Quality</p> <p>To provide products and services that consistently exceed customer expectations</p>	<p>Progress</p> <p>To continuously improve operations, drive expansion and seize new business opportunities</p>	<p>Unity</p> <p>To ensure harmony, friendship and collective purpose in the pursuit of mutual prosperity</p>	<p>Social Responsibility</p> <p>To create wealth for the betterment of the communities in which we operate</p>

Our Sustainability Governance

A COMMITMENT GUIDED BY OUR LEADERSHIP

HLFG's Board is committed to ensure that sustainable practices are progressively embedded across the organisation and that adequate resources are allocated at operating companies to manage sustainability matters effectively.

The Board provides oversight on all sustainability governance matters and is supported by Senior Management, namely our President & Chief Executive Officer with the support of the Group Chief Financial Officer, who is responsible to drive the implementation of our sustainability strategy and to ensure that our objectives are met.

HLFG's Board of Directors

Senior Management

Sustainability Team

Sustainability Statement

RECOGNISING OUR INHERENT RISKS

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

ESG risks have been incorporated into their respective Risk Management Frameworks as outlined below:



OUR SUSTAINABILITY PILLARS

At HLF, we want our operating companies to be empowered to strengthen their sustainable business practices and integrate ESG principles into their lending practices, financial services and investment framework.

We have identified five Sustainability Pillars that encapsulate the Group's commitment to sustainability. These pillars will provide the steer to our core businesses to embed sustainability practices within their operations and also serve to categorise and align the manner in which the Group disclose all sustainability related initiatives undertaken by each operating entity.



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, and striving to promote fair and responsible social practices in our operations



Environmental Management

Managing the environmental footprint of our business and contributing responsibly towards preservation of the environment



Community Investment

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

Sustainability Statement

OUR KEY STAKEHOLDERS

We have identified the stakeholders that are significant to our businesses. The table below provides a summary of our key internal and external stakeholders, their sub-groups, as well as the primary focus areas around which we undertake constructive engagement on matters related to sustainability.



Group	Sub-group	Focus Areas of Stakeholders Engagement
Employees/ Directors	Board of Directors and Management	<ul style="list-style-type: none"> Career development and performance management Occupational safety and health Ongoing internal communications Employment terms and conditions
	Staff (including contract staff)	
	Interns	
Regulatory Authorities	Bank Negara Malaysia	<ul style="list-style-type: none"> New regulations Compliance matters
	Bursa Malaysia	
	Securities Commission Malaysia	
	Inland Revenue Board (LHDN)	
	Companies Commission of Malaysia	
	Malaysian Anti-Corruption Commission	
Investors	Private fund management companies (local and international)	<ul style="list-style-type: none"> Annual General Meeting Ongoing communications with the investment community via briefings, small groups and 1-to-1 meetings Bursa Announcements
	Statutory bodies which manage government funds	
	Research houses	
	Insurance companies	
	Private investors	
Media	Newspapers (printed and online)	<ul style="list-style-type: none"> Continuous and meaningful communications Publicity management
	Broadcast media	
	Social media	
Service providers/ Vendors	Consultancy/advisory firms	<ul style="list-style-type: none"> Fair treatment via a transparent tender/bid process
	Contractors	
	Company suppliers	
Associations/ Community	Malaysian Accounting Standards Board (MASB)	<ul style="list-style-type: none"> Industry stewardship Development and impact of new rules Reaching out to the community continuously
	Malaysian Investor Relations Association (MIRA)	
	The Association of Banks in Malaysia (ABM)	
	Life Insurance Association of Malaysia (LIAM)	
	Asian Institute of Chartered Bankers (AICB)	
Customers	Retail consumers	<ul style="list-style-type: none"> Protection of personal data Products/services transparency Useful products/services
	Corporate clients	

OUR MATERIAL SUSTAINABILITY MATTERS

OUR DETERMINATION PROCESS

We place great value in accurately identifying the issues that are of primary importance to the Group and our stakeholders. To guide our efforts, we have established a comprehensive four-step materiality assessment process that enables us to determine the material matters upon which we may focus our sustainability efforts.

This process takes into account the various material matters that have been identified by each of our operating companies and integrates them into the Group-wide strategy.



Sustainability Statement

OUR MATERIAL SUSTAINABILITY MATTERS

Nine material matters have been identified as being paramount to the Group's ability to deliver sustainable value to our stakeholders. These were determined by integrating the material sustainability matters of our subsidiaries and analysing the impact, risks and opportunities that have on HLFG's overall business operations and our relevant stakeholders.

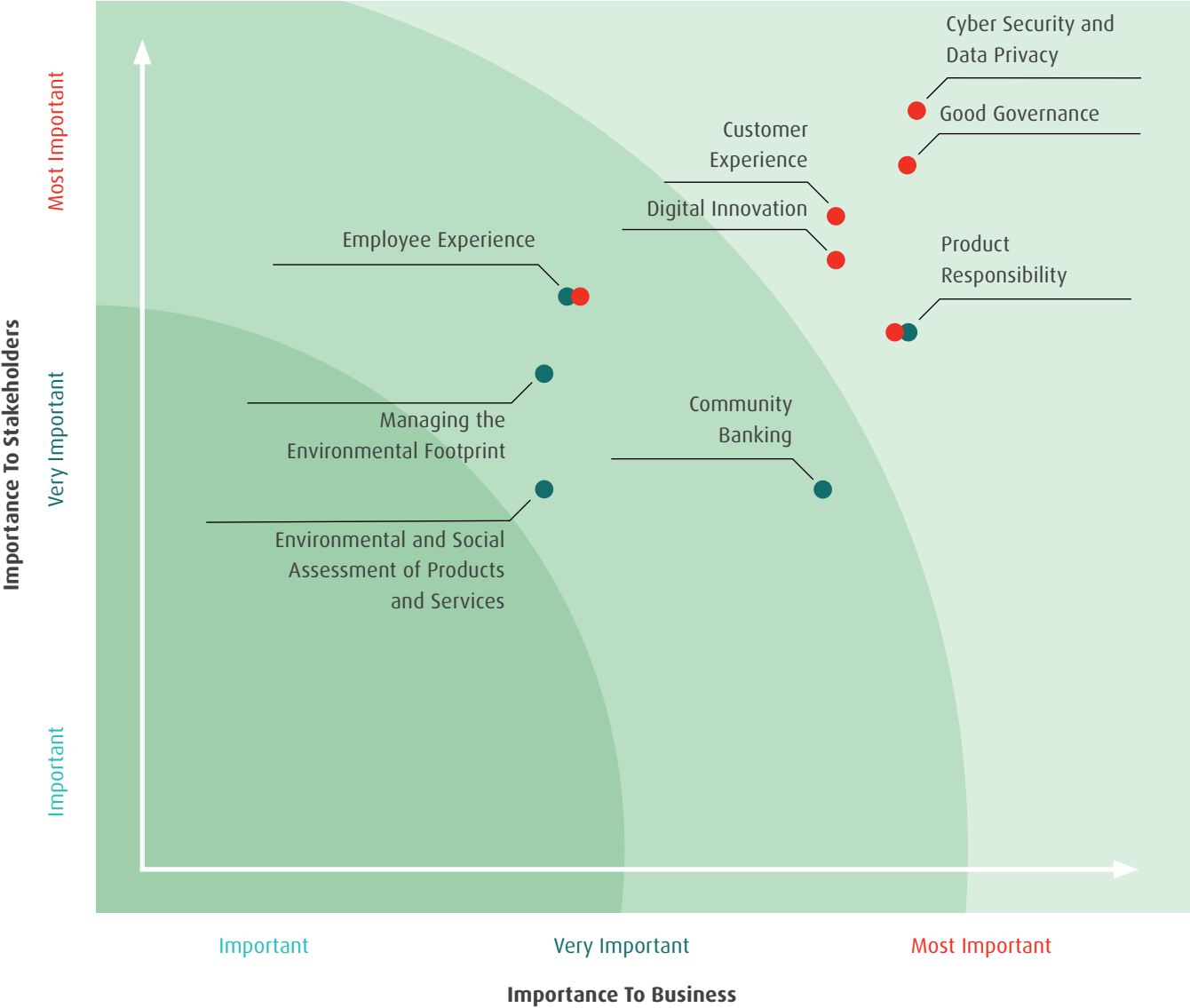
Material Matters	Definition of Material Matters
Digital Innovation	Innovating digital products and services by HLFG's subsidiaries to increase accessibility and adoption of latest technologies.
Customer Experience	Undertaking efforts to enhance HLFG subsidiaries' products and services value in order to meet shifting customer needs and preferences.
Cyber Security and Data Privacy	Protecting HLFG from unauthorised access or evolving cyber threats that are intended to exploit confidential data and disrupt our operations.
Employee Experience	Providing relevant, meaningful and positive employee experiences at every stage of their professional lives, taking into account diversity and inclusivity.
Good Governance	Instilling a culture that affirms good values, principles, standards, norms of behaviour and ethical business conduct across the Group
Community Banking	Engaging local communities through HLFG's subsidiaries' development programmes to support and empower their progress.
Product Responsibility	Undertaking efforts to ensure fair design of the products and services our subsidiaries offer to customers.
Managing the Environment Footprint	Contributing responsibly to the environment by using the planet's resources and energy efficiently and supporting the transition to a low carbon economy.
Environmental and Social Assessment of Products and Services	Establishing the assessment and screening for environmental and social risks as an integral part of our subsidiaries' business practices.

Sustainability Statement

OUR MATERIALITY MATRIX

Through careful consideration via our Materiality Assessment process, we have ascertained the level of priority that should be provided to each of our material sustainability matters, as outlined in the matrix below.


Legend: ● Most Important ● Very Important ● Important



Sustainability Statement

ALIGNING MATERIAL MATTERS WITH OUR SUSTAINABILITY PILLARS

The following table provides an overview of the material sustainability matters for the Group as well as for our key operating companies. They have been categorised in alignment with our five Group-wide Sustainability Pillars and cross referenced with the United Nations Sustainable Development Goals (“UNSDGs”) to which they contribute.

	Digital at the Core	Workforce Readiness	Socially Responsible Business	Environmental Management	Community Investment
Contribution to United Nations SDGs					
Hong Leong Financial Group	<ul style="list-style-type: none"> - Digital Innovation - Cyber Security and Data Privacy - Customer Experience 	<ul style="list-style-type: none"> - Employee Experience 	<ul style="list-style-type: none"> - Good Governance - Product Responsibility 	<ul style="list-style-type: none"> - Managing our Environmental Footprint - Environmental and Social Assessment of Products and Services 	<ul style="list-style-type: none"> - Community Banking
Hong Leong Bank Berhad	<ul style="list-style-type: none"> - Digital Banking - Cyber Security and Data Privacy - Customer Experience 	<ul style="list-style-type: none"> - Talent Attraction, Development and Retention - Employee Well-being, Health and Safety - Diverse and Inclusive Workforce 	<ul style="list-style-type: none"> - Responsible Financing - Fair Banking - Sustainable Supply Chain - Financial Inclusion - Good Governance 	<ul style="list-style-type: none"> - Addressing Climate Impact - Managing Our Environmental Footprint 	<ul style="list-style-type: none"> - Building Communities - Financial Literacy
Hong Leong Assurance	<ul style="list-style-type: none"> - Digital Innovation - Cyber Security and Data Privacy - Customer Experience 	<ul style="list-style-type: none"> - Employee Experience 	<ul style="list-style-type: none"> - Good Governance - Product Responsibility 	<ul style="list-style-type: none"> - Managing the Environmental Footprint - Environmental and Social Assessment of Products and Services 	<ul style="list-style-type: none"> - Building Communities
Hong Leong Capital Berhad	<ul style="list-style-type: none"> - Innovation - Cyber Security and Data Privacy - Client Experience 	<ul style="list-style-type: none"> - Employee Experience - Compliance - Ethics and Integrity 	<ul style="list-style-type: none"> - Fair Banking - Impact Investing 	<ul style="list-style-type: none"> - Managing the Environmental Footprint 	<ul style="list-style-type: none"> - Building Communities - Financial Literacy

Please refer to the following page for definitions on the key SDGs towards which we contribute.

Sustainability Statement

SUPPORTING THE GLOBAL SUSTAINABLE DEVELOPMENT AGENDA

HLFG is proud to support and contribute to various United Nations Sustainable Development Goals through our various initiatives to expand and ingrain sustainability practices into our corporate DNA.

Established in 2015, the SDGs reflect the intensifying global agenda to achieve a sustainable future and sets out a clear vision with goals, targets and a roadmap to achieve sustainable development for peace, prosperity of the people and sustainability of our planet by 2030.

The Group has identified the following 9 SDGs towards which we believe we are able to contribute meaningfully and make a positive impact through our core business operations.

<p>4 QUALITY EDUCATION</p> 	<p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p>
<p>5 GENDER EQUALITY</p> 	<p>Achieve gender equality and empower all women and girls.</p>
<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>Ensure access to affordable, reliable, sustainable and modern energy for all.</p>
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>
<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<p>Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.</p>
<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>Ensure sustainable consumption and production patterns.</p>
<p>13 CLIMATE ACTION</p> 	<p>Take urgent action to combat climate change and its impacts.</p>
<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.</p>
<p>17 PARTNERSHIPS FOR THE GOALS</p> 	<p>Strengthen the means of implementation and revitalise the global partnership for sustainable development.</p>

Sustainability Statement

A SNAPSHOT OF OUR FY2022 PERFORMANCE

Hong Leong Financial Group



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 to enhance our **RECYCLING**



A **"ZERO PLASTIC BAGS IN THE OFFICE"** position. All employees are encouraged to adopt reusable carrier bags as an alternative

Hong Leong Bank Berhad



OVER RM2.4 BILLION worth of financing approved to support renewable energy projects



GHG Emissions reduction
 ↓ **19% tCO₂eq** compared to base year
 - Long-term target of Net Zero GHG emission Scope 1, 2 and 3 by 2050



↓ **34.6%** Overall Paper Consumption



↓ **19.0%** Overall Water Consumption in strategic buildings



>3,700 instances of employee participation and volunteer efforts



77.5 HOURS average training hours per employee

Hong Leong Assurance



SOLAR PV SYSTEMS – Following success of pilot project at Bukit Mertajam, we are now preparing for a larger PV system project for our headquarters

**DIGITAL FIRST PRODUCTS**

- ↑ **21.2% increase in HLA360 users** in last 12 months
- **Launched Panel Medical Examiner Portal**. More than 6,000 reports have been submitted since August 2021
- New e-Policy Contract options **achieved >9,700 opt-ins** since launch in December 2021

Hong Leong Capital Berhad



Traded RM33 billion on digital platforms



Engaging Female Investors – 530 women opened CDS accounts with HLEBroking



Began measuring and monitoring **Scope 1 and Scope 2 GHG emissions** for operations as well as Scope 3 for business travel emissions



↓ **3%** Electricity Consumption



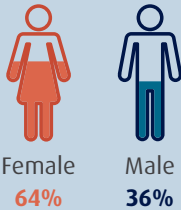
↓ **8%** Paper Consumption

Sustainability Statement



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

Total Number of Employees – 36



>50% female board representation at HLFG



Carbon Offset Project – Committed to plant approximately **50,000 new mangrove trees** at Kuala Selangor Nature Park over next three years



Transformed Sekinchan into Malaysia's first "**cashless kampung**" as part of HLB@Kampung programme, impacting the lives of more than **24,000 residents**



Impact of **Earth Hero**

- Planted over **2,500 trees**
- **Supported local communities** from Sukau village
- **Raised awareness** on **Borneo wildlife**



Engaged with **~7,000 stakeholders** during Sustainability Roundtable discussions



Enhancing ESG considerations

- **27 sustainability-related meetings** held during the year
- **30%** of our unit trust funds' AUM held by our customers are ESG rated.
- **100%** of our **bonds' AUM** held by our customers are issued by ESG rated issuers.
- Our Green Bond Framework achieved Tier 1 **Environmental Benefit (EB) rating from RAM Sustainability**
- Committed to achieve **Net Zero carbon emissions** by 2050



↓ **5.8%** in electricity consumption in FY2022



↓ **26.7%** in water consumption in FY2022

occupied space



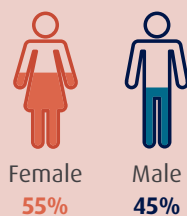
Community Initiatives:

- **Collected 350kg in e-waste** during FY2022
- HLA Stackable collaborated with Perlindungan Tenang Voucher Programme to enable customers to redeem RM75 voucher

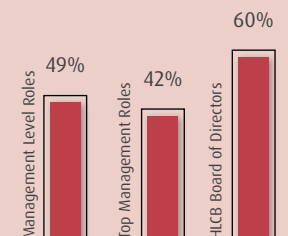
Collected and disposed **520 units** of e-waste in HLCB x EARTH E-Waste Recycling Drive

RM21,000 was distributed to employees afflicted by flood

Total Number of Employees – 545



Leadership position held by Women



93% of suppliers and service providers were based in Malaysia, with **95%** of all spending on procurement directed to local businesses

2,368 HOURS of AML/CFT Training with 495 employees trained

More than **7,590** training hours recorded with an average of 14 training hours per employee

Sustainability Statement



We are proud to present HLFG's latest Sustainability Statement in a Group-consolidated manner. Our report aims to provide a fair and accurate account of the latest sustainability efforts undertaken by our key operating companies. As a Group, we are deeply committed to catalysing sustainable action across all operating companies, with HLFG spearheading efforts to ensure initiatives successfully enable meaningful impact on sustainability matters that have been identified as material to the Group.

HLFG Sustainability Statement Topical Disclosures

ENVIRONMENTAL



As a responsible financial services group, HLFG places significant importance to the environmental matters to which we have exposure. We have taken steps across all our key operating companies to, among other things, take account of our carbon emissions for the past few years. This will form our baseline for reporting and highlight the areas in which we can further improve. Further, the Group has been directing relevant subsidiary to increase financing towards greener investments and to take more measured actions in managing our environmental footprint within the communities in which we operate.

Climate Action

PLAYING OUR ROLE TO PRESERVE THE PLANET

GRI 103-1, 103-2, 103-3, 201-2, 305-1, 305-2, 305-3

Why It Matters

Climate change not only threatens the balance of our environment and poses risks to life on Earth, but also presents direct and indirect threats to our assets, profitability and sustainable growth. As the risks of climate change have grown more profound in recent years, the Group is stepping up its commitment to play a bigger role in ensuring the preservation of our planet.

Sustainability Statement

We are collectively working towards enhancing our management of climate-related risks and opportunities, as well as improving our climate-related disclosures to ensure alignment with world-leading guidance such as the Task Force on Climate-Related Financial Disclosures (“TCFD”). We have conducted various exercises to identify and disclose our climate-related risks and opportunities at the operating level, with further details reported by individual operating company such as Hong Leong Bank Berhad.

In FY2022, we are pleased to be reporting our emissions data from the base year of FY2019 up until FY2022 in line with the GHG Protocol Corporate Accounting and Reporting Standards. Our report takes into account our energy utilisation across all three scopes of disclosure, with our calculations based on internationally recognised calculation tools i.e. 2019 refinement to the 2006 IPCC Guidelines and local emission factors (where applicable).

GHG EMISSIONS SCOPES OF DISCLOSURE

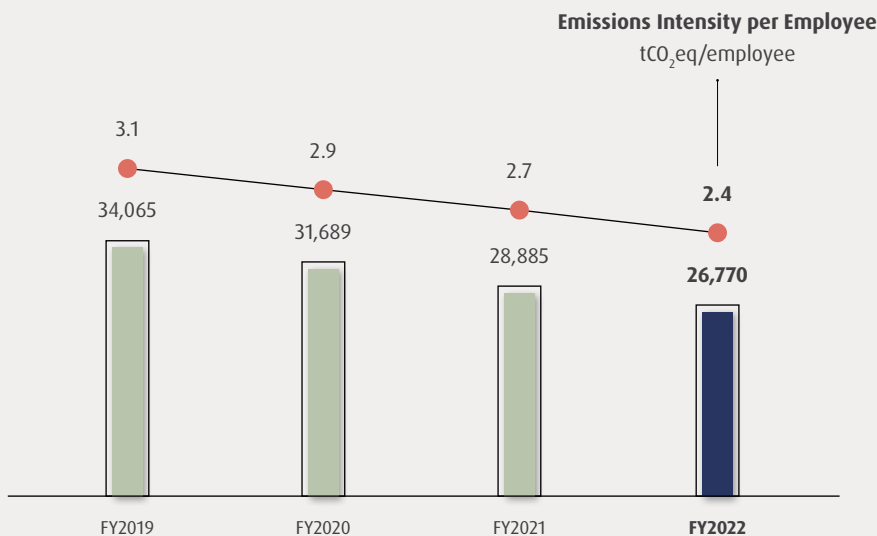
Scope 1: Mobile and Stationary combustion (fuel consumption/L) and Fugitive Emissions (refrigerant charge/kg, annual leakage rate)

Scope 2: Purchased Electricity/kWh

Scope 3: Business Travel (fuel consumption/L, distance travelled/km)

Total GHG Emissions FY2019 - FY2022

Total GHG Emissions (tCO₂eq)



TOTAL GHG EMISSIONS

✓ **21.4%**

In FY2022 compared to base year (FY2019)

GHG EMISSIONS INTENSITY PER EMPLOYEE

✓ **21.5%**

In FY2022 compared to base year (FY2019)

	FY2019	FY2020	FY2021	FY2022
Scope 1 Emissions (tCO₂eq)	334	290	228	164
Scope 2 Emissions (tCO₂eq)	31,914	29,867	27,601	25,855
Scope 3 Emissions (tCO₂eq)	1,817	1,532	1,055	750

Emissions Intensity per Employee

- Exclude scope 2 emission from HLA managed spaces

Sustainability Statement

GHG Emission Distribution for FY2022



TOTAL GHG EMISSIONS
FY2022
26,770
tCO₂eq

Breakdown of Total GHG Emissions by Subsidiaries

Absolute GHG Emissions (tCO₂eq)



HLFG
Absolute GHG Emissions
FY2022

✓ **34.2%**
compared to base year

HLB
Absolute GHG Emissions
FY2022

✓ **19.0%**
compared to base year

HLCB
Absolute GHG Emissions
FY2022

✓ **21.7%**
compared to base year

HLAH
Absolute GHG Emissions
FY2022

✓ **34.9%**
compared to base year

Sustainability Statement

Our Approach and Performance

HONG LEONG BANK BERHAD (“HLB” or “the Bank”)

FY2022 marks a significant year in our efforts towards strengthening our climate pledge as we have taken important steps forward in enhancing our governance and solidifying our progress year on year.

- **Alignment with BNM’s TCFD**

- This year, we have taken guidance from Bank Negara Malaysia’s Task Force on Climate-related Financial Disclosure Application Guide to enhance our climate-related disclosures around the four thematic areas of Governance, Strategy, Risk Management and Metrics & Targets.

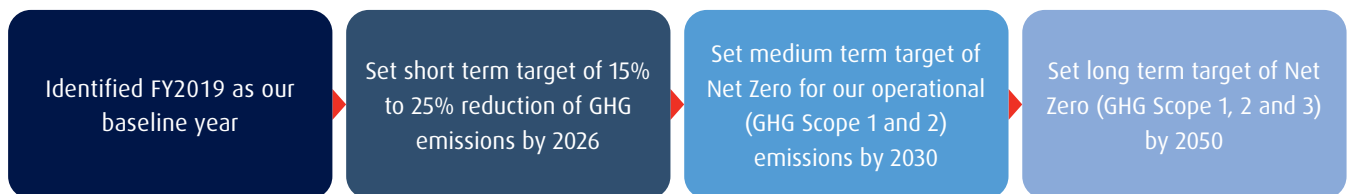
FY2022 Highlights

- Enhanced the governance structure and appointed respective Heads of Sustainability and Sustainability Risks
- In FY2022, 27 meetings were conducted where climate-related topics (e.g. carbon offsetting initiatives, physical risk identification and assessment) were discussed
- Launched Green Bond Framework to guide the Bank’s bond issuance and launched first Green AT1 Bond, worth RM 900 million
- Expanded green product offering to include Solar Plus loan/ financing for retail customers
- Introduced Regional Wealth Management ESG Framework to guide our investment processes
- 39 vendors assessed for ESG under the Vendor Sustainability Self-Assessment

27 SUSTAINABILITY-RELATED
meetings held during FY2022

- **Our Net Zero Commitment**

- This year we updated our key GHG emissions reduction targets, including the commitment to achieve Net Zero carbon emissions by 2050.



- **Supporting the transition to Renewable Energy (“RE”)**

- In line with Government of Malaysia’s aspiration to increase our renewable energy capacity to 31% by 2025 and 40% by 2035, we have introduced several renewable energy financing solutions to assist our retail, corporate and SME customers in their respective RE transition.

Total Approved Renewable Energy Financing as of FY2022

RM 2.4 billion

Solar
RM 1,830 million

Bioenergy
RM 402 million

Small Hydro
RM 149 million

Any RE*
RM 54 million

~480,000 tCO₂

in equivalent emissions in a year mitigated via our financing

* Any RE consist of customers with facilities that is not concentrated on a single RE resource

Sustainability Statement

HONG LEONG ASSURANCE (“HLA”)

As climate-related risks management continues to gain more prominence, HLA have undertaken several initiatives during FY2022 that underscore our efforts to manage climate-related risks more effectively.

- **BNM’s Exposure Draft on Climate Risk Management and Scenario Analysis**
 - We have completed the gap analysis together with a high-level Implementation Roadmap.
- **Sustainability Committee**
 - Our newly formed Sustainability Committee will provide support to the Board in undertaking its oversight responsibilities relating to sustainability and climate risks.
- **Raising our Competencies**
 - We have implemented an ongoing training programme designed to enhance the ESG awareness of our Board, Senior Management and staff, while progressively building their knowledge on climate-related risks.

HONG LEONG CAPITAL BERHAD (“HLCB”)

HLCB believes that financial institutions can play a crucial role in establishing climate-conscious practices and providing climate-friendly financial solutions that can make a meaningful impact.

- **Enhancing Our Disclosures**
 - In FY2022, we have taken guidance from BNM’s TCFD Application Guide, Bursa Malaysia’s Sustainability Reporting Guide and BNM’s Climate Change and Principle-based Taxonomy, to enhance our approach to climate-related disclosures around the four thematic areas of Governance, Strategy, Risk Management and Metrics & Targets.
- **A more robust framework**
 - In July 2022, we endorsed and implemented a Sustainability Framework which provides strategic guidance for HLCB and outlines initiatives to progressively embed sustainability into our business operations. The ownership and overall responsibility of these initiatives are managed and overseen at the departmental level, with progress on these initiatives contributing towards the overall Group sustainability performance.
- **Embedding climate-friendly principles into our products**
 - In April 2022, our unit trust and fund management subsidiary Hong Leong Asset Management Sdn Bhd (“HLAM”) have launched a Global ESG Fund to promote sustainable investing.
- **Tracking our carbon footprint**
 - We have begun measuring and monitoring Scope 1 and Scope 2 GHG emissions for operations as well as Scope 3 for business travel emissions.

Sustainability Statement

Managing Our Environmental Footprint

ENHANCING OUR ENVIRONMENTAL RESPONSIBILITY

GRI 103-1, 103-2, 103-3, 302-1, 302-4, 303-5, 306-4

Why It Matters

Corporations can play an immense role in protecting the sustainability of our planet. We are continually raising our efforts across the Group to reduce our carbon footprint, optimise our use of raw materials and lower our consumption of natural resources in support of the global push for better environmental protection.

Our Approach and Performance

HONG LEONG BANK BERHAD

HLB has set forth robust ambitions to achieve carbon neutrality for our operational emissions by 2030. To achieve this target, we have stepped up initiatives to actively reduce our carbon footprint, optimise the efficiency of resource utilisation and manage waste efficiently.

• Reducing Our Carbon Footprint

- We kick-started our first major carbon-offset project in FY2022 via a collaboration with the Malaysian Nature Society (“MNS”). The mangrove swamp ecosystem rehabilitation and conservation project at the Kuala Selangor Nature Park will help to restore degraded forest land and HLB has committed to plant approximately 50,000 new mangrove trees in the area over the next three years.

~15,000
mangrove
trees
planted as of July 2022

~37,000
germinated
seedlings
as of July 2022

Based on an independent assessment of the carbon offset project, an estimated 1.2k tCO₂ in annual net anthropogenic GHG will be sequestered over the next 20 years.

• Greening Our Buildings

- Following on from the rollout of Energy Efficiency and Conservation (“EE&C”) measures at our corporate buildings in FY2021, we have continued to expand these initiatives to our branches across Malaysia in FY2022 and will disclose our reduction results in next year’s report.

Our Hong Leong Tower successfully recertified its Green Building Index (“GBI”) Silver Rating in FY2022, and we are currently pursuing green certification for our Southkey and Light Street branches as we aspire to increase our portfolio of GBI-certified buildings.

• Optimising Resource Efficiency

- HLB has placed emphasis on reducing our consumption of energy, water and paper that have continued to achieve year-on-year improvement.

In FY2022, we reduced paper consumption by 37,675 reams across our Malaysian operations, representing a 34.6% reduction from FY2021. We also recorded a decrease in the water consumed in our strategic buildings, amounting to a collective reduction of 19.03% compared to FY2021 levels.

PAPER CONSUMPTION IN FY2022

✔ **34.6%**

WATER CONSUMPTION IN FY2022

✔ **19.03%**

Sustainability Statement

HONG LEONG ASSURANCE

In response to our environmental sustainability objectives, HLA has identified various operational enhancements that had improved our energy efficiency, water management and waste management during FY2022.

• Energy Management

- Encouraged by the results of our pilot Solar PV project at our new Bukit Mertajam branch office last year, we are preparing to install a larger scale solar PV system at our headquarters. At the same time, we are exploring to setup electric vehicle (“EV”) charging stations in anticipation of higher EV usage in the near future.

ELECTRICITY CONSUMPTION IN FY2022

✓ **5.8%**

WATER CONSUMPTION IN FY2022

✓ **26.7%**

occupied space



Annual Electricity Consumption (kWh)

FY2020	FY2021	FY2022
1,986,090	1,765,422	1,662,345

• Water Management

- We have successfully reduced water wastage via a minor modification on toilet fittings, and have also proposed a larger project of rainwater harvesting to the Joint Management Bodies (“JMB”) of our premises.



Annual Water Consumption (m³)

FY2020	FY2021	FY2022
18,740	13,950	10,220

• Paper Usage

- HLA’s efforts to digitize many of its internal processes has shown commendable results. HLA has managed to reduce 8% of paper usage in FY2022 even as more staff gradually returned to the office.



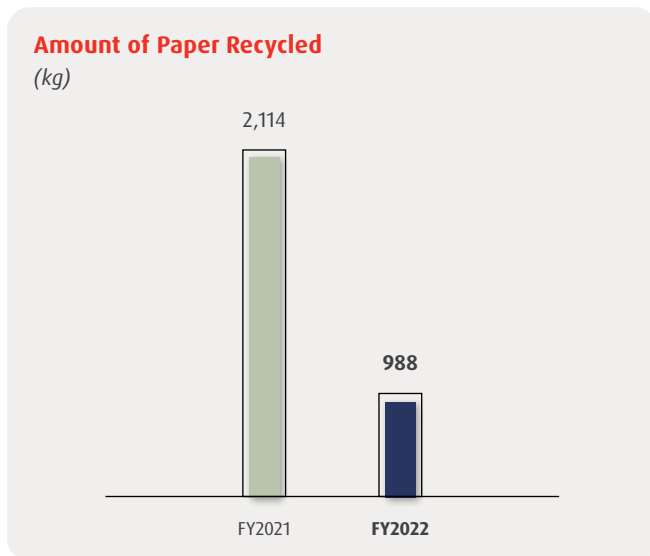
Internal Paper Usage (kg)

FY2019	FY2020	FY2021	FY2022
11,904	9,559	5,942	5,467

Sustainability Statement

Waste Management

- At HLA, we take waste management seriously and are currently studying the implementation of a new recycling and garbage sorting program at our headquarters to improve our recycling practices. The amount of paper recycled in FY2022 has fallen by 53%.



HONG LEONG CAPITAL BERHAD

HLCB's has been progressively reducing resource consumption by encouraging the employees to be mindful of their impacts on the environment.

Energy Consumption

- In FY2022, we have further enhanced our electricity consumption management by expanding our data boundary to include our Plaza Zurich and Ipoh Branches, as well as revamping our electricity metrics to report annual kWh consumption in accordance with industry standards.

We are pleased to report a decline in overall electricity consumption by approximately 3% compared to the prior reporting year, which is largely attributable to a host of initiatives that we have introduced, including regular maintenance of all equipment, retrofitting of LED tubes and replacement of malfunctioning air conditioning units with more energy-efficient models in our offices.

FY2022 ELECTRICITY CONSUMPTION

3%

Electricity Consumption (Total kWh)		
FY2020	FY2021	FY2022
982,823	945,553	919,822

Paper Consumption

- We have implemented various digital initiatives to lower our annual paper consumption rates, including digitising our workflow management platform, discontinuing document and cheque printing, and leveraging on digital marketing services.

Reduction in Paper Consumption as we enhance our digital onboarding efforts

Total Weight (kg)		
FY2020	FY2021	FY2022
9,601	10,496	9,697

Note: Higher paper consumption in FY2021 was largely due to a spike in Bursa Malaysia's trading volume in FY2021, which drove an increase in HLeBroking account opening in FY2021 as well as an increase in Stockbroking business activities during the year.

FY2022 PAPER CONSUMPTION

8%

In FY2022, we saw 8% decrease in the weight of paper consumed from our operations. We are also planning to introduce recycling facilities within our offices over the coming year to complement the e-waste recycling campaign we organised in FY2022.

Sustainability Statement

ESG Assessment of Products and Services

BOLSTERING OUR RESPONSIBILITY THROUGH ROBUST ASSESSMENT PRACTICES

GRI 103-1, 103-2, 103-3, 413-1

Why It Matters

As a financial services provider, we are aware of our responsibility to encourage and assist our customers transition towards more sustainable business models and practices. Across our operating companies, we are increasing our efforts to identify, acknowledge and mitigate environmental and social impacts associated with the products and services that we offer to our customers.

Our Approach and Performance

HONG LEONG BANK BERHAD

HLB has been refining and enhancing the various ESG assessment framework to bring it in line with international best practices.

- **Enhancing our Business & Corporate Banking (“BCB”) ESG Policy & Assessment Framework**
 - Our ESG Policy & Assessment Framework, embedded within the Bank’s BCB Credit Policy, was improved during the year to augment our efforts in evaluating the environmental and social (“E&S”) risks associated with our customer’s business activities as well as providing an assessment of our customer’s ability to mitigate the aforementioned risks. Such enhancements enable us to assign an appropriate risk rating.
- **Guided by International Standards**
 - The BCB ESG Policy & Assessment Framework was developed with guidance from a number of national and international frameworks and standards which include the United Nations SDGs, Value-based Intermediation Financing and Investment Impact Assessment Framework (“VBIAF”), BNM CCPT guidance paper and IFC Performance Standards.

Our three-stage ESG Assessment Framework

	1	2	3
Stages	Initial Screening	Sector/Sub-sector Screening	Customer E&S Due Diligence Screening
Process	<p>An initial screening is conducted to determine and exclude potential customers that fall within HLB’s general exclusions list.</p> <p>Our reasons for exclusion include involvement in illegal financial activities, trade in weapons or firearms, involvement in forced or child labour, and other various illegal or irresponsible activities.</p>	<p>We then assess if the customer’s business activities fall under HLB’s identified high E&S risk sectors.</p> <p>Businesses that fall under these sectors will be subject to further assessment under the enhanced E&S due diligence screening in stage 3, otherwise they will proceed to the credit assessment process.</p>	<p>Our final assessment stage aims to evaluate the businesses’ ability to mitigate the identified E&S risk areas associated with their business activities.</p> <p>Customers classified as high risk will be encouraged to undergo mitigation plans to address the residual E&S risks in their business activities.</p>

The Assessment is conducted during the customer onboarding process, annual credit reviews to continuously track their performance, and/or when the customer requests for additional facilities.

Sustainability Statement

HONG LEONG ASSURANCE

As we integrate sustainability within our products and services, HLA has begun to incorporate ESG risk considerations into operational policy and processes and conscientiously assessing our investment portfolios to determine the extent of any such impacts.

- **HLA's Investment Department's ESG Policy**

- Our Investment Department's ESG Policy integrates environmental and social considerations into the investment assessment process that sets the parameters for providing an internal ESG scoring.

ESG Assessment Process			
Exclusion List	Industry Screener	Entity Screening	ESG Scoring Methodology
ID will unequivocally exclude from its investment portfolio entities that engage in activities that are deliberate and severe violations of ESG principles.	A negative screening approach will be applied to identify industries that pose a high ESG risk. ID will then identify ESG factors associated with the industry in which the respective entity operates.	A more detailed assessment would be conducted to ascertain entity-specific ESG risk exposure. ID would evaluate management's action plan or response to mitigating the entity's exposure to relevant ESG risks.	Guided by CCPT, where BNM prescribes five environmental classifications (C1 to C5) that are guided by five guiding principles and environmental laws.

We conduct our ESG analysis at least once each year, undertaken alongside the credit review of the respective entities, or sooner if a material ESG-related risk emerges. In the event of a deterioration in ESG-related risk in HLA's investment portfolio, our ID will take the necessary actions.

Sustainability Statement

HONG LEONG CAPITAL BERHAD

HLCB is guided by our Environment and Social Risk Guidance Note (“ESRG”) to evaluate the environmental and social impacts inherent in new business proposals and ensuring appropriate due diligence is conducted prior to any business undertakings.

- **Enhanced ESG assessments for Client Onboarding and Applications of Credit**

- The enhanced ESG assessment serves as a guide to evaluate the customers’ risk profile and sustainability agendas with regards to environmental impact and efforts to mitigate climate change. The assessment is conducted during the provision of credit facilities to new customers and new investments, annual review of facilities and investments or when the customer requests for additional facilities.

HLCB’s ESG Risk Management and Assessment	
Stages	Process
Initial Screening	To identify customers’ considerations to climate change and the broader environment, as well as to assess if their business activities fall within the general exclusion parameters.
Sector/Sub-sector Screening	Screening exercise to assess if businesses fall under the high E&S risk sectors. Businesses that fall under these sectors will then be subject to further assessment under the enhanced E&S due diligence screening.
Enhanced E&S Due Diligence Screening	Screening conducted to identify and understand the customer’s potential E&S risks as well as the company’s current mitigation plans in place to address these risks. Customers that are rated as high ESG risk will have to undergo mitigation plans to address key E&S issues in their business.

Sustainability Statement

ECONOMIC

The Group has unified its economic topics under digital transformation to improve banking accessibility, enhancing customer experiences as well as embedding environment and social considerations into our operations. We continue to stand strong on ethical business practices, in the areas of anti-bribery, corruption and fair labour practices and believe our efforts under these themes will augur well towards developing the nation and a better shared future for all.

Digital Innovation**DRIVING TARGETED AND SUSTAINABLE DIGITAL TRANSFORMATION**

GRI 103-1, 103-2, 103-3, 201-1

Why It Matters

Innovation is a core value of our organisation and forms a foundation of our “Digital at the Core” strategy. Our adoption of digital technology is reflective of our aspirations to enhance the accessibility of our financial products, improve the quality of our services and encourage participation from a wider base of customers, especially those from the underserved communities.

We also recognise the importance of harnessing technology to increase work productivity and security of our processes and internal operating systems. To this end, the Group works collectively with all operating companies to continually make enhancements to our IT systems to ensure a secure, resilient and efficient digital infrastructure that meets our customers’ needs and support sustainable business growth of our businesses.

Our Approach and Performance**HONG LEONG BANK BERHAD**

At HLB, digital innovation efforts are designed to add value for our customers whilst contributing to the advancement of a cashless society and technological advancement of the Malaysian banking sector. Our aspirations are underscored by the launch of two new programmes in FY2022.

- **HLB@School**
 - The HLB@School program helped to digitally transform a 400-student primary school in the east coast of Malaysia by creating a cashless ecosystem within the school’s infrastructure, introducing financial literacy into the school’s curriculum and providing students with essential knowledge on handling finances.

Following this pilot project, the Bank is on track to roll out the project to 100 schools in FY2023, which will impact the lives of more than 30,000 students and their families.

- **HLB@Kampung**
 - In FY2022, we also partnered with PayNet to transform Sekinchan into the first ‘Cashless Kampung’ in Malaysia. Under this HLB@Kampung project, HLB provides the community with easy access to debit cards and accounts without visiting a bank branch and aims to provide 800 business with a HLB DuitNow starter kit that enables them to accept card and QR payments.

Via this initiative, we are seeking to transform the lives of more than 24,000 residents, small businesses and schools.

Sustainability Statement

HONG LEONG ASSURANCE

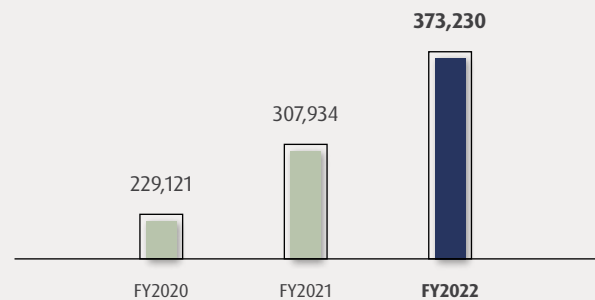
HLA has increased the adoption of digital technology in its financial services to simplify the purchase of our products and to service our customers in a seamless manner. These efforts to deliver better and more personalised customer experiences are reflected within the following digital platforms and enhancements.

- **HLA360°**
 - Our online Customer Portal enables our customers to have instant and seamless access to their policy information at their convenience.

HLA360 Registered Users

21.2% INCREASE

in HLA360 users in last 12 month



- **HLA Fit**
 - The first fitness app in Malaysia that rewards customers for simply staying active via the integration of a Biological Age Model calculator.
- **hlatouch.my**
 - hlatouch.my opens the path for customers to enjoy affordable and simple life insurance in just three easy steps.
- **Digital Signature and Forms**
 - HLA added digital signatures and forms to eCRM & eDoc mobile apps in FY2022 to enable intermediaries to complete forms and attain signatures electronically for a smoother submission. *In FY2022, the eForms submissions have reached more than 10,500 impressions submitted to a company.*
- **Panel Medical Examiner Portal**
 - An online platform for our panel medical examiners to submit medical reports related to our customers insurance application. *More than 6,000 medical reports have been submitted via the portal since its launch in August 2021, with an average of 580 medical reports per month.*

- **e-KYC (“Electronic Know-Your-Customer”)**

- Our increasing use of e-KYC functionality to improve client experiences utilizing digital ID verification and screening that offer better process efficiency.

HONG LEONG CAPITAL BERHAD

HLCB’s approach to digital innovation centres around our objectives to improve client trading and investment experiences, whilst boosting productivity and turnaround time. The following activities were undertaken in FY2022.

- **HLeBroking Digital Platforms**

- In FY2022, we enhanced our HLeBroking platform even further, introducing ePayment features like FPX and Fund Withdrawal facilities to the mobile application, allowing customers to trade almost instantly after depositing funds and providing live access to market data.

- **Direct Market Access (DMA) Trading**

- We are in the midst of enhancing the DMA system with algorithmic trading capabilities, with a target to launch it by FY2023. Through algorithmic trading, clients will be empowered with more options to grow their investment performance.

RM33 billion was traded via our digital platforms throughout FY2022, reflecting a decrease as compared to FY2021. The lower traded value was affected by the lower Bursa Malaysia’s market activity in FY2022.

TOTAL FY2022 TRADE ON DIGITAL PLATFORMS

RM33
billion

- **Shariah Trading Platform**

We will be launching a shariah trading platform to provide shariah investing opportunities to our retail clients and promote inclusivity.

- **Digital Onboarding**

- HLAM has successfully digitised the onboarding process to allow Employees Provident Fund members to invest via the EPF i-Invest and HL iSmart Invest platforms.
- HLeBroking is digitising the account opening process to provide our retail clients with a fully digital account opening experience.

Sustainability Statement

Customer Experience

HOLISTICALLY ENHANCING CUSTOMER EXPERIENCES

GRI 103-1, 103-2, 103-3, 201-1

Why It Matters

The Group remains committed to adopting a client-centric approach in order to ensure we are able to meet our customer’s growing needs and maintain a competitive advantage within the financial services industry. Not only do our clients turn to us for value-added products and solutions, but also for a meaningful and purposeful connection. Our operating companies are encouraged to establish customers engagement platforms to listen and communicate more effectively with our customers in areas of interest, including on the topic of sustainability.

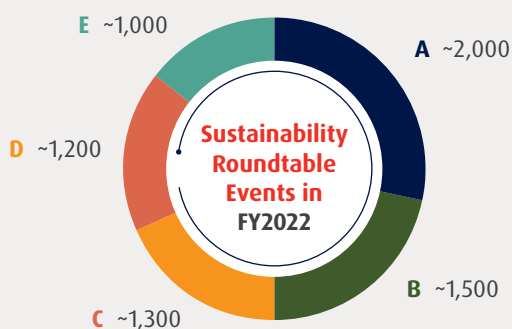
Our Approach and Performance

HONG LEONG BANK BERHAD

HLB had various customer engagement activities to advocate the importance and benefits of embracing sustainability to their retail, corporate and SME customers. The following are several customer engagement initiatives undertaken during FY2022 to promote environmental awareness:

- ESG Customer Engagement – Sustainability Roundtable**
 - The HLB Sustainability Roundtable - introduced in FY2021 to raise awareness and inspire change - held five virtual dialogues in FY2022, reaching around 7,000 stakeholders and covering important topics such as the palm oil industry, renewable energy (biogas), waste management, chemical manufacturing and metals manufacturing.
- Earth Hero @ HLB Pocket Connect**
 - Our HLB Earth Hero initiative aims to instil environmental responsibility and inculcate financially sound habits among our junior bank customers. It leverages our highly engaging HLB Pocket Connect platform to encourage young savers to participate in virtual gamification and educational tasks that may make a positive environmental change.

No. of Stakeholders Engaged in FY2022



- A** Palm Oil: ESG Risks & Opportunities, an Industry Outlook
- B** Renewable Energy: The role of Biogas in supporting Malaysia’s energy mix in transitioning towards a lower carbon economy
- C** Circular Economy, The Way Forward: Adopting Sustainable Waste Management in Malaysia
- D** The Chemicals Manufacturing Industry: Its Environmental & Social Risks & Opportunities
- E** Efficient Metals: Seizing opportunities in sustainability & developing ESG readiness

Impact of our Earth Hero Initiatives

Reforestation



Planted over 2,500 trees, (achieving our FY2021 target), in collaboration with social enterprise Animal Projects Environmental Education Sdn. Bhd. (“APE Malaysia”).

Wildlife Awareness



Uploaded content based on endangered animals on a monthly basis on our website to raise awareness on how the tree planting initiatives help sustain the food chains for the Borneo wildlife

Local Community Engagement



Supported members of the local communities from the Sukau Village through providing employment and contributing to their livelihood.

Sustainability Statement

HONG LEONG ASSURANCE

HLA places staunch emphasis on providing customers with modern, seamless and fuss-free interactions that elevates the user experience. The following are two new initiatives undertaken during FY2022 that exemplify our approach.

- **New Business e-Policy Contract Option**

- We have begun providing new Policy Owners with the choice to opt for e-Policy Contracts. By doing so, they will receive less printed materials and obtain their new policy faster as it may be emailed to them via a secure password protected link.

Since it started in December 2021, more than 9,700 policies from various distribution channels opted for this option by 30 June 2022.

>9,700 POLICIES

opted for e-Policy contracts in FY2022 since its launch in December 2021

- **Real Time Hospital Guarantee Letter Status to Intermediaries & Customers**

- From May 2022 onwards, we have begun delivering the latest Guarantee Letter and discharge status to intermediaries via our eCRM mobile app and eChannel Portal and to customers via the Customer Portal in our HLA360° mobile app. The service also includes push notifications on mobiles so our intermediaries and customers may be updated in real time, thus improving their experience at hospitals.

HONG LEONG CAPITAL BERHAD

HLCB's approach focuses on fostering active and continuous engagement with customers throughout the transaction lifecycle and beyond, with our primary efforts revolving around balancing our clients' needs with regulatory requirements and investor expectations to achieve a win-win situation for all parties.

- **Virtual Investment Talks**

- In FY2022, we increased our HLeBroking digital connections by conducting multiple virtual investment talks through online webinars on Cisco Webex, replacing the Facebook Live sessions as it was more exclusive and secure.

- **Fair Banking Initiatives**

- All employees at HLCB attend compulsory skill-enhancement courses and Capital Market Services Representative's Licence ("CMSRL") holders continue to adhere to Continuing Professional Education ("CPE") requirements.

- **Engaging with our Institutional and Retail clients**

- We undertake various activities to continuously keep our clients engaged and provide them with access to expert knowledge.

Engagement with Stockbroking Institutional Clients

Networking Opportunities	Workshops & Conferences	Industry Collaboration	Stratum Focus Series
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Engagement with Stockbroking Retail Clients

Free Workshops and Resources	Research Reports	Market Outlook Webinars
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- **Engaging Female Investors**

- HLCB has continued to empower female investors via its Women's Choice Package, which provides waivers of account opening fees for opening Bursa Malaysia CDS accounts.

During the campaign period in FY2022, 530 women opened CDS accounts with HLeBroking and began their journey of investing in equity markets.

Product Responsibility

EMBEDDING SUSTAINABILITY CONSCIOUSNESS INTO OUR PRODUCTS AND SERVICES

GRI 103-1, 103-2, 103-3, 201-1

Why It Matters

As a responsible corporate citizen, we recognise the importance of delivering products and services that are socially and environmentally conscious in their own right. Across the Group, all operating companies are urged to expand their portfolio of ESG compliant and ESG rated products and services as we aspire to progress our business in tandem with the heightened import on climate risk and corporate responsibility.

Our Approach and Performance

HONG LEONG BANK BERHAD

The Bank’s commitment towards growing its portfolio of sustainable products and services is guided by our sustainability agenda that are aligned with business objectives. Through our efforts, we are able to attract investors with ESG mandates to deploy capital towards socially responsible investing in the country.

- **Socially Sustainable Securitisation**
 - In FY2022, the Bank completed a securitisation exercise worth RM300 million with Cagamas Bhd - a transaction that marked Cagamas’ first concurrent double-issuance of ASEAN Sustainability SRI Sukuk and the ASEAN Sustainability Bonds in Malaysia - which helped increase the supply of socially sustainable bonds/ sukuk in the Malaysian Ringgit bond/ sukuk market.
- **Regional Wealth Management ESG Framework**
 - We have expanded our portfolio of sustainable products by establishing the Regional Wealth Management ESG Framework in FY2022. The Bank has partnered with industry experts Morningstar and its subsidiary, Sustainalytics, to ensure that ESG considerations are taken into account for investment AUM and third-party investment products.

Overall Assets Under Management (“AUM”) as at June 2022

- 30% of our unit trust funds’ AUM held by our customers are ESG rated.
- 100% of our bonds’ AUM held by our customers are issued by ESG rated issuers.
- 100% of our Structured Products, with securities as the underlying reference, are structured with ESG-rated securities*

* A portion of Structured Products issued uses financial instruments such as currency and interest/profit rate as underlying reference which are non-rated. Such Structured Products will be followed by the issuer rating. HLB is rated by independent ESG rating providers such as Sustainalytics.

- **Green Bond Framework**
 - In FY2022, the Bank developed a Green Bond Framework that sets out the guidelines for the Bank’s green bond issuances, which was developed in accordance with the ASEAN Green Bond Standards issued by ASEAN Capital Markets Forum and the globally recognised Green Bond Principles issued by the International Capital Market Association.

Our Green Bond Framework successfully achieved the highest attainable Environmental Benefit (“EB”) rating of Tier 1 from RAM Sustainability for assets/projects involving renewable energy (solar, wind and hydropower), energy efficiency, green building and electric vehicles.

OUR GREEN BOND FRAMEWORK ACHIEVED

TIER 1 ENVIRONMENTAL BENEFIT (“EB”) RATING

from RAM Sustainability

Sustainability Statement

HONG LEONG ASSURANCE

At HLA, we believe that delivering good financial outcomes to our customers goes hand-in-hand with the delivery of responsible products and services.

- **Money Laundering & Terrorism Financing Assessment for New Product and Business Practices**
 - For every new product and business practice, HLA undertakes an assessment to identify the money laundering and terrorism financing (“ML/TF”) risks that may arise prior to the launch or use of such products, practices and or technologies.

All new products and services have incorporated ML/TF risk ratings prior to launch

- **Treat Customers Fairly Charter**
 - HLA has established a charter that specifies our commitment to provide the highest standards of fairness in all our dealings with our customers. The charter outlines our four areas of commitment and the practices espoused therein.

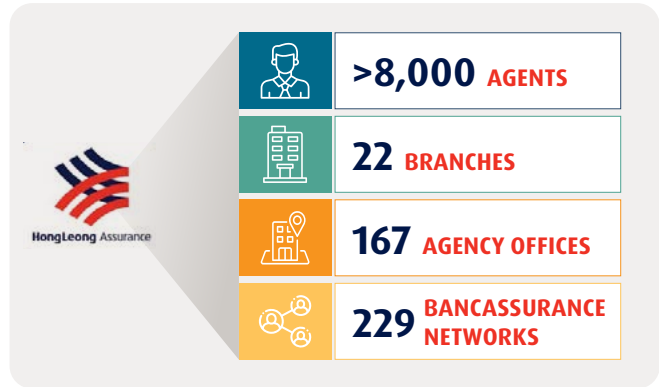
We commit to embed fair dealing into our institution’s corporate culture and core values

We commit to ensure that customers are provided with fair terms

We commit to ensure that customers are provided with clear, relevant, and timely information on financial services and products

We commit to ensure that our staff, representatives and agents exercise due care, skill and diligence when dealing with customers

- **Reaching Out to You**
 - We provide our customers with extensive digital and in-person options to reach out and connect with our agency members in regards to insurance products and solutions, including via HLA Touch, telemarketing channels, mobile applications and our extensive physical network.



HONG LEONG CAPITAL BERHAD

HLCB has increased efforts to embed ESG features into the product and services of our businesses during FY2022.

- **Hong Leong Global ESG Fund (“HLGESGF”)**
 - FY2022 marked an important milestone in our sustainability journey as HLAM, our asset management company launched its first ESG based fund. HLGESGF features a rule-based strategy to only invest in securities of companies with a strong ESG scoring.

Our Shariah compliant ESG fund, Hong Leong Global Shariah ESG Fund, is targeted to launch in 2023.

- **Green Tier 1 Capital Security Development**
 - HLIB has acted as the Principal Adviser, Lead Arranger and Lead Manager for the Green Additional Tier 1 (“AT1”) Capital Securities of RM900 million issued by HLB in April 2022 to encourage greater market adoption of sustainable growth through ESG compliant financing.

Good Governance

SAFEGUARDING ETHICAL BUSINESS PRACTICES

GRI 103-1, 103-2, 103-3, 205-2

Why It Matters

We recognise that good corporate governance with high ethical standards plays a fundamental role in the long-term success of our business. At HLF, we have extended our expectation for high standards of professionalism and ethical conduct to our suppliers as well. The company procurement practices are guided by our enhanced Procurement Policy, that sets out ESG parameters for vendor assessment and due diligence in the areas of fair labour practices, anti-bribery and corruption, and sustainable environmental performance.

As part of our robust approach towards good corporate governance, all of our operating companies have implemented the necessary policies, such as the Code of Conduct, Anti-bribery and Corruption Policy, as well as Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions (“AML/CFT & TFS”) Policy to ensure responsible business conduct are consistently maintained. At our key operating companies, Board level committees have been established to enhance compliance, accountability and spearhead greater adoption of sustainable practices. We proactively engage and train our employees on a regular basis with emphasis on proper behaviour among our workforce. Employees are encouraged to raise their concerns about any improper conduct through the channels established within the Whistleblowing Policy.

Our Approach and Performance

HONG LEONG BANK BERHAD

At HLB, we believe a commitment to accountability in embedding sustainable practices should be driven from the top, and have established a rigorous governance structure that reflects this approach.

• **Our Sustainability Governance Structure**

- Our Board of Directors leads the company’s approach and is supported by the Board Risk Management Committee and Board Audit and Risk Management Committee in overseeing the management of the Bank’s sustainability strategy and ESG risks. They are further assisted by a Shariah Committee, Sustainability Committee and Sustainability Working Committee, all of which provide advice, undertake initiatives and act as a catalyst for our sustainability initiatives.

• **Ensuring Fair Practices Across the Supply Chain**

- Following the integration of the Vendor Sustainability Self-Assessment (“Assessment”) into the Procurement Policy in FY2021, HLB carried out and completed an initial Assessment involving 39 top vendors (Tier 1) in FY2022. Subsequent Assessments are in progress involving an additional 140 Tier 1 vendors and 581 Tier 2 vendors with an estimated completion timeline in the second and fourth quarters of FY2023.

FY2022 Highlights

- Overall, 97% of the vendors from the pilot Assessment have demonstrated adequate ESG awareness and practices adopted in their operations.
- 62% of vendors from the initial self-assessment exercise scored Best in Class in their sustainability scores.

97% OF VENDORS
adequate ESG awareness

62% OF VENDORS
scored Best in Class

Sustainability Statement

HONG LEONG ASSURANCE

In the year under review, HLA has elevated the agenda on sustainability and formalised a new Sustainability Governance Structure to accelerate its sustainability journey. Our Board provides oversight of sustainability matters and is committed to ensuring sustainability is embedded in the organisation and adequate resources are in place to manage sustainability matters.

HONG LEONG CAPITAL BERHAD

HLCB has established a Sustainability Governance Structure with the Board and Board Audit and Risk Management Committee ("BARMC") maintaining oversight of our sustainability governance matters and work cohesively to ensure that sustainability is embedded in the Group with adequate resources in place to address our material sustainability issues. The Board, with recommendation from the BARMC and the Sustainability Steering Committee, also decides on the Group's strategy. The structure and direction of the overall management of our environmental and social impacts are determined by the BARMC while the Sustainability Steering Committee and Sustainability Working Committee serve as catalysts, mobilising HLCB's sustainability efforts as determined by the Board and BARMC.

FY2022 Highlights

- In FY2022, employees within HLCB were required to complete mandatory e-learning such as AML/CFT, anti-bribery and corruption, cyber security and other targeted trainings to ensure they were kept abreast on regulatory requirements.
- In FY2022, we deployed additional extensive training sessions for our employees, focusing on developing and enhancing our compliance culture to prevent all forms of corruption across the organisation.

AML/CFT Training

2,368

hours of training,
495* employees trained

ABC Training

1,544

hours of external training,
513* employees trained

* All employees are required to attend AML/CFT and ABC training. The total number of employees above may differ from the total number of employees within the financial year due to attrition and onboarding.

SOCIAL



HLFG intends to create shared values with all our stakeholders to build long-term, sustainable, and mutually-beneficial relationships. With such a unifying principle in mind, HLFG has implemented actions across all operating companies to protect customer data that comes into our business ecosystem, motivating and upskilling our staff, as well as giving back to the communities in a meaningful manner.

Cyber Security and Data Privacy

PROTECTING PERSONAL DATA AND ENSURING CUSTOMER PRIVACY

GRI 103-1, 103-2, 418-1

Why It Matters

Safeguarding personal data and protecting customer privacy remains a key priority in our efforts to preserve the confidence and trust of our customers. As the industry landscape increasingly shifts towards digital platforms and online banking channels, the Group recognises the importance of strengthening the robustness of our cyber security controls.

Our Approach and Performance

HONG LEONG BANK BERHAD

Our focused efforts in strengthening the Bank's digital infrastructure and to become cyber resilient is bolstered by our desire to keep our customers data secure in tandem with the rapid shifts in the technological landscape.

- **Data Privacy Resilience**
 - We place a high priority on preserving customer privacy and personal information and have in place robust controls to ensure data security.

Our Robust Cyber Security and Data Privacy Controls

Governance Structure

The Board Information and Technology Committee ("BITC") jointly supports the Boards of HLB and HLISB in overseeing technology and cyber security-related matters.

Policies

Board policies on Technology Risk Management, Cyber Resilience, Data Management, Data Protection and Customer Secrecy.

Secured Infrastructure

Multi-layered security implementations that safeguard the integrity of our systems and our customers' information.

Sustainability Statement

• Cyber Security Initiatives

- We have placed greater emphasis on the accountability of each employee to vigilantly safeguard cyber security and data privacy of our customers and took prompt action to introduce several new initiatives that further strengthened the culture of strong data security among our employees.

Our Cyber Security Initiatives

e-Learning

Conducted Bank-wide annual mandatory e-learning on Cyber Security and Cyber Risk Management. To ensure knowledge retention, employees are required to complete and pass an assessment with a score of 80%. In FY2022, all employees passed the assessment and we accumulated over 5,000 hours in training.

Quarterly Cyber Security and Risk Awareness Videos

As part of creating continuous awareness among employees on the cyber security risk, our Cyber security team sends quarterly awareness videos as part of monthly thematic huddles on various topics including Phishing, Social Engineering and Working from Home data etiquette.

Thematic Huddles on Cyber Risk Awareness

Conducted thematic huddles on cyber risk awareness in the month of September 2021 where employees across the Bank get together to learn from each other through presentations and discussion.

Promoting Gamification

To ensure continuous awareness on Cyber Security and Risk, HLB also introduced measures with engaging gamification elements including a cyber security pop quiz and a cyber security crossword puzzle.

• Empowering Customers with Cyber Security Knowledge

- The Bank is committed to protect the privacy and safety of our customers across all our platforms, and undertakes efforts to equip our customers with the knowledge to identify and avoid fraudulent activities via information on our HLB Website and the DuitSmart platform.

In FY2022, we recorded zero cases of substantiated complaints received regarding identity leaks, thefts and losses of customer data, further demonstrating the resilience and effectiveness of our internal protocols towards protecting our customers' privacy.

HONG LEONG ASSURANCE

HLA is similarly committed to strengthening our technological infrastructure and IT security resilience in line with the growing prevalence of technological innovation and cyber threats in the financial services industry. We have undertaken the following initiatives to adhere to industry best practices and requirements.

- **Technology Risk Management Framework ("TRMF")**
 - To address risks that may arise from failures or breaches of IT systems and/or applications, which could cause financial loss, disruptions in operations, and harm our reputation, we have implemented a Technology Risk Management Policy across HLA to provide overarching guidance and ensure consistency in our approach.
- **Cyber Resilience Framework ("CRF")**
 - We have also implemented a Cyber Resilience Framework across HLA to strengthen our technological resilience against operational disruptions and ensure all our business units take collective responsibility of our information technology functionality.
- **Endpoint Detection and Response (EDR)**
 - HLA has successfully implemented an EDR security tool that provides protection against ransomware and malware while also facilitating threat hunting and incident response.

Sustainability Statement

HONG LEONG CAPITAL BERHAD

HLCB has adequate physical, electronic and process controls in place to protect our operations and will continue to invest to build our cyber defence and resiliency.

- **Stringent Compliance**

- Our measures to safeguard and govern data privacy and cyber security are in alignment with the Financial Services Act 2013 ("FSA"), Capital Markets and Services Act 2007 ("CMSA"), Personal Data Protection Act 2010 ("PDPA"), as well as other regulations issued by BNM, SC and Bursa Malaysia.

During FY2022, we regularly conducted compliance assessments of controls and processes related to confidential information as well as privacy risks and data security audits to identify and mitigate any potential gaps.

- **Strengthening our Defences**

- In addition to maintain adherence to cyber security best practices put forth by our IT framework, we have plans to introduce additional assessments and exercises with the IT security team and regulators to enhance our cyber-related incident responses and recovery processes.

Employee Experience

NURTURING A MOTIVATED AND SUSTAINABILITY CONSCIOUS WORKFORCE

GRI 103-1, 103-2, 401-2, 404-2, 405-1

Why It Matters

The contributions from our employees are the foundation of our success and we are committed to develop and grow our human capital. By nurturing a diverse, dedicated and competent workforce, we place ourselves on the right trajectory to attain our business objectives and become an employer of choice. At HLFGB, we encourage all operating companies to actively engage with their workforce at all levels, prioritise employee health and safety, offer career growth prospects and provide adequate training to upskill our talents.

Our Approach and Performance

HONG LEONG BANK BERHAD

HLB places emphasis on training, rewarding and supporting our employees' growth within the organisation while at the same time empowering our people to play a direct and active role to make positive, meaningful and measurable impacts in communities.

- **Prioritising Wellness, Health and Safety**

- We believe that we have a fundamental responsibility in providing a safe and healthy working environment for our colleagues and have developed a robust Occupational Safety and Health Standard Operating Procedure ("OSHA SOP") and have established an OSH Committee to oversee in the implementation of best practices.

- **Exclusive PlusVibes App for Employees**

- PlusVibes, our mobile-first well-being platform remains our key point of contact to help our employees build personal resilience and strength in both body and mind. In October 2022, PlusVibes will relaunch with new features and functionality for users.

- **Driving the Bank's Sustainability Agenda Through our Employees**

- In FY2022, we launched our HLB Employee CSR Programme ("HECP") that provides a variety of activities throughout the year for employees to participate in. Employees can either choose from existing initiatives, such as HLB JumpStart and HLB DuitSmart, or design their own community-centric initiatives for their division based on the HECP's Five pillars, which are aligned with the Bank's ESG goals.

Sustainability Statement

Five Pillars of HLB Employee CSR Programme (HECP)

Environment

Food Security

Festive (Community)

Financial Literacy

Social Enterprise

HONG LEONG ASSURANCE

In addition to ensuring that employee safety is prioritised and that the workforce remains engaged and empowered to perform at their best, HLA has also undertaken efforts to enhance ESG leadership and augment the digital proficiencies of employees.

• Building ESG Capabilities

- HLA has started to strengthen capabilities in managing ESG risk with focus on climate-related risks by partnering with external consultants to equip the company's leadership and key employees with up-to-date knowledge on ESG-related opportunities and challenges.
- HLA engaged the Jeffrey Sachs Centre on Sustainable Development of Sunway University to design and rollout a robust training module
- The first training sessions were conducted in May 2022 and HLA intends to rollout further sessions in FY2023 to other stakeholders to raise awareness and knowledge levels of HLA's staff on climate change and sustainability related issues, opportunities and challenges.

ESG Training Topics Covered during FY2022

ESG and Climate Change Concerns

Responses by Businesses and Society

ESG in Financial Services and Life Insurance

What Can Organisations Do?
Designing Appropriate Responses

• Boosting Digital Readiness

- As part of our Digital Readiness campaign, four specific learning opportunities were identified i.e., Digitisation, Digital Data Analytics, Digital Transformation and Digital Acumen, with employees undergoing online training to enhance their competencies within these scopes.

• Employee Wellness

- HLA collaborated with Columbia Asia Hospital to host a Lunch & Learn virtual talk on mental well-being. A registered medical doctor provided insight on various topics related to the impact of COVID-19 and anxiety on mental health.

• Leadership Development

- We developed our own Managerial Development Series to support first-time and existing People Managers to be more efficient leaders and equipping them with critical skills and proficiencies to achieve the desired performance results.
- The company also continued to train its People Managers under the "Cohesive Collaboration & RACI (Responsible, Accountable, Consulted and Informed) Matrix for People Managers" programme, which is part of HLA's Talent Development Agenda.

Two batches of People Managers underwent training and coaching on high-performance management skills. The programme was delivered via bite-sized learning over a span of six weeks

• Employee Engagement

- In FY2022, HLA hosted a virtual townhall for all employees to hear directly from the company's top leadership on the company's vision, ambition and objectives, which featured a Q&A session between employees and senior management.

HONG LEONG CAPITAL BERHAD

HLCB's ambition of nurturing the best talent is intrinsically aligned with the commitment to develop a professional and highly competent workforce.

• Developing ESG Capabilities

- We strive to educate our employees with a sound ESG training that will equip them with the knowledge to engage with our clients and customers in the topic of sustainable investment.

Continuous ESG Training Initiatives

ESG training for HLAM and HLISAM equity teams

ESG introductory training for HLIB client-coverage teams, including education on green bond standards

Courses and seminars on ESG financing for HLIB Investment Banking team

Training on global and regional developments in ESG regulations and sustainable finance for HLIB Treasury and Markets teams

Sustainability Statement

- In FY2022, employees across HLCB held extensive engagements with ESG subject-matter experts in the process of developing our Sustainability Framework.
- 42 employees participated in 10 educational sessions provided them with key knowledge on ESG risk and industry trends on sustainability.

42 EMPLOYEES

participated in 10 ESG educational sessions

• Developing our Talent

- We support the professional development of our people to accelerate their learning and development.

Human Capital Development Highlights (FY2022)

Total
training hours
> 7,590

Averaged training hours
per employee
14

• Management Associate Programme

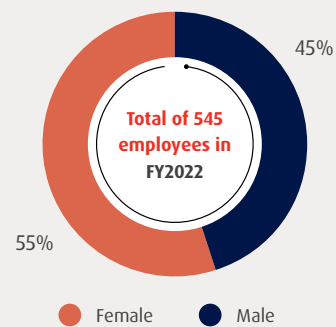
- In FY2022, HLIB introduced a Management Associate (“MA”) programme to recruit and place graduates in respective business departments for two years in order to gain knowledge and hands-on exposure in the financial services industry.

We have recruited 3 MA trainees who are currently attached to our Equity Markets and Debt Markets divisions. Our aim is to sustain the momentum of the MA program and we target to recruit a total of 7 MA trainees moving forward.

• Promoting Diversity and Inclusion

- To promote diversity, we have established a Board Diversity Policy to underscore our commitment in balancing and diversifying our Board members in terms of gender, skills and experience in a way that is congruent with HLCB’s expansion objectives.

Our Workplace Diversity by Gender in FY2022



• Fostering Internal Mobility

- Our High Potential (“HiPo”) Programme is our core succession planning initiative that enables us to effectively identify and nurture promising talent internally, with HiPo candidates shortlisted at the end of each fiscal year and being inducted into a two-year training programme.

50 EMPLOYEES

have so far benefitted from our HiPo programme

Since inception, we have identified 50 suitable candidates to participate in our HiPo programme using our evaluation procedures.

Sustainability Statement

Community Banking and Outreach

SUPPORTING THE COMMUNITIES IN WHICH WE OPERATE

GRI 103-1, 103-2, 103-3, 413-1

Why It Matters

As a responsible corporate citizen, we are consistently expanding our efforts to support and uplift local communities, whether through the introduction of products and services that can enhance their lives or direct contributions through our CSR initiatives. By adopting a mindful approach to community development across the Group, we directly bolster the sustainability of our business by enhancing our brand reputation and building loyalty amongst customers that benefit from our initiatives.

As part of a Group-wide CSR initiative undertaken in FY2022, HLFG organised a Mangrove Tree Planting program in line with the Malaysian Nature Society's efforts to rehabilitate and conserve mangrove swamp ecosystems in the Kuala Selangor Nature Park.

2,000 MANGROVE PLANTS

were planted by HLFG employees in FY2022

Our Approach and Performance

HONG LEONG BANK BERHAD

As a socially responsible business, HLB strives to undertake meaningful endeavor to support social enterprises and promotes financial literacy within the community.

- **HLB Jumpstart**

- The Jumpstart programme connects social enterprises with experts and professionals in five key areas of support in an effort to encourage their long-term success.
- To date, we have partnered with a total of 5 social enterprises, each of which have contributed to different causes in Malaysia.

HLB Jumpstart 5 Pillars of Support



Financial Knowledge



Branding and Marketing



Tools and Digitisation



Commercialisation



Volunteerism

In FY2021, we partnered with Benak Raya, a social enterprise that provides employment opportunities for villagers in Sri Aman through the production of specialised rice and other rice-based products. The business has grown from strength to strength since its partnership with Jumpstart, achieving a 192% increase in average yearly sales since our partnership.

Sustainability Statement

- **Promoting Financial Literacy via DuitSmart**

- Launched in September 2019, our DuitSmart Platform has the aim of empowering Malaysians to make sound financial decisions, which could potentially enhance the overall financial health of the country.

Our DuitSmart Platform		
Launched in partnership with Debt Agency of Malaysia (“AKPK”) and the University of Malaya	Advocates and promotes financial literacy, aligned with the Bank’s core focus in community investment towards financial inclusion for all communities in Malaysia	Outreach programmes conducted via online and physical face-to-face sessions

The Communities We Impact		
Students (Universities and Secondary Schools)	Visually Impaired Community	Broader Society via Digital Platforms

Our DuitSmart Impact in FY2022

- We reached over 840 students across schools and universities in Malaysia.
- We curated online financial literacy content for the visually impaired, benefitting more than 240 students across 5 schools.
- Our social media financial literacy content reach grew to 3.1 million views.
- We will expand our reach to primary schools and underprivileged communities in FY2023.

HONG LEONG ASSURANCE

HLA underscored our commitment in contributing meaningfully to the community by undertaking various initiatives during FY2022 that not only served to enhance financial inclusivity but also to bring our employees together for an environmentally conscious cause.

- **HLA & HLMT First Ever E-Waste Collection Campaign Shows Great Promise**

- In conjunction with Earth Day 2022, HLA and Hong Leong MSIG Takaful (“HLMT”) organised the Care for Our Planet Campaign and Bumi Green Project respectively in collaboration with E-waste Recycling Through Heroes, or EARTH for short.

The first phase of the campaign started on 22 February 2022 and ended on 22 April 2022. We started the second phase of the campaign on World Environment Day on 5 June 2022 and ended on 5 August 2022.

350KG IN e-WASTE

have so far been collected by HLA and HLMT in FY2022

Sustainability Statement

- **HLA Stackable collaboration with Perlindungan Tenang Voucher Programme**

- To increase the inclusivity of our products and services, we designed a series of microinsurance products to provide affordable and flexible life protection coverage.
- As part of the Bantuan Keluarga Malaysia (“BKM”) initiative, our customers were enabled to redeem the RM75 voucher that was allocated to eligible BKM recipients via HLA Stackable microinsurance plans.

HONG LEONG CAPITAL BERHAD

HLCB reaffirm our drive to be a responsible organisation that supports local communities, while aspiring to inculcate the spirit of sustainability amongst society.

- **Contributions to the Community**

- During the FY2022, we formed strategic partnerships that are driven by our broad range of social and environmental ambitions, while at the same time undertaking employee-driven initiatives in conjunction with various festive celebrations in Malaysia.

Notable events during FY2022 include a donation drive for the children in Persatuan Rumah Kanak-Kanak Ini Di Sayangi (Rumah KIDS) and a series of charity events held in conjunction with Ramadhan at the Pusat Jagaan Mesra Assalam.

- **HLCB x EARTH E-Waste Recycling Drive**

- HLCB collaborated with EARTH to undertake an end-of-life electronics buyback programme to cultivate eco-friendly behaviour among the community and minimise the impact of e-waste to the environment.

Via this engagement in FY2022, we collected 520 units of used electronic devices, including computers, projectors, smartphones, tablets, printers, ink cartridges and cables.

**520 UNITS OF
e-WASTE**

was collected in FY2022

- **Prosperous New Year with SevenTeaOne**

- In FY2022, HLCB engaged with social enterprise SevenTeaOne to promote the development of safe, inclusive and non-discriminatory platform spaces for differently-abled and marginalised communities to learn employment skills and earn dignified incomes.

We purchased 560 sets of cookies from SevenTeaOne and distributed them to our employees with the aim to support the social enterprise and promote awareness of the cause of this organisation among our employees.

- **Empowering Women this Hari Raya**

- During Hari Raya, we lent our support to Ibupreneur, a social enterprise that works to empower financially dependent and vulnerable mothers in the B40 group with the necessary skills to become micro-entrepreneurs.

We purchased 560 sets of cookies from Ibupreneur and distributed them to our employees with the aim of supporting the social enterprise and promoting awareness of the organisation’s cause among our employees.

- **Helping HLCB Flood-afflicted Families**

- HLCB offered financial assistance to our employees whose homes were severely flooded during the torrential downpours experienced in December 2021 to defray their unforeseen expenses and reduce their financial burdens.

RM21,000

in ex-gratia payments were given to six flood-afflicted employees in FY2022

GRI Content Index

GRI STANDARDS CONTENT INDEX

GRI 103-55 This report has been prepared in accordance with the GRI Standards: Core option.

GRI Standards	Disclosures	Page Number	Reference
Organisational Profile			
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GRI 102-2	Activities, brands, products and services	164	General Information
GRI 102-3	Location of headquarters	164	General Information
GRI 102-4	Location of operations	164	General Information
GRI 102-5	Ownership and legal form	164	General Information
GRI 102-6	Markets served	21-30	Management Discussion & Analysis - HLF Group Performance Highlights
GRI 102-7	Scale of the organisation	21-30	Management Discussion & Analysis - HLF Group Performance Highlights
GRI 102-8	Information on employees and other workers	43	A Snapshot of Our FY2022 Performance
GRI 102-9	Supply chain	61	Safeguarding Ethical Business Practices
GRI 102-10	Significant changes to organisation and its supply chain	164	In the recent financial year there were no significant changes to the organisation's size, structure, ownership, or supply chain.
GRI 102-11	Precautionary Principle or approach	34-35	HLFG applies the Precautionary Principles in all areas of operations, which is to apply due care in all operations to safeguard both environment and social interest.
GRI 102-12	External initiatives	-	Not disclosed
GRI 102-13	Membership of associations	-	Not disclosed
Strategy			
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GRI 102-36	Process for determining remuneration	93	Remuneration Process
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GRI 102-40	List of stakeholder groups	36	Our Key Stakeholders
GRI 102-41	Collective bargaining agreements	65	Nurturing a Motivated and Sustainability Conscious Workforce
GRI 102-42	Identifying and selecting stakeholders	36	Our Key Stakeholders
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GRI 102-44	Key topics and concerns raised	36	Our Key Stakeholders
Reporting Practice			
GRI 102-45	Entities included in the consolidated financial statements	164	General Information
GRI 102-46	Defining report content and topic Boundaries	33	Scope and Boundaries
GRI 102-47	List of material topics	38	Our Material Sustainability Matters
GRI 102-48	Restatements of information	-	There were no notable restatements of previous information.
GRI 102-49	Changes in reporting	32	Sustainability Statement
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GRI 102-51	Date of the most recent report	32	Sustainability Statement
GRI 102-52	Reporting cycle	33	Reporting Period
GRI 102-53	Contact point of questions regarding the report	33	Feedback
GRI 102-54	Claims of reporting in accordance with the GRI Standards	33	Our Reporting Approach
GRI 102-55	GRI content index	71-74	GRI Standards Content Index
GRI 102-56	External assurance	-	External assurance has not been obtained for the non-financial indicators relating to sustainability performance.

GRI Content Index

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Topic: Economic Performance			
GRI 103-1	Explanation of the material topic and its Boundary	55, 57, 59	Driving Targeted and Sustainable Digital Transformation, Holistically Enhancing Customer Experiences, Embedding Sustainability Consciousness into Our Products and Services
GRI 103-2	The management approach and its components	55-60	Driving Targeted and Sustainable Digital Transformation, Holistically Enhancing Customer Experiences, Embedding Sustainability Consciousness into Our Products and Services
GRI 103-3	Evaluation of the management approach	55-60	Driving Targeted and Sustainable Digital Transformation, Holistically Enhancing Customer Experiences, Embedding Sustainability Consciousness into Our Products and Services
GRI 201-1	Direct economic value generated and distributed	3-9, 55-60	Driving Targeted and Sustainable Digital Transformation, Holistically Enhancing Customer Experiences, Embedding Sustainability Consciousness into Our Products and Services
GRI 201-2	Financial implications and other risks and opportunities due to climate change	44-46	Playing Our Role to Preserve the Planet
Topic: Anti-Corruption			
GRI 103-1	Explanation of the material topic and its Boundary	61	Safeguarding Ethical Business Practices
GRI 103-2	The management approach and its components	61-62	Safeguarding Ethical Business Practices
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Topic: Energy			
GRI 103-1	Explanation of the material topic and its Boundary	49	Enhancing Our Environmental Responsibility
GRI 103-2	The management approach and its components	49-51	Enhancing Our Environmental Responsibility
GRI 103-3	Evaluation of the management approach	49-51	Enhancing Our Environmental Responsibility
GRI 302-1	Energy consumption within the organisation	49-51	Enhancing Our Environmental Responsibility
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GRI 103-1	Explanation of the material topic and its Boundary	49	Enhancing Our Environmental Responsibility
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GRI 303-5	Water consumption	49-51	Enhancing Our Environmental Responsibility
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GRI 103-1	Explanation of the material topic and its Boundary	44-46	Playing Our Role to Preserve the Planet
GRI 103-2	The management approach and its components	44	Playing Our Role to Preserve the Planet
GRI 103-3	Evaluation of the management approach	45-48	Playing Our Role to Preserve the Planet
GRI 305-1	Direct (Scope 1) GHG emissions	45-46	Playing Our Role to Preserve the Planet
GRI 305-2	Energy indirect (Scope 2) GHG emissions	45-46	Playing Our Role to Preserve the Planet
GRI 305-3	Other indirect (Scope 3) GHG emissions	45-46	Playing Our Role to Preserve the Planet

GRI Content Index

GRI Standards	Disclosures	Page Number	Reference
Topic: Waste			
GRI 103-1	Explanation of the material topic and its Boundary	49	Enhancing Our Environmental Responsibility
GRI 103-2	The management approach and its components	49-51	Enhancing Our Environmental Responsibility
GRI 103-3	Evaluation of the management approach	49-51	Enhancing Our Environmental Responsibility
GRI 306-4	Waste diverted from disposal	49-51	Enhancing Our Environmental Responsibility
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GRI 103-1	Explanation of the material topic and its Boundary	65	Nurturing a Motivated and Sustainability Conscious Workforce
GRI 103-2	The management approach and its components	65-67	Nurturing a Motivated and Sustainability Conscious Workforce
GRI 103-3	Evaluation of the management approach	65-67	Nurturing a Motivated and Sustainability Conscious Workforce
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	65-67	Nurturing a Motivated and Sustainability Conscious Workforce
Topic: Training and Education			
GRI 103-1	Explanation of the material topic and its Boundary	65	Nurturing a Motivated and Sustainability Conscious Workforce
GRI 103-2	The management approach and its components	65-67	Nurturing a Motivated and Sustainability Conscious Workforce
GRI 103-3	Evaluation of the management approach	65-67	Nurturing a Motivated and Sustainability Conscious Workforce
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	65-67	Nurturing a Motivated and Sustainability Conscious Workforce
Topic: Diversity and Equal Opportunity			
GRI 103-1	Explanation of the material topic and its Boundary	65	Nurturing a Motivated and Sustainability Conscious Workforce
GRI 103-2	The management approach and its components	65-67	Nurturing a Motivated and Sustainability Conscious Workforce
GRI 103-3	Evaluation of the management approach	65-67	Nurturing a Motivated and Sustainability Conscious Workforce
GRI 405-1	Diversity of governance bodies and employees	65-67	Nurturing a Motivated and Sustainability Conscious Workforce
Topic: Local Communities			
GRI 103-1	Explanation of the material topic and its Boundary	68	Supporting the Communities in which We Operate
GRI 103-2	The management approach and its components	68-70	Supporting the Communities in which We Operate
GRI 103-3	Evaluation of the management approach	68-70	Supporting the Communities in which We Operate
GRI 413-1	Operations with local community engagement, impact assessments and development programs	68-70	Supporting the Communities in which We Operate
Topic: Customer Privacy			
GRI 103-1	Explanation of the material topic and its Boundary	63	Protecting Personal Data and Ensuring Customer Privacy
GRI 103-2	The management approach and its components	63-65	Protecting Personal Data and Ensuring Customer Privacy
GRI 103-3	Evaluation of the management approach	63-65	Protecting Personal Data and Ensuring Customer Privacy
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	63-65	Protecting Personal Data and Ensuring Customer Privacy

Corporate Information

DIRECTORS

Tan Sri Quek Leng Chan (Chairman)

Tan Kong Khoon (President & Chief Executive Officer)

Leong Ket Ti

Raja Noorma binti Raja Othman

Chong Chye Neo

Ho Heng Chuan

Emily Kok

GROUP COMPANY SECRETARY

Jack Lee Tiong Jie
MAICSA 7060133
SSM PC No. 202008001704

AUDITORS

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146)
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

Chairman/
Non-Executive/Non-Independent

Malaysian | 79 | Male

YBhg Tan Sri Quek Leng Chan qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

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

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad, a public company; Chairman of Hong Leong Bank Berhad ("HLB"), a company listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"); and Chairman of Hong Leong Assurance Berhad ("HLA"), a public company. He is also the Chairman of the Council of Members of Hong Leong Bank Vietnam Limited ("HLBVN").

TAN KONG KHOON

President & Chief Executive Officer/
Non-Independent

Singaporean | 65 | Male

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

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

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

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

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

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

Board of Directors' Profile

LEONG KET TI

Non-Executive Director/
Independent

Malaysian | 59 | 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 HLFGB on 8 March 2019 and is a member of the Board Audit and Risk Management Committee ("BARMC") of HLFGB.

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

RAJA NOORMA BINTI RAJA OTHMAN

Non-Executive Director/
Independent

Malaysian | 63 | Female

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

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

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

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

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

Board of Directors' Profile

CHONG CHYE NEO

Non-Executive Director/
Independent

Malaysian | 59 | 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 HLFGB on 28 November 2019. She is the Chairman of the GBITC and a member of the BARMC and Remuneration Committee ("RC") of HLFGB.

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

HO HENG CHUAN

Non-Executive Director/
Independent

Malaysian | 65 | 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 HLFGB on 15 October 2020. He is the Chairman of the BARMC and RC and a member of the NC of HLFGB.

Mr Ho is also an Independent Non-Executive Director of Genting Malaysia Berhad, a company listed on the Main Market of Bursa Securities.

Board of Directors' Profile

EMILY KOK**Non-Executive Director/
Independent**

Malaysian | 55 | Female

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

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

Ms Emily has more than 12 years' experience in direct investment, a significant part of that with 3i Group plc as Vice President for the Asia Pacific region from 1998 to 2003, where she was part of the pioneering team in establishing 3i's investment presence in Asia. Her portfolio ranged from new technology to brick and mortar in both business-to-business and business-to-consumer verticals.

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

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

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 HLF.

2. Conflict of Interest

None of the Directors has any conflict of interest with HLF.

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 2022.

4. Attendance of Directors

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

Key Senior Management of the Group

TEH TIONG KHIM

Group Chief Financial Officer of Hong Leong Financial Group (“HLFG”)

Malaysian | 49 | 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 27 years of diverse experience in senior finance roles across global business services, global IT services and a public listed company. His career trajectory has taken him through large multinational organisations with exposure to different industries including banking, fast-moving consumer goods and information technology.

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

DOMENIC FUDA

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

Australian | 55 | 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, he is a Chicago Booth Executive Program alumni and a Fellow Chartered Banker of the Asian Institute of Chartered Bankers (“AICB”).

Mr Fuda was appointed as the Group Managing Director and Chief Executive Officer of HLB on 5 February 2016. He 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 and General Purpose Committee Member of the AICB, Council Member of The Association of Banks in Malaysia (ABM) and Council Member of 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 operation, 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

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

Malaysian | 59 | Female

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

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

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

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

LOH GUAT LAN

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

Malaysian | 57 | Female

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

Ms Loh has extensive experience in the insurance industry, including agency management, branch management, 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 the 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 HLFGB.

2. Conflict of Interest

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

3. Conviction of Offences

None of the Key Senior Management has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2022.

Board Audit and Risk Management Committee Report

CONSTITUTION

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

COMPOSITION

MR HO HENG CHUAN

(Chairman, Independent Non-Executive Director)

MS LEONG KET TI

(Independent Non-Executive Director)

MS CHONG CHYE NEO

(Independent Non-Executive Director)

SECRETARY

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

TERMS OF REFERENCE

The terms of reference of the BARMC are published on the Company’s website at www.hlfg.com.my.

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 at least once a year 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. The BARMC Chairman maintains regular engagements with the Chief Compliance Officer, Chief Internal Auditor and Chief Risk Officer.

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

Two (2) members of the BARMC, who shall be independent, shall constitute a quorum and majority of 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 2022 (“FY2022”), six (6) BARMC meetings were held and the attendance of the BARMC members were as follows:

Member	Attendance
Mr Ho Heng Chuan	6/6
Ms Leong Ket Ti	6/6
Ms Chong Chye Neo	6/6

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 FY2022 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 FY2022 amounted to RM4,348,448 of which RM578,500 was payable in respect of non-audit services. Non-audit services accounted for 13% of the total fees payable. The BARMC assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

The BARMC also evaluated the performance of PwC in the following areas in relation to their re-appointment as auditors for the FY2022 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 HLF; 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 FY2022 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 2022 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.

Board Audit and Risk Management Committee Report

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

Internal Audit

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

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

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

Risk Management and Internal Control System

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

The BARMC has also reviewed management's implementation of group-wide risk management initiatives, including the

review of group-wide policies and risk appetite statements for Board's approval. In the FY2022, as part of the annual review process, the BARMC reviewed the key changes made to the Group's policies on Risk Management, Credit Risk, Internal Capital Adequacy Assessment Process, Liquidity Management, Operational Risk Management, Cyber Resilience and Technology Risk Management. The changes to these policies were regulatory driven, administrative and/or editorial updates. In addition, the BARMC reviewed processes put in place to manage significant risks encountered by the Group as well as the adequacy and effectiveness of internal controls and risk management process.

With regards to the COVID-19 pandemic, the BARMC reviewed updates on Hong Leong Bank Berhad's loan repayment assistance status and continuous effort in helping the customers resume to their normal repayment plan, as well as updates on relief measures and/or special benefits to Hong Leong Assurance Berhad's policyholders (such as deferment of premiums and COVID-19 Special Benefit Programme). The BARMC also reviewed Business Continuity Management reports on staff deployment statistics across the Group.

The BARMC was also apprised on the Group's initiatives on integrating sustainability into its business and operations, and the Group's response to the Bank Negara Malaysia's ("BNM") Exposure Draft on Climate Risk Management and Scenario Analysis.

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:

- (i) reports on new or updated regulations affecting the Group;
- (ii) significant non-compliance incidences in the Group;
- (iii) development, review, alignment and implementation of Group-wide compliance policies;
- (iv) management of key compliance risks affecting the Group;
- (v) material compliance review findings in the Group;
- (vi) implementation, alignment and monitoring of Compliance programmes in relation to anti-bribery and corruption ("ABC") within the Group;

Board Audit and Risk Management Committee Report

- (vii) implementation, alignment and monitoring of ABC measures to effect compliance with requirements under the Malaysian Anti-Corruption Commission Act 2009, including reinforcing Board and top management commitment against bribery and corruption, review and enhancement of control measures, monitoring of ABC implementation activities, and implementation of training and communication activities; and
- (viii) 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 with 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 involves the Company, confidentially through a dedicated whistleblowing channel to the BARMC Chairman. During the FY2022, the BARMC had reviewed the Whistleblowing Policy and Procedures of the Company to ensure the whistleblowing procedures and communication plans in relation thereto remain effective. The BARMC also reviewed and deliberated the investigation report on a matter submitted through the whistleblowing channel of the Company.

INTERNAL AUDIT FUNCTION

The various internal audit functions within the Group entities ("internal audit functions") employ a risk-based assessment approach in auditing the Group business and operational activities. The high-risk activities are given due attention and audited on a more regular basis while the rest are prioritised to the potential risk exposure and impact. The internal audit functions are guided by their respective Internal Audit Charter ("Charter") and Internal Audit Standard Operating Procedures ("IA SOP") which are in line with BNM's Guidelines on Internal Audit Function of Licensed Institutions and the International

Standards for the Professional Practice of Internal Auditing. In FY2022, as part of the annual review process, the internal audit functions had reviewed their respective Charters for changes and had tabled them to their respective board audit committees for endorsement; and subsequently to their respective Boards, for approval. The IA SOP was also reviewed for changes and tabled to the respective board audit committees for their approval.

During the FY2022, the following internal audits were carried out:

- Financial Holding Company: audits on finance, company secretarial, legal, human resource and whistleblowing policy and procedures.
- Banking: audits on information technology, compliance and anti-money laundering/counter financing of terrorism and targeted financial sanctions ("AML/CFT and TFS"), personal financial services, business corporate banking, global markets, group operations and technology, group functions, branches including thematic audits on branch operations, credit transactions and exposures with connected parties, and 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, treasury & markets, stockbroking, branches, fund management (both conventional and islamic) and unit trust business activities; information technology, general controls and application systems; regulatory compliance such as AML/CFT and TFS, central credit reference information systems, management of customer information and permitted disclosure; business support functions such as procurement and research; and other assignments as required by regulatory bodies.
- Insurance/Takaful: audits on AML/CFT and TFS, actuarial, agency management, complaint handling and market conduct, information systems, business continuity management, operations, branches, and regulatory compliance audits.

The cost incurred for the various internal audit functions within the Group for the FY2022 was RM18.84 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”) 2021 namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Report 2022 of the Company in relation to this statement is published on the Company’s website, www.hlfg.com.my (“the Company’s Website”).

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

A. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference (“TOR”) to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed periodically by the Board. The Board Charter is published on the Company’s Website. The key roles and responsibilities of the Board broadly cover reviewing and approving corporate policies and strategies; overseeing and evaluating the conduct of the Group’s businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as

financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required as specified in the guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Company is managed by the President & Chief Executive Officer (“CEO”) who is assisted by the management team. The CEO and his management team are accountable to the Board for the performance of the Company. In addition, the Board has established Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions, internal controls and risk management to the Board Audit and Risk Management Committee (“BARMC”). The Nomination Committee (“NC”) is delegated the authority to, inter alia, assess and review Board, Board Committees and CEO appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to the Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of the Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the CEO. This division of responsibilities between the Chairman and the CEO ensures an appropriate balance of roles, responsibilities and accountability.

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 (“KPAAs”) 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 KPAAs for the operating managers as well as to focus on creating value through deployment of the assets in the Group and to seek optimal use of the capital resources available to him.

Independent Non-Executive Directors (“INEDs”) are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of INEDs’ independent judgment or their ability to act in the best interest of the Company and its shareholders.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group takes a progressive approach in integrating sustainability into its businesses as set out in the Sustainability Statement in this Annual Report.

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

B. BOARD COMPOSITION

The Board currently comprises seven (7) Directors. The seven (7) Directors are made up of one (1) Executive Director and six (6) Non-Executive Directors, of whom five (5) are independent. The profiles of the members of the Board are set out in this Annual Report.

The Company is guided by the BNM CG Policy and the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa”) in determining its board composition. The Board shall determine the appropriate size of the Board to enable an efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Company. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Company has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate. The Board currently has seven (7) Directors, of whom four (4) are women directors. The Board will continue to maintain women participation on the Board in line with the MCGG.

Based on the review of the Board composition in July 2022, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group’s strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES

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

(A) BARMC

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

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

(B) NC

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

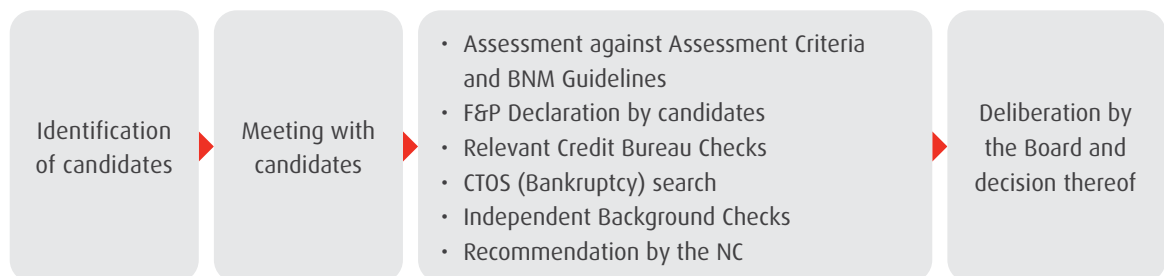
- YM Raja Noorma binti Raja Othman (Chairman)
(Appointed as NC Chairman with effect from 14 January 2022)
- Mr Ho Heng Chuan
- Ms Emily Kok
(Appointed as NC member with effect from 30 June 2022)

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

The Company has in place a Fit and Proper ("F&P") Policy as a guide for the 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:



Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (continued)

(B) NC (continued)

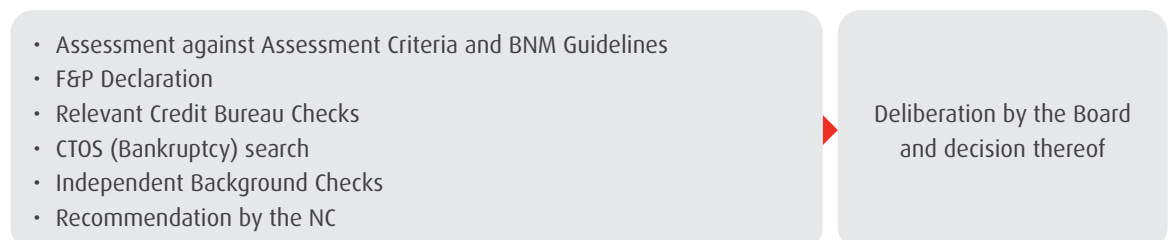
(i) New appointments (continued)

In assessing the candidates for Board appointments, the NC will take into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired composition and 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.

In the case of CEO, the NC will take into account the candidate's knowledge and experience in the industry, market and segment. The NC will also consider the candidate's F&P Declaration in line with the standards required under the relevant BNM Guidelines.

(ii) Re-Appointments

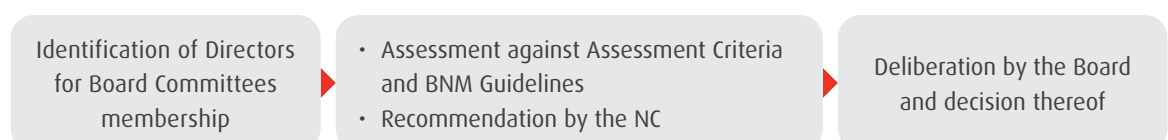
The assessment and approval process for re-appointments is as follows:



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



The assessment for Board Committee Appointments will be based on the Directors' potential contributions and value-add to the Board Committees with regard to Board Committees' roles and responsibilities.

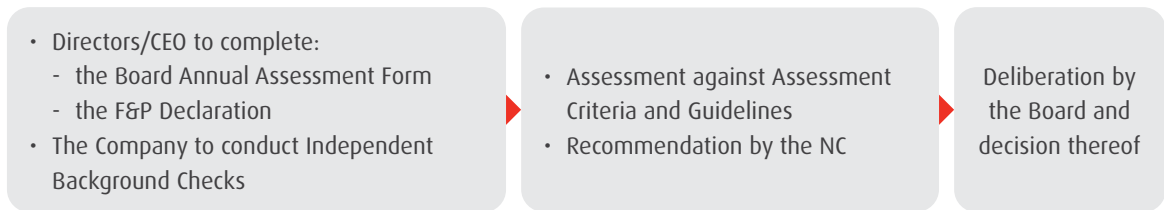
Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (continued)

(B) NC (continued)

(iv) Annual F&P Assessment

The annual F&P assessment process is as follows:



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.

Corporate Governance Overview, Risk Management & Internal Control Statement

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

During the financial year ended 30 June 2022 (“FY2022”), four (4) NC meetings were held and the attendance of the NC members were as follows:

Member	Attendance
YBhg Dato’ Noorazman bin Abd Aziz ⁽¹⁾	2/3
YBhg Tan Sri Quek Leng Chan ⁽²⁾	4/4
Mr Ho Heng Chuan	4/4
YM Raja Noorma binti Raja Othman ⁽³⁾	1/1
Ms Emily Kok ⁽⁴⁾	-

⁽¹⁾ Resigned as NC Chairman with effect from 14 January 2022.

⁽²⁾ Resigned as NC member with effect from 30 June 2022.

⁽³⁾ Appointed as NC Chairman with effect from 14 January 2022.

⁽⁴⁾ Appointed as NC member with effect from 30 June 2022.

There was no NC meeting held for the FY2022 subsequent to the appointment of Ms Emily Kok.

The NC carried out the following activities in the discharge of its duties in accordance with its TOR during the FY2022:

- 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 MCGG;
- 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 appointment and re-appointment of Directors in accordance with the F&P Policy, BNM CG Policy and MMLR and recommended to the Board for consideration and approval;
- Reviewed the composition of the Board Committees in accordance with the MCGG and recommended revisions to the Board Committees for the Board’s consideration and approval;
- Assessed potential candidates to fill vacancy(ies) in the Board and Board Committees and recommended to the Board for consideration and approval; and
- Considered the re-election of Directors who are due for retirement at the Annual General Meeting (“AGM”) pursuant to the Constitution of the Company.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (continued)

(C) REMUNERATION COMMITTEE (“RC”)

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

- Mr Ho Heng Chuan (Chairman)
(Appointed as RC Chairman with effect from 14 January 2022)
- Ms Chong Chye Neo
- Ms Emily Kok
(Appointed as RC member with effect from 30 June 2022)

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

During the FY2022, three (3) RC meetings were held and the attendance of the RC members were as follows:

Member	Attendance
YBhg Dato’ Noorazman bin Abd Aziz ⁽¹⁾	1/2
YBhg Tan Sri Quek Leng Chan ⁽²⁾	3/3
Ms Chong Chye Neo	3/3
Mr Ho Heng Chuan ⁽³⁾	1/1
Ms Emily Kok ⁽⁴⁾	-

⁽¹⁾ Resigned as RC Chairman with effect from 14 January 2022.

⁽²⁾ Resigned as RC member with effect from 30 June 2022.

⁽³⁾ Appointed as RC Chairman with effect from 14 January 2022.

⁽⁴⁾ Appointed as RC member with effect from 30 June 2022.

There was no RC meeting held for the FY2022 subsequent to the appointment of Ms Emily Kok.

The Group’s remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group’s annual plan and budget.

The level of remuneration of Non-Executive Directors reflects the scope of responsibilities and commitment undertaken by them.

The RC, in assessing and reviewing the remuneration packages of Executive Directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group’s Human Resources Manual, which are reviewed from time to time to align with market/industry practices. INEDs of the Company are paid fixed annual director fees, Board Committee fees and meeting allowance for each Board and Board Committee meeting attended. The remuneration of INEDs is recommended and endorsed by the Board for approval by the shareholders of the Company at its AGM, and payable in cash to INEDs upon approval of the shareholders of the Company.

The detailed remuneration of each Director during the FY2022 is as set out in Note 41 of the Audited Financial Statements in this Annual Report.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (continued)

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

Remuneration

The remuneration strategy of Hong Leong Financial Group ("HLFG") supports and promotes a high performance culture to deliver HLF'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, HLF's 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.

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. "Senior Management Officers" in this context refers to management staff who have primary and significant responsibility for the management and performance of significant business activities of the Company and any person who assumes primary or significant responsibility for key control functions of the Company. "Other material risk taker" refers to an officer who is not a member of Senior Management Officers of the Company and who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on the Company's risk profile.

The Board maintains and regularly reviews a list of officers who fall within the definition of "Senior Management Officers" and "other material risk takers". For the FY2022, there were no "other material risk takers" identified for the Company.

Role of BARMC in remuneration matters

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

Deferred Compensation and Clawbacks

Variable bonus awards for CEO, Senior 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.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (continued)**(C) REMUNERATION COMMITTEE (“RC”) (continued)**

The remuneration of the CEO and Senior Management Officers of the Company for FY2022 is shown in the tables below:

i) CEO

NAME	CATEGORY	CASH (RM)	SHARES (RM)	TOTAL (RM)
Tan Kong Khoon	Fixed remuneration	3,240,000	-	3,240,000
	Variable remuneration			
	1) Non-deferred	4,683,400	-	4,683,400
	2) Deferred	2,302,600	2,296,007*	4,598,607

ii) Senior Management Officers (including CEO)

	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of Outstanding deferred remuneration as at 30.6.2022 (RM)	Total amount of Outstanding deferred remuneration paid out (vested) in FY2022 (RM)
Fixed Remuneration					
Cash-based	4	5,299,200	-	-	-
Shares and share-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Variable Remuneration					
Cash-based	4	5,362,030	2,371,770	2,371,770	2,820,308
Shares and share-linked instruments	2	-	8,610,003*	5,739,990*	2,870,013*
Other	-	-	-	-	-

Note:

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

Corporate Governance Overview, Risk Management & Internal Control Statement

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

The GBITC was established on 29 July 2020 to jointly support the Boards of Hong Leong Financial Group Berhad, Hong Leong Investment Bank Berhad, 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 HLF Group of Companies as follows:

- Ms Chong Chye Neo (Chairman)
- YM Raja Noorma binti Raja Othman
- YBhg Dato’ Ng Wan Peng
(Appointed as GBITC member with effect from 30 June 2022)
- YBhg Dato’ Nicholas John Lough @ Sharif Lough bin Abdullah
(Appointed as GBITC member with effect from 30 June 2022)

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

During the FY2022, seven (7) GBITC meetings were held and the attendance of the GBITC members were as follows:

Member	Attendance
Ms Chong Chye Neo	7/7
YM Raja Noorma binti Raja Othman	7/7
Ms Shalet Marian ⁽¹⁾	7/7
Encik Zulkiflee bin Hashim ⁽¹⁾	7/7
YBhg Dato’ Ng Wan Peng ⁽²⁾	-
YBhg Dato’ Nicholas John Lough @ Sharif Lough bin Abdullah ⁽²⁾	-

⁽¹⁾ Resigned as GBITC member with effect from 30 June 2022.

⁽²⁾ Appointed as GBITC member with effect from 30 June 2022.

There was no GBITC meeting held for the FY2022 subsequent to the appointment of YBhg Dato’ Ng Wan Peng and YBhg Dato’ Nicholas John Lough @ Sharif Lough bin Abdullah.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (continued)

(D) GROUP BOARD INFORMATION AND TECHNOLOGY COMMITTEE (“GBITC”) (continued)

The GBITC is a platform for the sharing of knowledge and experience on technology related matters with subject matter experts from the various group entities. In discharging its duties in accordance with its TOR, the GBITC carried out the following activities during the FY2022:

- 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;
- Reviewed the Group’s new major applications, systems and projects; and
- Reviewed the Group’s risk appetite statement and results of compromise assessment on IT infrastructure.

D. INDEPENDENCE

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

The tenure of all the Independent Directors on the Board of the Company does not exceed 9 years. The Independent Directors have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that the Independent Directors have continued to bring independent and objective judgment to Board deliberations and decision making.

The Company has in place a policy in relation to the tenure for Independent Directors of the Company (“Tenure Policy”) under the F&P Policy of the Company. Pursuant to the Tenure Policy, the tenure of an Independent Director shall not exceed a cumulative term of 9 years from the date of his or her first appointment in the Company. Upon completion of the 9 years, an Independent Director shall retire on the expiry date of his or her term of office approved by BNM.

E. COMMITMENT

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointments. 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.

Corporate Governance Overview, Risk Management & Internal Control Statement

E. COMMITMENT (continued)

All Board members are supplied with information in a timely manner. The Company has moved towards electronic Board reports since 2015. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Company and of the Group and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of a qualified and competent Company Secretary to facilitate the discharge of their duties effectively. The Company Secretary is qualified to act under Section 235 of the Companies Act 2016. The Company Secretary supports the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow amongst the Board, Board Committees and senior management. All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman or the CEO of the Company.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the Board meeting where the material transaction or material arrangement is being deliberated by the Board.

The Board met six (6) times for the FY2022 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 ⁽¹⁾	3/4
Mr Ho Heng Chuan	6/6
Ms Emily Kok ⁽²⁾	1/1

⁽¹⁾ Resigned as Director with effect from 14 January 2022.

⁽²⁾ Appointed as Director with effect from 26 April 2022.

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.

Corporate Governance Overview, Risk Management & Internal Control Statement

E. COMMITMENT (continued)

The Company regularly organises in-house programmes, briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

The Company has prepared for the use of its Directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a Director vis-à-vis various laws, regulations and guidelines governing the same.

In assessing the training needs of Directors, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management, information technology, cyber security, internal control and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During the FY2022, 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 FY2022, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Accounting & Finance Show Asia 2021
- Axiata Risk & Compliance Conference 2021
- Behavioural Insights Team, Singapore – Board & Leadership Talk Series: Behavioural Insights
- BNM – Virtual engagement session with Chief Executive Officers/Chairmen of Financial Institutions & Associations in conjunction with the release of BNM Annual Report 2021, Economic & Monetary Review 2021 and Financial Stability Review
- Boston Consulting Group/World Wildlife Fund (WWF) – Net Zero Pathways for Malaysia
- Bursa Malaysia – 2021 Global Market & Economic Outlook: New Beginnings and Old Challenges in the New Normal
- Bursa Malaysia – Carbon Markets
- Bursa Malaysia – Economics Outlook & Lookout
- Bursa Malaysia – FIDE Forum – Dialogue on Sustainability
- Bursa Malaysia – How Market Infrastructures are Coping with Cyber Threat amid Global Pandemic
- CIMA – ESG vs CSR: Environment Social Sustainability Reporting
- Deloitte – The Inflation Outlook: How can Boards prepare for the future of global inflation?
- Deloitte – Digital Frontier: Technology and the Board
- Deloitte – The Future of Globalisation
- European Union – Malaysian Dialogue on Fighting Climate Change with Market Mechanism
- FIDE Forum – Annual Dialogue with the Governor of Bank Negara Malaysia
- FIDE Forum – Dialogue on Climate Risk Management and Scenario Analysis
- FIDE Forum – Dialogue on Licensing Framework for Digital Insurers and Takaful Operators
- FIDE Forum – Dialogue on Risk Management in Technology (RMIT): Insights 1 year on
- FIDE Forum – Meta Finance: The Next Frontier of the Global Economy
- FIDE Forum – MyFintech Week Masterclasses
 - Getting it Right: Securing Results from Digital Transformation
 - Web 3.0 and the Future of Finance
 - Deep Dive into DeFi
- FIDE Forum – The Board's Role and Responsibilities in Crisis Communication
- Fintech News – Reimagining a world without passwords
- Heidrick & Struggles – The Metaverse and Web 3.0
- HLAH Group – KPMG – Sustainable Insurance
- HLB & HLISB – Re engineering Islamic Social Finance (ISF): An Option or a Must?
- HLCB Group – AML/CFT & TFS – Evolving Challenges & Expectations in Regulatory Compliance
- HLCB Group – ESG Briefing by Synergio Global Sdn Bhd
- HLFG – Cyber Risk Awareness Training
- HLFG Group – Anti-Corruption Empowerment Talk Series by Malaysian Anti-Corruption Commission
- HLFG Group – Citigroup – Briefing on “Rise of Fintech and Future of Banking”
- ICLIF – Addressing and responding to growing and more complex threat of cyber security
- ICLIF – Climate Change: Impact on Banks & Role of the Boards

Corporate Governance Overview, Risk Management & Internal Control Statement

E. COMMITMENT (continued)

- INSEAD – The Future of the Global Economy
- Institute of Corporate Directors Malaysia – Audit Committee Dialogue & Networking
- Institute of Corporate Directors Malaysia – Masterclass on Digital Disruptions: Winning Strategies for Legacy Companies
- Institute of Corporate Directors Malaysia – Masterclass on The Effective Board: 3 Integral Components required for Board Effectiveness & Communication
- Institute of Corporate Directors Malaysia – Organisational Culture
- Institute of Corporate Directors Malaysia – PowerTalk 2022: “Talent Uprising – How Boards Should Rethink Their Talent Strategy in this Era of Opportunity”
- Institute of Enterprise Risk Practitioners – An Effective Holistic Approach to establishing Effective ESG Culture and Successful Implementation
- International Shariah Research Academy for Islamic Finance (ISRA) Islamic Finance for Board of Directors Programme
- ISEAS – Yusof Ishak Institute – Regional Outlook Forum 2022: Regional Disruptions Amidst Global Recovery
- Joint Committee on Climate Change (JC3) & The Association of Southeast Asia Nations Low Carbon Energy Programme (ASEAN LCEP) – Governance & Reporting Workshop 1: The Power of ESG Data
- KLCCP Stapled Group – Corporate Governance Online Masterclass
- KPMG – Updates on Malaysian Code on Corporate Governance (MCCG) 2021 Briefing Session
- Microsoft Security Virtual Training: Zero Trust
- PwC – Trends in Customer Behaviours
- Rotterdam School of Management, Erasmus University, Rotterdam – Principles of Sustainable Finance
- Russell Reynolds Associates – Asia Pacific Board Leadership Forum 2021
- SC-FIDE Forum – Dialogue on Capital Market Masterplan 3
- Section 17A of the Malaysian Anti-Corruption Commission Act 2009 Protecting You & Your Business with T.R.U.S.T and Understanding the Legal Provision
- Securities Commission – Audit Oversight Board Conversation with Audit Committees
- TerrapinnAsia – Web acceleration: The key to next level e-commerce experience
- The China Conference – Southeast Asia 2022
- The Financial Institutions Directors’ Education (FIDE) Core Programme
- Trowers & Hamblins – MACC Section 17A Education: Protecting Against Liability

F. ACCOUNTABILITY AND AUDIT

The Company has put in place a framework of processes whereby Board committees provide oversight on critical processes of the Company’s reporting of financial statements, in order to ensure that accountability and audit are integral components of the said processes.

I FINANCIAL REPORTING

The Board has a fiduciary responsibility to ensure the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC, which assesses the integrity of financial statements with the assistance of the external auditors.

II RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

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

The Statement on Risk Management and Internal Control as detailed under Section I of this Statement provides an overview of the system of internal controls and risk management framework of the Group.

III RELATIONSHIP WITH AUDITORS

The appointment of external auditors is recommended by the BARMC, which also reviews the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually. In this regard, an annual assessment is conducted by the BARMC to evaluate the performance, independence and objectivity of the external auditors prior to making any recommendation to the Board on the re-appointment of the external auditors.

Corporate Governance Overview, Risk Management & Internal Control Statement

F. ACCOUNTABILITY AND AUDIT (continued)

III RELATIONSHIP WITH AUDITORS (continued)

The Company also has a Policy on the Use of External Auditors for Non-Audit Services to govern the professional relationship with the external auditors in relation to non-audit services. Assessment will be conducted by the BARMC for non-audit services to ensure that the provision of non-audit services does not interfere with the exercise of independent judgment of the external auditors.

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

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

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

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. The minutes of the AGM are published on the Company's Website since FY2022.

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 consideration of the COVID-19 situation and the interest of the health and safety of all stakeholders, the last AGM of the Company held on 28 October 2021 was conducted virtually through live streaming

Corporate Governance Overview, Risk Management & Internal Control Statement

H. SHAREHOLDERS (continued)

II AGM (continued)

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 28 October 2021 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
- 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 FY2022 and have continued up to the date this statement was approved.

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

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

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

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

Corporate Governance Overview, Risk Management & Internal Control Statement

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

III. INTERNAL CONTROL REVIEW AND REGULATORY COMPLIANCE PROCEDURES

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

The Compliance function works with various Compliance functions within the Group to monitor and manage compliance risks in the Group and to facilitate compliance with regulatory requirements and internal policies. The compliance framework and fundamental compliance principles of the Group, including governance framework and reporting structure, are set out in the Group Compliance Policy. All material compliance breaches and non-compliances are brought to the attention of the respective board audit and/or risk committees within the Group and they are kept informed of the causes and the remedial measures taken. To support effective internal controls and in ensuring compliance with relevant laws and regulations, the Compliance function has also put in place key compliance policies such as the Group Anti-Bribery and Corruption Policy, Group Whistleblowing Policy, Group Anti-Money Laundering and Counter Financing of Terrorism Policy and Group Personal Data Protection Policy. All policies are reviewed on an annual basis or as and when required to reflect current practices or changes to applicable legal or regulatory requirements.

IV. MANAGEMENT AND DECISION-MAKING PROCESSES

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

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

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

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

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

Corporate Governance Overview, Risk Management & Internal Control Statement

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

IV. MANAGEMENT AND DECISION-MAKING PROCESSES (continued)

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

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

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

The Directors are satisfied that in preparing the financial statements of the Group and of the Company for the FY2022, 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 2022

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 2022.

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	2,452,209	807,672
- Non-controlling interests	1,230,652	-
	3,682,861	807,672

DIVIDENDS

The dividends on ordinary shares paid by the Company since the previous financial year ended 30 June 2021 were as follows:

- A final single-tier dividend of 29.2 sen per share, amounting to RM332,261,220 in respect of the financial year ended 30 June 2021, was paid on 23 November 2021.
- An interim single-tier dividend of 15.0 sen per share, amounting to RM170,705,594 in respect of the financial year ended 30 June 2022, was paid on 30 March 2022.

The Directors have declared a final single-tier dividend of 31.0 sen per share in respect of the financial year ended 30 June 2022. 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 2023.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

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

Directors' Report

for the financial year ended 30 June 2022

CREDIT RATING

On 26 August 2022, RAM Rating Services Berhad has reaffirmed AA₁/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 of the Company who have held office during the financial year and during the period from the end of the financial year to the date of this report are:

Tan Sri Quek Leng Chan	(Chairman, Non-Executive Non-Independent)
Tan Kong Khoon	(President & Chief Executive Officer, Non-Independent)
Leong Ket Ti	(Independent Non-Executive Director)
Raja Noorma binti Raja Othman	(Independent Non-Executive Director)
Chong Chye Neo	(Independent Non-Executive Director)
Ho Heng Chuan	(Independent Non-Executive Director)
Emily Kok	(Independent Non-Executive Director)
(Appointed with effect from 26 April 2022)	
Dato' Noorazman bin Abd Aziz	(Independent Non-Executive Director)
(Resigned with effect from 14 January 2022)	

Directors' Report

for the financial year ended 30 June 2022

DIRECTORS (continued)

The Directors of the Company's subsidiaries who have held office during the financial year and during the period from the end of the financial year to the date of this report (not including those Directors listed above) are:

Alan Hamzah Sendut	Lim Tau Kien
Ang Beng Kuan (Appointed with effect from 6 September 2021)	Loh Guat Lan
Au Chee Ming	Lye Thim Loong (Resigned with effect from 1 February 2022)
Chan Lap Yuen	Malkiat Singh @ Malkit Singh Maan a/l Delbara Singh
Cheong Soo Ching (Appointed with effect from 18 May 2022)	Mark Nelligan
Chew Seong Aun	Martin Giles Manen
Chok Kwee Bee	Masakatsu Komaita (Resigned with effect from 19 July 2021)
Dato' Abdul Majit bin Ahmad Khan	Masayuki Takahashi (Appointed with effect from 19 July 2021)
Dato' Bakarudin bin Ishak (Appointed with effect from 2 September 2021)	Matthew Nicholas Rendall
Dato' Ng Wan Peng	Mohd Faizal bin Ali
Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	Muhammad Awi Goo @ Goo Kim Hooi
Dato' Siow Kim Lun @ Siow Kim Lin	Musa bin Mahmood
Datuk Dr Md Hamzah bin Md Kassim	Noor Aini binte Shaik Awab (Appointed with effect from 23 June 2022)
Datuk Manharlal a/l Ratilal	Norhayati binti Abu Bakar
Domenico Fuda	Peter Ho Kok Wai
Duong Duc Hung	Quek Kon Sean
Fa'izah binti Mohamed Amin (Appointed with effect from 1 September 2022)	Rowina Ghazali Seth
Gan Siok Loon	Shalet Marian
Han Chin May (Appointed with effect from 23 June 2022)	Sharan Kaur a/p Jaswant Singh
Harjit Kaur a/p Inder Singh	Sim Hong Kee
Hoo See Kheng	Stella Lo Sze Man
Jacelyn Khoo June Lee	Tai Siew Moi
John Hing Vong	Tan Khee Meng
Khoo Teng Kar	Tang Hong Cheong (Appointed with effect from 6 August 2021)
Koid Swee Lian	Teow Leong Wah (Resigned with effect from 23 June 2022)
Kwek Leng Hai	Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin
Lau Souk Huan	Wong Kwok Tim
Lau Yew Sun	Wong Mun Heng
Lawrence Peh Yeow Beng	Yong Yoong Fa
Lee Jim Leng (Appointed with effect from 17 September 2021)	Zulkiflee bin Hashim
Liew Chin Choong	

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

Directors' Report

for the financial year ended 30 June 2022

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016, the Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or loan stocks and/or options over ordinary shares of the Company and/or its related corporations during the financial year are as follows:

	Directors' direct interests			
	Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah*** /nominal value in Ringgit Malaysia of Tier 2 subordinated notes/subordinated sukuk murabahah**** /ordinary shares to be received arising from vesting of share grant*****			
	As at 01.07.2021	Acquired	Sold	As at 30.06.2022
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) *(6)	-
	-	375,368 *****	(125,123) ***** (7)	250,245 *****
	-	125,123 (7)	-	125,123

Directors' Report

for the financial year ended 30 June 2022

DIRECTORS' INTERESTS (continued)

	Directors' deemed interests			
	Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah*** /nominal value in Ringgit Malaysia of Tier 2 subordinated notes/subordinated sukuk murabahah****/ordinary shares to be received arising from vesting of share grant*****			
	As at 01.07.2021	Acquired	Sold	As at 30.06.2022
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	894,714,726 ⁽¹⁾	-	-	894,714,726 ⁽¹⁾
Hong Leong Capital Berhad	173,805,058	-	-	173,805,058
Hong Leong Bank Berhad	1,346,027,209	-	-	1,346,027,209
	800,000,000 ^{***}	-	-	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	242,744,636 ⁽¹⁾	-	(44,166)	242,700,470 ⁽¹⁾
Hong Leong Yamaha Motor Sdn Bhd	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	19,600,000	8,400,000	-	28,000,000 ⁽³⁾
Malaysian Pacific Industries Berhad	116,246,025	50,000	(90,833)	116,205,192
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⁾	4,690,000 ⁽⁴⁾	(4,095,000) ⁽¹⁾	
		2,660,000 ⁽¹⁾⁽⁵⁾		353,486,658 ⁽¹⁾
	191,938,946 ^{***(1)}	7,163,971 ^{**}	(2,059,742) ^{**}	197,043,175 ^{***(1)}
	3,800,000 ^{*(1)}	-	(2,660,000) ^{*(1)(5)}	1,140,000 ^{*(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
- (3) Became a wholly-owned subsidiary of a related corporation during the financial year
- (4) Inclusive of new ordinary shares acquired arising from the conversion of redeemable convertible unsecured loan stocks
- (5) Exercise of share options
- (6) Options lapsed
- (7) Vesting of grant shares

Directors' Report

for the financial year ended 30 June 2022

DIRECTORS' BENEFITS

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

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

EXECUTIVE SHARE SCHEME ("ESS")

The Company has concurrently established and implemented two (2) ESS, namely ESS 2013 and ESS 2022.

(i) ESS 2013

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

(a) ESOS 2013

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

The ESOS 2013 would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

(b) ESGS 2013

The ESGS 2013 which was approved by the shareholders of the Company on 29 October 2013, was established on 28 February 2014 and would end on 11 March 2023.

On 6 September 2013, the Company announced that Bursa Malaysia Securities Berhad had resolved to approve-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the ESGS 2013.

The ESGS 2013 would provide the Company with the flexibility to reward the eligible executives of the Group for their contribution with awards of the Company's shares without any consideration payable by the eligible executives.

At any point of time during the existence of the ESS 2013, the aggregate number of shares comprised in the options and grants under the ESS 2013 and any other executive share schemes established by the Company which are still subsisting shall not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company at any one time ("Aggregate Maximum Allocation").

Directors' Report

for the financial year ended 30 June 2022

EXECUTIVE SHARE SCHEME ("ESS") (continued)

STATUS ON ESOS 2013 AS AT 30 JUNE 2022

There were no options granted under the ESS 2013 of the Company during the financial year ended 30 June 2022.

As at 30 June 2022, a total of 32,839,819 options had been granted under the ESS 2013, out of which 2,882,000 options had been exercised. The aggregate options granted to Directors and chief executives of the Group under the ESS 2013 amounted to 18,081,823, out of which 1,600,000 options had been exercised.

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

As at 30 June 2022, the actual percentage of total options granted to Directors and senior management of the Group under the ESS 2013 was 2.54% of the total number of issued shares (excluding treasury shares) of the Company.

STATUS ON ESGS 2013 AS AT 30 JUNE 2022

The Company had granted 469,210 grants under the ESS 2013 of the Company during the financial year ended 30 June 2022.

As at 30 June 2022, a total of 469,210 grants had been granted under the ESS 2013, out of which 156,404 grants had been vested with 312,806 grants remaining outstanding (adjusted following the completion of the Company's rights issue). The aggregate grants granted to Directors and chief executives of the Group under the ESS 2013 amounted to 375,368, out of which 125,123 grants had been vested, with 250,245 grants remaining outstanding.

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

As at 30 June 2022, the actual percentage of total grants granted to Directors and senior management of the Group under the ESS 2013 was 0.03% of the total number of issued shares (excluding treasury shares) of the Company, and the actual percentage granted to the Directors and senior management of the Group during the financial year ended 30 June 2022 was 0.03% of the issued shares (excluding treasury shares) of the Company.

(ii) ESS 2022

In light of the expiry of the ESS 2013 on 11 March 2023, the Company had on 28 April 2022 established the ESS 2022, which comprise a new executive share option scheme ("ESOS 2022") and a new executive share grant scheme ("ESGS 2022") for the eligible executives and/or directors of the Group (such executives and directors, "Eligible Executives"). The ESS 2022 shall be in force until terminated by the Board of Directors of the Company.

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

STATUS ON ESOS 2022 AND ESGS 2022 AS AT 30 JUNE 2022

There were no options or grants granted under the ESS 2022 of the Company during the financial year ended 30 June 2022.

A trust has been set up for the ESS 2013 and ESS 2022 and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the ESS holdings are recorded as "Treasury Shares for 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 2013 and ESS 2022, refer to Note 54 on equity compensation benefits.

Directors' Report

for the financial year ended 30 June 2022

SHARE CAPITAL

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

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(a) As at the end of the financial year

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

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

- (i) The Directors are not aware of any circumstances:
- which would render the amount written off for bad debts and financing or the amount of the provision for doubtful debts and financing in the financial statements of the Group and the Company, inadequate to any substantial extent;
 - which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (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 2022 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.

Directors' Report

for the financial year ended 30 June 2022

DISCLOSURE OF SHARIAH ADVISORY COMMITTEE

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

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

ULTIMATE HOLDING COMPANY

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

SUBSIDIARIES

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

DIRECTORS' REMUNERATION

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

	The Group RM'000	The Company RM'000
<u>Directors of the Company</u>		
Director fees	1,183	771
Directors' other emoluments	10,670	10,615
<u>Directors of the Company's Subsidiaries</u>		
Director fees	4,441	-
Directors' other emoluments	12,745	-

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

Directors and Officers of the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the Group was RM10 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group was RM84,550 and the apportioned amount of the said premium paid by the Company was RM4,228.

Directors' Report

for the financial year ended 30 June 2022

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

AUDITORS' REMUNERATION

Auditors' remuneration of the Group and the Company are RM4,348,000 and RM494,000 respectively.

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

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 20 September 2022.

TAN KONG KHOON

Director

Kuala Lumpur
20 September 2022

HO HENG CHUAN

Director

Statements of Financial Position

as at 30 June 2022

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Assets					
Cash and short-term funds	2	9,605,894	6,930,705	26,609	10,614
Deposits and placements with banks and other financial institutions	3	1,300,746	7,190,479	3,360	3,360
Financial assets at fair value through profit or loss	4	29,470,629	28,039,213	-	-
Financial investments at fair value through other comprehensive income	5	27,452,943	35,801,058	-	-
Financial investments at amortised cost	6	33,608,857	24,694,193	-	-
Derivative financial instruments	21	1,902,169	1,051,628	-	-
Loans, advances and financing	7	167,177,303	154,778,757	-	-
Clients' and brokers' balances	8	722,181	526,781	-	-
Other receivables	9	2,431,500	2,119,230	2,635	1,962
Amount due from subsidiary companies	50	-	-	-	10
Statutory deposits with Central Banks	10	520,650	493,605	-	-
Tax recoverable		6,262	55,975	492	10,836
Investment in subsidiary companies	11	-	-	19,459,428	19,458,252
Investment in associated companies	12	7,660,825	6,872,915	-	-
Deferred tax assets	24	364,931	19,253	229	184
Property and equipment	13	1,274,380	1,355,232	4,803	3,189
Right-of-use assets	14	214,355	210,694	4,075	5,015
Investment properties	15	471,610	469,610	-	-
Goodwill arising on consolidation	16	2,410,644	2,410,644	-	-
Intangible assets	17	324,938	259,994	76	107
Total assets		286,920,817	273,279,966	19,501,707	19,493,529

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

Statements of Financial Position

as at 30 June 2022

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Liabilities					
Deposits from customers	18	197,382,921	181,768,820	-	-
Investment accounts of customers	19	2,668,408	1,145,154	-	-
Deposits and placements of banks and other financial institutions	20	8,229,485	14,179,461	-	-
Obligations on securities sold under repurchase agreements		3,971,304	742,750	-	-
Bills and acceptances payable		241,361	189,642	-	-
Derivative financial instruments	21	1,765,006	970,951	-	-
Clients' and brokers' balances		306,901	207,183	-	-
Payables and other liabilities	22	12,001,014	16,868,141	14,868	17,220
Lease liabilities	23	212,599	204,872	4,249	5,099
Recourse obligations on loans/financing sold to Cagamas Berhad		1,623,936	1,033,839	-	-
Provision for claims		338,005	247,366	-	-
Provision for taxation		331,101	380,809	-	-
Borrowings	25	411,931	662,026	411,858	687,361
Subordinated obligations	26	2,207,083	2,207,179	1,601,624	1,601,242
Multi-currency Additional Tier 1 capital securities	27	1,715,849	806,555	806,431	805,975
Insurance funds	28	17,524,189	17,731,780	-	-
Total liabilities		250,931,093	239,346,528	2,839,030	3,116,897
Equity attributable to owners of the parent					
Share capital	29	2,267,008	2,267,008	2,267,008	2,267,008
Reserves	30	22,244,622	20,790,401	14,573,325	14,290,211
Treasury shares for ESOS	31	(236,039)	(238,970)	(177,656)	(180,587)
		24,275,591	22,818,439	16,662,677	16,376,632
Non-controlling interests		11,714,133	11,114,999	-	-
Total equity		35,989,724	33,933,438	16,662,677	16,376,632
Total equity and liabilities		286,920,817	273,279,966	19,501,707	19,493,529
Commitments and contingencies	45	214,693,156	285,689,569	-	-

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

Statements of Income

for the financial year ended 30 June 2022

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income	32	5,672,747	5,586,573	110,792	110,909
Interest income for financial assets at fair value through profit or loss	33	270,941	208,535	-	-
Interest expense	34	(2,087,184)	(2,236,130)	(127,679)	(142,275)
Net interest income/(expense)		3,856,504	3,558,978	(16,887)	(31,366)
Income from Islamic banking business	35	904,785	919,402	-	-
		4,761,289	4,478,380	(16,887)	(31,366)
Non-interest income	37	1,490,227	1,720,492	830,274	605,182
		6,251,516	6,198,872	813,387	573,816
Overhead expenses	38	(2,358,210)	(2,392,540)	(6,717)	(43,974)
Operating profit before allowances		3,893,306	3,806,332	806,670	529,842
Allowance for impairment losses on loans, advances and financing and other losses	39	(163,117)	(649,955)	-	-
Writeback of/(allowance for) impairment losses on other assets	40	1,031	(652)	1,253	-
		3,731,220	3,155,725	807,923	529,842
Share of results of associated companies	12	1,108,759	815,782	-	-
Profit before taxation		4,839,979	3,971,507	807,923	529,842
Taxation	42	(1,157,118)	(595,146)	(251)	101
Net profit for the financial year		3,682,861	3,376,361	807,672	529,943
Attributable to:					
Owners of the parent		2,452,209	2,265,254	807,672	529,943
Non-controlling interests		1,230,652	1,111,107	-	-
		3,682,861	3,376,361	807,672	529,943
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	43	216.3	199.8	71.0	46.6

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 2022

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net profit for the financial year		3,682,861	3,376,361	807,672	529,943
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		14,286	9,228	-	-
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		236,815	278,293	-	-
Share of other comprehensive loss of associated companies		(29,506)	(25,341)	-	-
Net fair value changes in cash flow hedge		7,574	3,235	-	-
Debt instruments at fair value through other comprehensive income					
- Net fair value changes		(1,191,736)	(297,810)	-	-
- Changes in expected credit losses		(751)	229	-	-
Income tax relating to components of other comprehensive income	57	259,268	70,002	-	-
Other comprehensive (loss)/income for the financial year, net of tax		(704,050)	37,836	-	-
Total comprehensive income for the financial year, net of tax		2,978,811	3,414,197	807,672	529,943
Attributable to:					
Owners of the parent		1,987,685	2,285,126	807,672	529,943
Non-controlling interests		991,126	1,129,071	-	-
		2,978,811	3,414,197	807,672	529,943

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 2022

The Group	Attributable to owners of the parent											Total equity RM'000
	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	
As at 1 July 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
Comprehensive income												
Net profit for the financial year	-	-	-	-	-	-	-	2,452,209	-	2,452,209	1,230,652	3,682,861
Currency translation differences	-	-	-	-	-	-	158,388	-	-	158,388	78,427	236,815
Share of other comprehensive income of associated companies	-	-	(23,735)	-	-	-	-	-	-	(23,735)	(5,771)	(29,506)
Financial investments measured at fair value through other comprehensive income												
- Equity instruments												
- Net fair value changes	-	-	9,362	-	-	-	-	-	-	9,362	4,924	14,286
- Debt instruments												
- Net fair value changes	-	-	(611,803)	-	-	-	-	-	-	(611,803)	(318,849)	(930,652)
- Changes in expected credit losses	-	-	(510)	-	-	-	-	-	-	(510)	(241)	(751)
Net fair value changes in cash flow hedge	-	-	-	3,774	-	-	-	-	-	3,774	1,984	5,758
Total comprehensive (loss)/income	-	-	(626,686)	3,774	-	-	158,388	2,452,209	-	1,987,685	991,126	2,978,811

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

Statements of Changes in Equity

for the financial year ended 30 June 2022

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

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 2022

The Group	Attributable to owners of the parent											Total equity RM'000
	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	
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 2022

The Group	Note	Attributable to owners of the parent										Non-controlling interests	Total equity
		Share capital	Regulatory reserves*	Fair value reserve	Cash flow hedge reserve	Other reserves	Share options reserve	Exchange fluctuation reserve	Retained profits	Treasury shares for ESOS	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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

* Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM655,289,000 (2021: RM425,858,000) 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 (2021: 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 2022

The Company	Note	Non-distributable			Distributable		Total equity RM'000
		Share capital RM'000	Other capital reserve RM'000	Share options reserve RM'000	Treasury shares for ESOS RM'000	Retained profits RM'000	
As at 1 July 2021		2,267,008	254,991	24,215	(180,587)	14,011,005	16,376,632
Net profit for the financial year		-	-	-	-	807,672	807,672
Dividends paid							
- final dividend for the financial year ended 30 June 2021	44	-	-	-	-	(332,261)	(332,261)
- interim dividend for the financial year ended 30 June 2022	44	-	-	-	-	(170,706)	(170,706)
Options charge arising from executive share scheme		-	-	(18,660)	-	-	(18,660)
Exercise of executive share scheme	54	-	-	(2,870)	2,931	(61)	-
As at 30 June 2022		2,267,008	254,991	2,685	(177,656)	14,315,649	16,662,677
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

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 2022

	The Group	
	2022 RM'000	2021 RM'000
Cash flows from operating activities		
Profit before taxation	4,839,979	3,971,507
Adjustments for:		
Unearned premium reserves	22,445	5,905
Life fund - underwriting surplus	158,747	1,589,936
Depreciation of property and equipment	130,105	134,584
Depreciation of right-of-use assets	50,518	53,148
Amortisation of intangible assets	59,027	61,290
Intangible assets written off	738	924
Property and equipment written off	729	2,753
Net gain on sale of property and equipment	(1,745)	(5,379)
Loss on revaluation of investment properties	-	1,000
Net realised loss/(gain) from sales of financial assets at fair value through profit or loss	61,771	(44,762)
Net realised gain from sales of financial investments at fair value through other comprehensive income	(81,523)	(238,490)
Net realised gain from redemption of financial investments at amortised cost	-	(29,385)
Net realised (gain)/loss arising from derivative financial instruments	(56,192)	181,290
Net unrealised gain on revaluation of financial assets at fair value through profit or loss and derivative financial instruments	(232,674)	(275,745)
Net realised loss on fair value changes arising from fair value hedges	8,454	6,074
Net loss arising from fair value hedges	3,202	3,947
(Writeback of)/allowances for impairment losses on financial investments	(1,031)	652
Allowances for impairment losses on loans, advances and financing and other losses	393,124	827,109
Impaired loans, advances and financing written off	20,054	16,227
Interest expense on borrowings	14,269	28,810
Interest expense on subordinated obligations	94,439	89,674
Interest expense on Multi-currency Additional Tier 1 capital securities	47,102	40,153
Interest expense on recourse obligations on loans/financing sold to Cagamas Berhad	44,702	36,621
Interest expense on lease liabilities	8,750	9,453
Interest income from financial assets at fair value through profit or loss	(270,941)	(208,535)
Interest income from financial investments at fair value through other comprehensive income	(709,819)	(764,234)
Interest income from financial investments at amortised cost	(653,131)	(537,109)
Dividend income from financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income	(73,602)	(72,954)
Share option expenses	(20,447)	26,590
Surplus transferred from life insurance business	(382,152)	(315,908)
Share of results of associated companies	(1,108,759)	(815,782)
	(2,473,840)	(192,143)
Operating profit before working capital changes	2,366,139	3,779,364

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 2022

	The Group	
	2022 RM'000	2021 RM'000
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	3,866,226	3,111,659
Securities purchased under resale agreements	-	50,172
Financial assets at fair value through profit or loss	(876,872)	(4,122,128)
Loans, advances and financing	(12,842,098)	(10,111,089)
Derivative financial instruments	(332,670)	(593,560)
Clients' and brokers' balances	(195,400)	49,192
Other assets	(321,616)	(325,696)
Statutory deposits with Central Banks	(27,045)	(75,485)
Increase/(decrease) in operating liabilities		
Deposits from customers	15,974,407	10,643,926
Investment accounts of customers	1,523,254	788,679
Deposits and placements of banks and other financial institutions	(5,949,976)	5,605,170
Obligations on securities sold under repurchase agreements	3,228,554	(2,381,382)
Bills and acceptances payable	51,719	55,589
Payables and other liabilities	(5,167,635)	1,651,248
Provision for claims	90,639	24,337
Clients' and brokers' balances	99,718	(98,202)
	(878,795)	4,272,430
Cash generated from operating activities	1,487,344	8,051,794
Income tax paid	(1,148,369)	(651,386)
Interest received	562	679
	(1,147,807)	(650,707)
Net cash generated from operating activities	339,537	7,401,087
Cash flows from investing activities		
Net sales/(purchases) of financial investments at fair value through other comprehensive income	7,507,960	(7,234,098)
Net purchases of financial investments at amortised cost	(8,914,664)	(3,695,242)
Interest received on financial investments at fair value through other comprehensive income and financial investments at amortised cost	1,362,950	1,301,343
Dividends received on financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income	73,602	72,954
Dividends received from associated companies	79,954	11,993
Proceeds from disposal of shares in subsidiary company	-	127,892
Net proceeds from disposal of property and equipment	2,088	9,472
Purchase of property and equipment	(136,582)	(132,843)
Purchase of intangible assets	(41,382)	(30,007)
Net cash used in investing activities	(66,074)	(9,568,536)

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 2022

	Note	The Group	
		2022 RM'000	2021 RM'000
Cash flows from financing activities			
Interest paid on subordinated obligations		(94,535)	(89,477)
Interest paid on borrowings		(17,364)	(31,611)
Interest paid on Multi-currency Additional Tier 1 capital securities		(40,142)	(40,262)
Interest paid on recourse obligations on loans/financing sold to Cagamas Berhad		(40,431)	(36,830)
Interest paid on lease liabilities		(8,750)	(9,453)
Repayment of revolving credit		(25,000)	(80,000)
Repayment of commercial papers		(46,000)	(184,000)
Repayment of medium term notes		-	(220,000)
Repayment of term loans		(1,000)	(4,000)
Repayment of lease liabilities		(46,659)	(48,034)
Repayment from senior notes		(175,000)	-
Repayment of recourse obligations on loans sold to Cagamas Berhad		(64,174)	(14,957)
Purchase of treasury shares		-	(136)
Proceeds from subordinated obligations		-	300,000
Proceeds from Multi-currency Additional Tier 1 capital securities		900,000	-
Proceeds from recourse obligations on financing sold to Cagamas Berhad		650,000	-
Cash received from ESS exercised		916	4,633
Dividends paid to			
- owners of the parent		(502,967)	(407,361)
- non-controlling interest		(401,835)	(261,496)
Net cash generated/(used in) financing activities		87,059	(1,122,984)
Net increase/(decrease) in cash and cash equivalents		360,522	(3,290,433)
Effects of exchange rate changes		291,160	145,259
Cash and cash equivalents at beginning of financial year		9,193,042	12,338,216
Cash and cash equivalents at end of financial year		9,844,724	9,193,042
Analysis of cash and cash equivalents			
Cash and short-term funds	2	9,605,894	6,930,705
Deposits and placements with banks and other financial institutions	3	1,300,746	7,190,479
		10,906,640	14,121,184
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months		(1,061,916)	(4,928,142)
		9,844,724	9,193,042

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 2022

	The Company	
	2022 RM'000	2021 RM'000
Cash flows from operating activities		
Profit before taxation	807,923	529,842
Adjustments for:		
Depreciation of property and equipment	760	663
Depreciation of right-of-use assets	940	940
Amortisation of intangible assets	39	11
Gain on disposal of property and equipment	(160)	(156)
Loss on disposal of financial assets at fair value through profit or loss	38	-
Gain on disposal of shares in subsidiary company	-	(88,122)
Finance costs on lease liabilities	258	301
Writeback of impairment loss on investment in debt instruments issued by subsidiary companies	(1,253)	-
Interest expense	127,421	141,974
Interest income	(110,792)	(110,909)
Dividend income from financial assets at fair value through profit or loss	(193)	(1,120)
Dividend income from subsidiary companies	(820,911)	(506,075)
Share option expenses	(18,660)	7,264
	(822,513)	(555,229)
Operating loss before working capital changes	(14,590)	(25,387)
(Increase)/decrease in operating assets		
Other assets	(664)	43,866
Financial assets at fair value through profit or loss	(38)	292,671
(Decrease)/increase in operating liabilities		
Payables and other liabilities	(2,189)	8,614
	(2,891)	345,151
Cash (used in)/generated from operating activities	(17,481)	319,764
Income tax refund/(paid)	9,847	(88)
Interest received	562	679
	10,409	591
Net cash (used in)/generated from operating activities	(7,072)	320,355

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 2022

	Note	The Company	
		2022 RM'000	2021 RM'000
Cash flows from investing activities			
Dividends received from other investments		193	1,120
Dividends received from subsidiary companies		820,911	506,075
Net proceeds from disposal of property and equipment		160	248
Purchase of property and equipment		(2,374)	(366)
Purchase of intangible assets		(8)	(116)
Proceeds from disposal of shares in subsidiary company		-	127,892
Interest received from investment in debt instruments issued by subsidiary companies			
- Multi-currency Additional Tier 1 capital securities		39,344	39,461
- Subordinated obligations		70,963	70,703
Net cash generated from investing activities		929,189	745,017
Cash flows from financing activities			
Interest paid on borrowings		(17,833)	(32,030)
Interest paid on Multi-currency Additional Tier 1 capital securities		(40,142)	(40,262)
Interest paid on subordinated obligations		(72,086)	(71,820)
Interest paid on lease liabilities		(244)	(289)
Repayment of revolving credit		(25,000)	(80,000)
Repayment of commercial papers		(46,000)	(184,000)
Repayment of medium term notes		-	(250,000)
Repayment of term loans		(1,000)	(4,000)
Repayment of senior notes		(200,000)	-
Repayment of lease liabilities		(850)	(806)
Dividends paid to shareholders of the Company		(502,967)	(407,361)
Net cash used in financing activities		(906,122)	(1,070,568)
Net increase/(decrease) in cash and cash equivalents		15,995	(5,196)
Cash and cash equivalents at beginning of financial year		10,674	15,870
Cash and cash equivalents at end of financial year		26,669	10,674
Analysis of cash and cash equivalents			
Cash and short-term funds	2	26,609	10,614
Deposits and placements with banks and other financial institutions	3	3,360	3,360
		29,969	13,974
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months		(3,300)	(3,300)
		26,669	10,674

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 2022

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

The Group	Recourse obligations on loans/ financing sold to Cagamas Berhad RM'000	Borrowings RM'000	Subordinated obligations RM'000	Multi-currency Additional Tier 1 capital securities RM'000	Lease liabilities RM'000
2022					
As at 1 July	1,033,839	662,026	2,207,179	806,555	204,872
Proceeds	650,000	-	-	900,000	-
Repayments	(64,174)	(247,000)	-	-	(46,659)
Interest paid	(40,431)	(17,364)	(94,535)	(40,142)	(8,750)
Accrued interest	44,702	14,244	94,400	47,112	8,750
Amortisation	-	25	39	(958)	-
Other non-cash	-	-	-	3,282	54,386
As at 30 June	1,623,936	411,931	2,207,083	1,715,849	212,599
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

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 2022

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
2022				
As at 1 July	687,361	1,601,242	805,975	5,099
Repayments	(272,000)	-	-	(850)
Interest paid	(17,833)	(72,086)	(40,142)	(244)
Accrued interest	14,269	71,950	40,200	244
Amortisation	62	518	398	-
As at 30 June	411,859	1,601,624	806,431	4,249
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

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 2022

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The financial statements incorporate the activities relating to the Islamic banking and takaful businesses which have been undertaken by its subsidiaries, Hong Leong Islamic Bank Berhad (“HLISB”) and Hong Leong MSIG Takaful Berhad (“HLMT”) in compliance with Shariah principles. Islamic banking business refers generally to the acceptance of deposits and granting of financing under Shariah principles while takaful business refers generally to underwriting of Islamic insurance under the Shariah principles.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial investments at fair value through other comprehensive income and financial assets/financial liabilities at fair value through profit or loss (including derivative financial instruments and revaluation of investment properties).

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group’s and the Company’s accounting policies. Although these estimates and judgement are based on the management and Directors’ best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 59.

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

The Group and the Company have applied the following standards and amendments for the first time for the financial year beginning on 1 July 2021:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 “Interest Rate Benchmark Reform - Phase 2”
- Amendment to MFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021”
- (i) Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 “Interest Rate Benchmark Reform - Phase 2”

The Group and the Company have adopted the Phase 2 amendments and applied the practical expedient to update the effective interest rate to account for the changes in contractual cash flows that is a direct consequence of interbank offered rate (“IBOR”) reform. As a result, no immediate gain or loss is recognised in the income statements.

The amendments also provide reliefs that enable and require the Group and the Company to continue the MFRS 9 hedge accounting in circumstances when the Group updates the hedge documentation to reflect changes in hedged items and hedging instruments which are required by IBOR reform.

The adoption of the amendments has no impact on the opening retained earnings as at 1 July 2021 because none of the IBOR-based contracts of the Group and the Company were modified in 2021. For contracts modified as a result of IBOR reform during the year, the Group and the Company applies the Phase 2 amendments.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

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

(ii) Amendment to MFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021"

The original amendment issued in 2020 allows lessees not to account for rent concessions as lease modifications if they are a direct consequences of COVID-19 and meet certain conditions. It applies to rent concessions that reduce the lease payments due on or before 30 June 2021. The 2021 amendment extends the applicable period of the practical expedient by one year to cover rent concessions that reduce lease payments originally due on or before 30 June 2022, provided the conditions for applying the practical expedient are met. Lessees that had already applied the 2020 practical expedient has no option but must apply the 2021 amendment. In contrast, lessees that had not applied the 2020 practical expedient are not allowed to apply the 2021 amendment. The 2021 practical expedient is also available for lessees that had not established an accounting policy on applying (or not applying) the practical expedient to eligible rent concessions.

The Group and the Company have applied practical expedient not to account for rent concessions to all of its property leases that meet the above mentioned conditions.

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

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

Financial year beginning on/after 1 July 2022

(i) Annual improvements to MFRS 9 "Fees in the 10% test for derecognition of financial liabilities"

When entities restructure their loans with the existing lenders, MFRS 9 requires management to quantitatively assess the significance of the difference between cash flows of the existing and new loans (commonly known as the "10% test").

This amendment to MFRS 9 clarifies that only fees paid or received between the borrower and the lender are included in the 10% test. Any fees paid to third parties should be excluded. This amendment will impact the result of the 10% test and accordingly affect the amount of gain or loss recognised in the income statements.

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

(ii) Amendments to MFRS 3 "Business Combinations" Reference to the Conceptual Framework

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

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

The amendments shall be applied prospectively.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

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 2022 (continued)

(iii) Amendments to MFRS 116 “Proceeds before Intended Use”

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

(iv) Amendments to MFRS 137 “Onerous Contracts - Cost of Fulfilling a Contract”

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

The amendments shall be applied retrospectively.

(v) 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.

If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events 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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

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 2022 (continued)

- (vi) Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates - effective 1 January 2023

Amendments on disclosure of accounting policies (Amendments to MFRS 101 and MFRS Practice Statement 2)

The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements.

Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments on definition of accounting estimates (Amendments to MFRS 108)

The amendments to MFRS 108, redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

- (vii) Amendments to MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (effective 1 January 2023)

The amendments clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

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, 24 July 2020 and 17 August 2020 on measures to assist borrowers/customers affected by the COVID-19 pandemic, BNM had on 31 May 2021 extended the eligibility period of various repayment assistance from 30 June 2021 to on or before 31 December 2021.

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

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

- (i) 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;
- (ii) 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
- (iii) 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.

Regulatory Capital Treatment

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

- (i) The principal or interest/profit, or both, is not in arrears exceeding 90 days as at the date of application for repayment assistance; and
- (ii) 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 2022

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

(c) Changes in regulatory requirements (continued)

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

Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (“PEMULIH package”)

In line with the announcement made by the Prime Minister of Malaysia on the PEMULIH package, the Association of Banks in Malaysia and Association of Islamic Banking and Financial Institutions Malaysia had on 29 June 2021 announced that from 7 July 2021, banks will be offering a 6-month moratorium on the instalment of all credit facilities (excluding credit cards) for the following borrowers/customers on an opt in basis:

- (i) All individuals (including all B40, M40 and T20 borrowers/customers);
- (ii) All microenterprises; and
- (iii) All small and medium enterprises (“SMEs”) that have been affected by the COVID-19 pandemic.

For credit card facilities, banks will offer conversion of a borrower’s/customer’s outstanding balances into a 3-year term loan/financing with reduced interest/profit rates.

Financial Management and Resilience Programme (Program Pengurusan & Ketahanan Kewangan, “URUS”)

The Association of Banks in Malaysia, Association of Islamic Banking and Financial Institutions Malaysia and Association of Development Finance Institutions of Malaysia had on 14 October 2021 announced that from 15 November 2021, banks alongside Agensi Kaunseling dan Pengurusan Kredit (“AKPK”) will be offering the URUS to individual customers, on application, who are under existing repayment assistance programme as at 30 September 2021 and meet the following criteria:

- (i) Customers/Borrowers are from the B50 income segment;
- (ii) Customers/Borrowers who have experienced either:
 - a) Loss of employment; or
 - b) Reduction of income of at least 50%; and
- (iii) Loan/Financing of the customer/borrower is still performing (no in arrears exceeding 90 days) as at the date of application.

Under URUS, the Group alongside AKPK will be providing customers/borrowers with a personalised financial plan until 31 March 2022 which encompass the following options:

- (i) Interest/profit waiver for a period of 3 months; or
- (ii) A 3-month interest/profit waiver together with reduced instalments for a period of up to 24 months.

For eligible customers/borrowers who have enrolled for flood relief assistance programme, the Group will also be offering URUS, if required, until 31 July 2022 or upon the expiry of the flood relief assistance programme, whichever is earlier.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

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.

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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

B CONSOLIDATION (continued)

(i) Subsidiaries (continued)

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.

(iv) Joint arrangements

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

B CONSOLIDATION (continued)

(iv) Joint arrangements (continued)

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

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

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

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

(v) Associated companies

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

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

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

B CONSOLIDATION (continued)

(v) Associated companies (continued)

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

Dilution gains 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.

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

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

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

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

D RECOGNITION OF FEES AND OTHER INCOME

- (i) The Group earn fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Group has satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Group generally satisfy its performance obligation and recognises the fee and commission income on the following basis:
- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate advisory transactions, commissions, service charges and fees, credit card related fees and fees on loans, advances and financing. These fees constitute a single performance obligation.
 - For a service that is provided over a period of time, fee and commission income is recognised on an equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time. Such fees include guarantee fees and commitment fees.

The Group do not provide any significant credit terms to customers for the above products and services.

Directly related expenses typically include card-related expenses and sales commissions, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

- (ii) Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence. Dividend income received from subsidiary companies, joint venture, associated companies, financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income are recognised as non-interest income in statements of income. Dividends that clearly represent a recovery of part of the cost of investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at fair value through other comprehensive income.
- (iii) Net gain or loss from disposal of financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income are recognised in statements of income upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.
- (iv) Brokerage income is recognised when contracts are executed. Fees that constitute single performance obligation is recognised upon completion of transactions such as rollover fees, nominees services and handling charges.
- (v) Corporate advisory fees are recognised as income after fulfilling each of the performance obligation.
- (vi) Rental income is recognised on an overtime basis.
- (vii) Management expenses, commission expenses and wakalah fees.

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

D RECOGNITION OF FEES AND OTHER INCOME (continued)

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

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

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

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

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

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

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

E FINANCIAL ASSETS

(i) Classification

The Group and the Company have applied MFRS 9 and classified its financial assets in the following measurement categories in accordance with MFRS 9 requirements:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes. The Group and the Company do not change the classification of the remaining financial assets held in the business model, but consider the circumstances leading to the model change when assessing newly originated or newly purchased financial assets going forward.

Business model assessment

The Group and the Company conduct assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

E FINANCIAL ASSETS (continued)

(i) Classification (continued)

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

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Company assess whether the financial assets’ contractual cash flows represent solely payment of principal and interest. In applying the SPPI test, the Group and the Company consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statements of income.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s and the Company’s business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Group and the Company classify its debt instruments:

(a) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at fair value through profit or loss, are measured at amortised cost using the effective interest method. Interest/profit income from these financial assets is included in interest income and income from Islamic banking business using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statements of income as presented in net realised gain or loss on financial instruments. Impairment losses are presented as separate line item (as per Note 39 and Note 40) in the statements of income.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

E FINANCIAL ASSETS (continued)

(iii) Measurement (continued)

Debt instruments (continued)

(b) Fair value through other comprehensive income

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

(c) Fair value through profit or loss

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

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value through profit or loss, except where the management has elected, at initial recognition to irrevocably designate an equity instrument at fair value through other comprehensive income. Where the Group's and the Company's management have elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to statements of income following the derecognition of the investment. Cumulative gain or loss previously recognised in OCI is not subsequently reclassified to statements of income, but is to be transferred to retained profits. Dividends from such investments continue to be recognised in statements of income as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of equity instruments designated as financial assets at fair value through profit or loss are recognised in net unrealised gain or loss on revaluation in the statements of income.

(iv) Reclassification policy

Reclassification of financial assets is required when, and only when, the Group and the Company change their business model for managing the assets. In such cases, the Group and the Company are required to reclassify all affected financial assets.

However, it will be inappropriate to reclassify financial assets that have been designated at fair value through profit or loss, or equity instruments that have been designated as at fair value through other comprehensive income even when there is a change in business model. Such designations are irrevocable.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

F FINANCIAL LIABILITIES

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

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

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

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

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

(ii) Financial liabilities at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities are initially recognised at fair value plus transaction costs. Subsequently, financial liabilities are remeasured at amortised cost using the effective interest/profit rate.

Financial liabilities measured at amortised cost are deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements, bills and acceptances payable, lease liabilities, other financial liabilities, recourse obligation on loans/financing sold to Cagamas, Tier 2 subordinated bonds and Multi-currency additional Tier 1 capital securities.

G PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of income during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on a straight-line method to allocate the cost or the revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	Over the remaining period of the lease or 100 years (1%) whichever is shorter	
Buildings on leasehold land	Over the remaining period of the lease or 50 years (2%) whichever is shorter	
Buildings on freehold land		2%
Office furniture, fittings, equipment and renovations and computer equipment		10% - 33%
Motor vehicles		20% - 25%

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

G PROPERTY AND EQUIPMENT AND DEPRECIATION (continued)

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

Depreciation on assets under construction commences when the assets are ready for their intended use.

Property and equipment are reviewed for indication of impairment at each statements of financial position date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indication of impairment exists, the carrying amount of the asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in non-interest income.

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

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

H INTANGIBLE ASSETS

(i) Computer software

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

(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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

H INTANGIBLE ASSETS (continued)

(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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

I LEASES (continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- amounts expected to be payable by the Group and the Company under residual value guarantees;
- the exercise price of a purchase and extension options if the Group and the Company are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

Lease payments are discounted using the interest/profit rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, an incremental borrowing rate is used in determining the discount rate which assumes the interest/profit rate that the Group and the Company would have to pay to borrow over a similar term, the funds necessary to obtain the asset.

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

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

Short term leases and leases of low value assets

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

J IMPAIRMENT OF NON-FINANCIAL ASSETS

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

J IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

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

K CURRENT AND DEFERRED INCOME TAXES

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

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

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

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

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

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

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

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

K CURRENT AND DEFERRED INCOME TAXES (continued)

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

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

L DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group has elected an accounting policy choice under MFRS 9 to continue to apply the hedge accounting requirements under MFRS 139 on the adoption of MFRS 9 on 1 July 2018.

The Group and the Company derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statements of income. Cash collateral held in relation to derivative transactions are carried at amortised cost.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognise profits immediately.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group has applied the following Phase 1 reliefs provided by the Amendments to MFRS 9 and MFRS 7 "Interest Rate Benchmark Reform" until the uncertainty arising from IBOR reform no longer being present:

- When considering the "highly probable" requirement, the Group has assumed that the IBOR interest rate on which the Group's hedged borrowings is based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the Group has assumed that the IBOR interest rate on which the cash flows of the hedged borrowings and the interest rate swap that hedges it are based is not altered by IBOR reform.
- The Group has not recycled the cash flow hedge reserve for designated hedges that are subject to the IBOR reform.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

L DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

The Group has applied the following reliefs provided by the Amendments to MFRS 9 and MFRS 7 “Interest Rate Benchmark Reform - Phase 2”:

- Hedge designation: When the Phase 1 amendments cease to apply, the Group will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of the following changes:
 - (i) designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
 - (ii) amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
 - (iii) amending the description of the hedging instrument.

The Group amends its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group and the Company to discontinue its hedge relationships.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 10 to the financial statements. Movements on the hedging reserve in shareholders’ equity are shown in Note 30.

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

The Group and the Company apply fair value hedge accounting for hedging fixed interest risk on loans, advances and financing and financial assets at FVOCI. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate loans, advances and financing is recognised in income statements within other operating income. The gain or loss relating to the ineffective portion is recognised in income statements within net gain or loss on fair value hedges.

For fair value hedge of financial assets designated as FVOCI, any changes in fair value of the hedged financial assets FVOCI are recycled from FVOCI reserves to income statements, while the changes in fair value of the derivatives that is related to the effective portion of the hedge is recognised in income statements within other operating income. The ineffective portion of the aforesaid hedging derivatives is recognised in income statements with net gain or loss on fair value changes of derivatives.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the statements of income. Amounts accumulated in equity are recycled to the statements of income in the financial periods in which the hedged item will affect statements of income.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

L DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

(ii) Cash flow hedges (continued)

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

(iii) Derivatives that do not qualify for hedge accounting

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

M CURRENCY TRANSLATIONS

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

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

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

M CURRENCY TRANSLATIONS (continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of the statements of financial position;
- income and expenses for each statements of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of statements of comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in statements of comprehensive income.

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

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

N EMPLOYEE BENEFITS

(i) Short-term employee benefits

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

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

N EMPLOYEE BENEFITS (continued)

(ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (fund) on a mandatory, contractual or voluntary basis and the Group and the Company have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior financial periods.

The Group and the Company contributes to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the statements of income in the period to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based compensation

The Company and certain of its subsidiaries operate equity-settled, share-based compensation plans for their employees. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the statements of income over the vesting periods of the grant with a corresponding increase to share options reserve within equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statements of financial position date, the Company revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statements of income, with a corresponding adjustment to share options reserve in equity.

A trust has been set up for the 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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

0 IMPAIRMENT OF FINANCIAL ASSETS

The Group and the Company assess on a forward looking basis the expected credit loss (“ECL”) associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company assess whether the credit risk on an exposure has increased significantly on an individual or collective basis. The Group and the Company first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Company determine the objective evidence of impairment exists, i.e. credit-impaired for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss. Financial assets which are collectively assessed are grouped on the basis of similar credit risk characteristics.

Definition of default and credit-impaired financial assets

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

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

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

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

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

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

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

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

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

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

(c) Stage 3: Lifetime ECL - credit impaired

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

0 IMPAIRMENT OF FINANCIAL ASSETS (continued)

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

Significant increase in credit risk

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

Measurement of ECL

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

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

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

Forward looking information

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

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

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

0 IMPAIRMENT OF FINANCIAL ASSETS (continued)

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

Forward looking information (continued)

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

- (a) Base case: This represents “most likely outcome” of future economic conditions which are backed by consensus forecast from various sources.
- (b) Best and Worst case: This represent the “upside” and “downside” outcome of future economic conditions by making references to past historical cyclical conditions together with incorporation of best estimates and judgements on an unbiased basis.

Modification of loans/financing

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

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

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

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

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

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

O IMPAIRMENT OF FINANCIAL ASSETS (continued)

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

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

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

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

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

Q OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position where there is a legally enforceable right to offset the recognised amounts and there is intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

R FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group or the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued and the liability is initially measured at fair value.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the ECL model under MFRS 9 "Financial Instruments" and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

S FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of carrying amount and fair value less cost to sell.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

T **BILLS AND ACCEPTANCES PAYABLE**

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

U **PROVISIONS**

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

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

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

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

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

V **CASH AND CASH EQUIVALENTS**

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

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

W **SEGMENT REPORTING**

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

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

X SHARE CAPITAL

(i) Classification

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

(ii) Share issue costs

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

(iii) Dividends

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

(iv) Purchase of own shares

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

Y CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

Z SALE AND REPURCHASE AGREEMENTS

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

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

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

AA EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

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

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

AB INVESTMENT PROPERTIES

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions that market participants would make when pricing the property under current market conditions.

Subsequent expenditure is recognised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss as a net gain/loss from fair value adjustment on investment property.

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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2022

AC BENEFITS, CLAIMS AND EXPENSES (continued)

Benefits and claims for claims arising on life insurance policies/family takaful certificates including settlement costs, less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy/family takaful certificate are recognised as follows:

- (a) maturity or other policy/certificate benefit payments due on specified dates are treated as claims payable on the due dates; and
- (b) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured/participant or occurrence of contingency covered.

AD INSURANCE CONTRACT LIABILITIES

These liabilities comprise of claims liabilities, actuarial liabilities, unallocated surpluses and net asset value attributable to unitholders.

(i) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, non-participating annuity policies, the guaranteed benefits liabilities of participating life policies and participating annuity policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the fund level.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

The liability is derecognised when the contract expires, is discharged or is cancelled.

(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 2022

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 2022

AG FAMILY TAKAFUL FUND

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

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

AH INSURANCE COMMISSION AND AGENCY EXPENSES

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

AI TRUST ACTIVITIES

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

AJ INVESTMENT ACCOUNT

Unrestricted Investment Account-i (“URIA”) refers to a type of investment Account structured based on a profit sharing (Mudarabah) contract. Mudarabah is a Shariah-compliant contract between Investment Account Holders (“IAH”) as capital providers or investor (Rabbul-mal) and the Group’s subsidiary, Hong Leong Islamic Bank Berhad (“HLISB”) as the fund manager (Mudarib). Any profit generated from the investment is shared between the IAH and HLISB according to a mutually pre-agreed Profit Sharing Ratio. Financial losses from the investment activities are borne by the IAH except where such losses are due to HLISB misconduct, negligence, or breach of specified terms. The URIA and financing assets funded by the URIA are recorded in HLISB and the Group’s financial statement as its liabilities and assets in accordance with MFRS9. Risk weighted assets funded by the Investment Account are excluded from the calculation of capital ratio of HLISB and the Group.

Restricted Investment Account-i (“RIA”) refers to a type of investment account where the IAH, provides a specific investment mandate to the Group such as purpose and/or period for investment. The RIA is based on shariah principle of Wakalah bi Al-Istithmar, an agency contract where the investor authorises the Group’s subsidiary, HLISB, as investment agent (Wakil) to manage the customers’ investment on their behalf. Profit generated from the investment will be distributed to the IAH during the Profit Distribution Period.

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 2022

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and balances with banks and other financial institutions	2,026,642	2,941,417	14	13
Money at call and deposit placements maturing within one month	7,579,592	3,989,531	26,595	10,601
	9,606,234	6,930,948	26,609	10,614
Less: Expected credit losses	(340)	(243)	-	-
	9,605,894	6,930,705	26,609	10,614

Inclusive in cash and short-term funds of the Group are accounts held in trust for dealer's representative amounting to RM14,605,000 (2021: RM16,392,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Bank Negara Malaysia ("BNM")	256,420	66,781	-	-
Licensed banks	1,044,335	7,123,745	3,360	3,360
	1,300,755	7,190,526	3,360	3,360
Less: Expected credit losses	(9)	(47)	-	-
	1,300,746	7,190,479	3,360	3,360

The Company has placed a fixed deposit of RM3,300,000 (2021: RM3,300,000) with a bank for the RM200 million revolving credit facility. The Company has agreed not to withdraw the fixed deposits during the tenure of the facility. The bank has a right to set-off any sums placed by the Company in the fixed deposit account.

Notes to the Financial Statements
for the financial year ended 30 June 2022

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

	The Group	
	2022 RM'000	2021 RM'000
Money market instruments		
Bank Negara Malaysia bills	49,806	-
Government treasury bills	2,083,409	392,473
Malaysian Government securities	4,323,656	3,948,459
Malaysian Government investment certificates	741,032	2,058,036
Negotiable instruments of deposit	1,473,440	1,749,337
Cagamas bonds	65,587	233,282
Other Government securities	5,761,134	5,572,222
	14,498,064	13,953,809
Quoted securities		
Shares in Malaysia	4,758,170	4,676,764
Shares outside Malaysia	553,017	722,057
Wholesale fund/unit trust investments	749,777	562,405
Portfolio Investment Accounts (Note)	9,097	-
Foreign currency bonds in Malaysia	11,938	-
Foreign currency bonds outside Malaysia	31,120	29,755
Convertible bonds outside Malaysia	1,108,752	-
Investment-linked funds	305	312
Loan stocks	1,073	1,186
Warrants in Malaysia	3,545	1,763
	7,226,794	5,994,242
Unquoted securities		
Shares in Malaysia	382,664	374,729
Foreign currency bonds outside Malaysia	9,047	283,724
Government sukuk	101,766	81,315
Corporate bonds and sukuk	7,141,464	7,219,388
Perpetual bonds	85,830	107,006
Redeemable preference shares	25,000	25,000
	7,745,771	8,091,162
	29,470,629	28,039,213

Note:

Included in financial assets at FVTPL are the underlying assets for the Portfolio Investment Accounts ("PIA"). PIA is the restricted investment account offered to investors based on the Shariah principle of Wakalah bi Al-Istithmar, an agency contract where the investor authorises Hong Leong Islamic Bank to manage the customers' investment on their behalf.

Notes to the Financial Statements

for the financial year ended 30 June 2022

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

	The Group	
	2022 RM'000	2021 RM'000
At fair value		
(a) Debt instruments	27,369,557	35,731,964
(b) Equity instruments	83,386	69,094
	27,452,943	35,801,058
(a) Debt instruments		
Money market instruments		
Government treasury bills	-	917,859
Malaysia Government securities	3,791,081	4,232,082
Malaysia Government investment certificates	9,197,348	12,525,973
Negotiable instruments of deposit	1,796,800	800,392
Other Government securities	-	87,514
Khazanah bonds	348,079	469,874
Cagamas bonds	890,863	1,587,332
	16,024,171	20,621,026
Quoted securities		
Government sukuk	831,321	903,959
Foreign currency bonds in Malaysia	1,216,476	2,248,808
Foreign currency bonds outside Malaysia	842,415	1,505,360
	2,890,212	4,658,127
Unquoted securities		
Government sukuk	417,257	495,244
Corporate bonds and sukuk	7,537,091	9,338,672
Foreign currency bonds in Malaysia	175,112	270,932
Foreign currency bonds outside Malaysia	325,714	347,963
	8,455,174	10,452,811
	27,369,557	35,731,964

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 RM1,292,472,000 (2021: RM242,393,000).

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 2022

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

(a) Debt instruments (continued)

Movements in expected credit losses of debt instruments at FVOCI are as follows:

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2022				
As at 1 July	2,741	-	16,647	19,388
New financial assets originated or purchased	300	-	-	300
Financial assets derecognised	(1,058)	-	-	(1,058)
Changes due to change in credit risk	(69)	-	-	(69)
Exchange differences	67	-	760	827
As at 30 June	1,981	-	17,407	19,388
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

(b) Equity instruments

	The Group	
	2022 RM'000	2021 RM'000
Unquoted securities		
Shares in Malaysia	83,386	69,094

Notes to the Financial Statements

for the financial year ended 30 June 2022

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
2022		
Securities:		
RAM Holdings Berhad	7,764	406
Payments Network Malaysia Sdn Bhd	74,544	-
Others	1,078	-
	83,386	406
2021		
Securities:		
RAM Holdings Berhad	9,345	493
Payments Network Malaysia Sdn Bhd	58,857	-
Others	892	172
	69,094	665

Notes to the Financial Statements
for the financial year ended 30 June 2022

6 FINANCIAL INVESTMENTS AT AMORTISED COST

	The Group	
	2022 RM'000	2021 RM'000
Money market instruments		
Government treasury bills	57,612	-
Malaysian Government securities	5,413,511	4,267,888
Malaysian Government investment certificates	23,305,894	14,622,877
Cagamas bonds	416,700	-
Khazanah bonds	13,889	19,234
Other Government securities	419,246	505,500
	29,626,852	19,415,499
Quoted securities		
Foreign currency bonds in Malaysia	-	816,599
Foreign currency bonds outside Malaysia	62,174	65,232
	62,174	881,831
Unquoted securities		
Government sukuk	2,583,133	2,580,570
Corporate bonds and sukuk	1,336,766	1,799,734
Foreign currency bonds outside Malaysia	-	16,639
	3,919,899	4,396,943
Less: Expected credit losses	(68)	(80)
	33,608,857	24,694,193

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 RM2,692,688,000 (2021: RM499,969,000).

Notes to the Financial Statements

for the financial year ended 30 June 2022

6 FINANCIAL INVESTMENTS AT AMORTISED COST (continued)

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2022				
As at 1 July	80	-	-	80
New financial assets originated or purchased	67	-	-	67
Financial assets derecognised	(81)	-	-	(81)
Exchange differences	2	-	-	2
As at 30 June	68	-	-	68
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

Notes to the Financial Statements
for the financial year ended 30 June 2022

7 LOANS, ADVANCES AND FINANCING

	The Group	
	2022 RM'000	2021 RM'000
Overdrafts	3,546,936	3,371,190
Term loans/financing		
- Housing and shop loans/financing	91,169,501	86,120,721
- Hire purchase receivables	18,035,880	17,107,240
- Ijarah receivables	247,445	160,651
- Other term loans/financing and syndicated term loans	32,347,688	28,370,072
Credit/charge card receivables	2,923,883	2,830,912
Bills receivable	1,539,682	1,112,257
Trust receipts	417,252	533,845
Policy and premium loans	295,962	372,291
Claims on customers under acceptance credits	8,817,344	8,064,076
Revolving credits	9,455,248	8,347,977
Staff loans/financing	127,105	139,345
Other loans/financing	128	265
Gross loans, advances and financing	168,924,054	156,530,842
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	(9,962)	17,665
Allowance for impairment losses:		
- Expected credit losses	(1,736,789)	(1,769,750)
Total net loans, advances and financing	167,177,303	154,778,757

Included in loans, advances and financing are housing loans sold to Cagamas Berhad with recourse to the Group amounting to RM1,572,077,000 (2021: RM1,019,858,000).

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

	The Group	
	2022 RM'000	2021 RM'000
Maturing within:		
- one year	31,300,399	28,344,629
- over one year to three years	6,836,044	5,351,697
- over three years to five years	11,278,670	12,369,513
- over five years	119,508,941	110,465,003
Gross loans, advances and financing	168,924,054	156,530,842

Notes to the Financial Statements

for the financial year ended 30 June 2022

7 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group	
	2022 RM'000	2021 RM'000
Domestic non-bank financial institutions	1,946,823	1,718,527
Domestic business enterprises:		
- Small and medium enterprises	30,175,416	26,079,862
- Others	25,204,745	22,832,734
Government and statutory bodies	1,387	1,664
Individuals	108,121,079	102,338,129
Other domestic entities	103,122	625,649
Foreign entities	3,371,482	2,934,277
Gross loans, advances and financing	168,924,054	156,530,842

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

	The Group	
	2022 RM'000	2021 RM'000
Fixed rate:		
- Housing and shop loans/financing	1,387,967	1,499,285
- Hire purchase receivables	17,965,989	16,982,798
- Credit card	2,923,883	2,830,912
- Other fixed rate loans/financing	6,885,306	6,180,830
Variable rate:		
- Base rate/base lending rate plus	116,345,805	107,668,954
- Cost plus	23,275,400	21,278,916
- Other variable rates	139,704	89,147
Gross loans, advances and financing	168,924,054	156,530,842

Notes to the Financial Statements
for the financial year ended 30 June 2022

7 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group	
	2022 RM'000	2021 RM'000
Purchase of securities	1,311,692	1,252,939
Purchase of transport vehicles	17,653,587	16,769,062
Residential property (housing)	82,434,291	77,191,630
Non-residential property	20,519,124	18,524,366
Purchase of fixed assets (excluding landed properties)	1,613,109	1,431,572
Personal use	3,706,863	3,441,092
Credit card	2,923,883	2,830,912
Construction	3,531,187	2,823,397
Working capital	33,798,279	30,292,454
Other purposes	1,432,039	1,973,418
Gross loans, advances and financing	168,924,054	156,530,842

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

	The Group	
	2022 RM'000	2021 RM'000
In Malaysia	157,168,978	147,295,958
Outside Malaysia		
- Singapore	7,624,640	6,186,948
- Hong Kong	21,090	538
- Vietnam	1,652,819	1,186,775
- Cambodia	2,456,527	1,860,623
Gross loans, advances and financing	168,924,054	156,530,842

Notes to the Financial Statements

for the financial year ended 30 June 2022

7 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group	
	2022 RM'000	2021 RM'000
Purchase of securities	232	304
Purchase of transport vehicles	35,282	71,797
Residential property (housing)	315,073	267,046
Non-residential property	151,278	124,748
Purchase of fixed assets (excluding landed properties)	485	600
Personal use	44,522	44,705
Credit card	21,419	21,096
Construction	9,271	7,976
Working capital	207,698	147,669
Other purposes	34,618	31,731
Gross impaired loans, advances and financing	819,878	717,672

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

	The Group	
	2022 RM'000	2021 RM'000
In Malaysia	805,766	706,957
Outside Malaysia		
- Singapore	841	5,866
- Vietnam	1,585	1,580
- Cambodia	11,686	3,269
Gross impaired loans, advances and financing	819,878	717,672

Notes to the Financial Statements
for the financial year ended 30 June 2022

7 LOANS, ADVANCES AND FINANCING (continued)

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2022				
As at 1 July	1,075,247	459,868	234,635	1,769,750
Changes in ECL due to transfer within stages	(56,893)	(237,992)	294,885	-
- Transfer to Stage 1	33,363	(33,201)	(162)	-
- Transfer to Stage 2	(87,725)	148,017	(60,292)	-
- Transfer to Stage 3	(2,531)	(352,808)	355,339	-
New financial assets originated	39,280	240	299	39,819
Financial assets derecognised	(16,030)	(26,665)	(15,840)	(58,535)
Changes due to change in credit risk	(60,385)	235,423	250,768	425,806
Changes in models/risk parameters	(4,986)	(7,335)	(384)	(12,705)
Amount written off	-	-	(425,884)	(425,884)
Exchange differences	996	374	903	2,273
Other movements	-	-	(3,735)	(3,735)
As at 30 June	977,229	423,913	335,647	1,736,789
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

Notes to the Financial Statements

for the financial year ended 30 June 2022

7 LOANS, ADVANCES AND FINANCING (continued)

- (i) Movements in the gross carrying amount of loans, advances and financing that contributed to changes in the expected credit losses are as follows:

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2022				
As at 1 July	146,077,778	9,735,392	717,672	156,530,842
Total transfer within stages	(8,056,720)	7,386,816	669,904	-
- Transfer to Stage 1	10,407,775	(10,405,873)	(1,902)	-
- Transfer to Stage 2	(18,431,414)	19,057,743	(626,329)	-
- Transfer to Stage 3	(33,081)	(1,265,054)	1,298,135	-
New financial assets originated	17,621,893	2,653,997	332	20,276,222
Financial assets derecognised	(4,978,800)	(343,178)	(55,346)	(5,377,324)
Changes due to change in credit risk	352,394	(2,942,768)	(88,136)	(2,678,510)
Modifications to contractual cash flows and unwinding of modification impact	56,999	(132)	-	56,867
Amount written off	-	-	(426,109)	(426,109)
Exchange differences	534,890	5,615	1,561	542,066
As at 30 June	151,608,434	16,495,742	819,878	168,924,054
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
Amount written off	116,452	(12,458)	-	103,994
Exchange differences	-	-	(324,058)	(324,058)
Other movements	(100,330)	(1,502)	(109)	(101,941)
As at 30 June	146,077,778	9,735,392	717,672	156,530,842

Notes to the Financial Statements
for the financial year ended 30 June 2022

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	
	2022 RM'000	2021 RM'000
Performing accounts	720,318	522,722
Impaired accounts	2,861	5,247
	723,179	527,969
Less: Allowances for bad and doubtful debts		
- Expected credit losses	(998)	(1,188)
	722,181	526,781

Movements of impaired accounts are as follows:

	The Group	
	2022 RM'000	2021 RM'000
As at 1 July	5,247	3,651
New financial assets originated	2,035	1,071
Financial assets derecognised	(2,448)	(1,450)
Impaired during the financial year	33,768	24,049
Allowance written back	(35,741)	(22,074)
As at 30 June	2,861	5,247

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

The Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
2022			
As at 1 July	85	1,103	1,188
New financial assets originated	80	571	651
Financial assets derecognised	(100)	(578)	(678)
Impaired during the financial year	51	190	241
Allowance written back	(67)	(337)	(404)
As at 30 June	49	949	998

Notes to the Financial Statements

for the financial year ended 30 June 2022

8 CLIENTS' AND BROKERS' BALANCES (continued)

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

The Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
2021			
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

9 OTHER RECEIVABLES

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Foreclosed properties		46	5,508	-	-
Sundry debtors and other prepayments		274,377	495,809	2,635	1,962
Settlement accounts		708,194	387,625	-	-
Treasury related receivables		578,958	806,250	-	-
Cash collateral pledged for derivative transactions		689,029	306,536	-	-
Fee income receivables net of expected credit losses of RM1,970,000 (2021: RM1,942,000)	(a)	8,961	3,261	-	-
Other receivables net of expected credit losses of RM1,624,000 (2021: RM1,463,000)	(b)	171,935	114,241	-	-
		2,431,500	2,119,230	2,635	1,962

Notes to the Financial Statements
for the financial year ended 30 June 2022

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
2022			
As at 1 July	4	1,938	1,942
New financial assets originated	3	-	3
Financial assets derecognised	(1)	(60)	(61)
Impaired during the financial year	-	86	86
As at 30 June	6	1,964	1,970
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

(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
2022			
As at 1 July	1,010	453	1,463
New financial assets originated	67	94	161
As at 30 June	1,077	547	1,624
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

Notes to the Financial Statements

for the financial year ended 30 June 2022

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	
	2022 RM'000	2021 RM'000
Investment in subsidiary companies, at cost		
Unquoted shares	262,980	262,980
Shares quoted in Malaysia	16,804,109	16,804,109
	17,067,089	17,067,089
Investment in debt instrument issued by subsidiary companies, at amortised cost		
Multi-currency Additional Tier 1 capital securities	806,661	806,605
Subordinated obligations	1,602,433	1,602,566
	19,476,183	19,476,260
Less: Allowance for impairment losses	(16,755)	(18,008)
	19,459,428	19,458,252

Movements in the allowance for impairment losses are as follows:

	The Company	
	2022 RM'000	2021 RM'000
As at 1 July	18,008	18,008
Expected credit losses made during the financial year	(1,253)	-
As at 30 June	16,755	18,008

Notes to the Financial Statements
for the financial year ended 30 June 2022

11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

(i) Information about principal subsidiaries:

The subsidiary companies of the Company are as follows:

Name of companies	Country of incorporation	Effective percentage of ownership		Principal activities
		2022 %	2021 %	
(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 ^{0*}	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 ^{0*}	Malaysia	-	-	Special purpose vehicle for ESOS
(c) HFLG Principal Investments (L) Limited	Malaysia	100.00	100.00	Investment holding
(d) Hong Leong Capital Berhad and its subsidiary companies:	Malaysia	73.71	73.71	Investment holding
(i) HLG Securities Sdn Bhd	Malaysia	73.71	73.71	In members' voluntary liquidation
(ii) HLG Capital Markets Sdn Bhd	Malaysia	73.71	73.71	In members' voluntary liquidation
(iii) Hong Leong Investment Bank Berhad and its subsidiary companies:	Malaysia	73.71	73.71	Investment banking, stockbroking business, futures broking and related financial services
- SSSB Jaya (1987) Sdn Bhd	Malaysia	73.71	73.71	In creditors' voluntary liquidation
- HLIB Nominees (Tempatan) Sdn Bhd	Malaysia	73.71	73.71	Nominee and custodian services for Malaysian clients
- HLIB Nominees (Asing) Sdn Bhd	Malaysia	73.71	73.71	Nominee and custodian services for foreign clients
(iv) HLCB Assets Sdn Bhd	Malaysia	73.71	73.71	In members' voluntary liquidation
(v) Hong Leong Asset Management Bhd and its subsidiary company:	Malaysia	73.71	73.71	Unit trust management, fund management and sale of unit trusts
- Hong Leong Islamic Asset Management Sdn Bhd	Malaysia	73.71	73.71	Islamic fund management services
(vi) Unincorporated trust for ESOS ^{0*}	Malaysia	-	-	Special purpose vehicle for ESOS purpose
(e) Hong Leong Bank Berhad and its subsidiary companies:	Malaysia	65.53	65.55	All aspects of commercial banking business and provision of related services
(i) Hong Leong Islamic Bank Berhad	Malaysia	65.53	65.55	Islamic banking business and related financial services
(ii) DC Tower Sdn Bhd	Malaysia	65.53	65.55	Property management

Notes to the Financial Statements

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11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

(i) Information about principal subsidiaries: (continued)

The subsidiary companies of the Company are as follows: (continued)

Name of companies	Country of incorporation	Effective percentage of ownership		Principal activities
		2022 %	2021 %	
(e) Hong Leong Bank Berhad and its subsidiary companies: (continued)				
(iii) Hong Leong Bank Vietnam Limited ^{*+}	Vietnam	65.53	65.55	Commercial banking business
(iv) Hong Leong Bank (Cambodia) PLC ^{*+}	Cambodia	65.53	65.55	Commercial banking business
(v) HLF Credit (Perak) Bhd and its subsidiary companies:	Malaysia	65.53	65.55	Investment holding
- Gensource Sdn Bhd and its subsidiary company:	Malaysia	65.53	65.55	Investment holding
- Pelita Terang Sdn Bhd	Malaysia	65.53	65.55	Dormant
- Promidah Sdn Bhd [*]	Malaysia	65.53	65.55	Dormant
- Promizul Sdn Bhd	Malaysia	65.53	65.55	In members' voluntary liquidation
- HLB Realty Sdn Bhd	Malaysia	65.53	65.55	Property investment
(vi) HLB Nominees (Tempatan) Sdn Bhd	Malaysia	65.53	65.55	Agent and nominee for Malaysian clients
(vii) HLB Nominees (Asing) Sdn Bhd	Malaysia	65.53	65.55	Agent and nominee for foreign clients
(viii) HLB Trade Services (Hong Kong) Limited [*]	Hong Kong	65.53	65.55	Ceased operations
(ix) HLB Principal Investments (L) Limited and its subsidiary company:	Malaysia	65.53	65.55	Investment holding
- Promino Sdn Bhd	Malaysia	65.53	65.55	Holding of pooled motor vehicles for HLB group's usage
(x) Promilia Berhad	Malaysia	65.53	65.55	Holding of motor vehicles for HLB group's usage
(xi) EB Nominees (Tempatan) Sendirian Berhad	Malaysia	65.53	65.55	Nominee services
(xii) EB Realty Sendirian Berhad	Malaysia	65.53	65.55	In members' voluntary liquidation
(xiii) OBB Realty Sdn Bhd	Malaysia	65.53	65.55	Property investment
(xiv) Unincorporated trust for	Malaysia	-	-	Special purpose vehicle
(f) Hong Leong Money Market Fund ^Ω	Malaysia	-	30.54	Unit trust funds
(g) Hong Leong Income Fund ^Ω	Malaysia	70.21	71.63	Unit trust funds
(h) Hong Leong Wholesale Equity Fund 2 ^Ω	Malaysia	65.53	65.55	Unit trust funds
(i) Hong Leong Value Fund ^Ω	Malaysia	73.11	65.11	Unit trust funds
(j) Hong Leong Strategic Fund ^Ω	Malaysia	37.31	33.19	Unit trust funds

* Not audited by PricewaterhouseCoopers PLT

+ Audited by member firms of PricewaterhouseCoopers International Limited

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

Notes to the Financial Statements
for the financial year ended 30 June 2022

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	
	2022 %	2021 %	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Hong Leong Bank Berhad	34.47	34.45	1,133,548	985,279	10,681,901	10,148,666
Hong Leong Capital Berhad	26.29	26.29	19,051	48,055	248,439	251,593
Hong Leong Assurance Berhad	30.00	30.00	77,031	77,693	710,106	642,207
Individually immaterial subsidiaries with non-controlling interests			1,022	80	73,687	72,533
			1,230,652	1,111,107	11,714,133	11,114,999

Summarised financial information for each subsidiary companies that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

Notes to the Financial Statements

for the financial year ended 30 June 2022

11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

Set out below are the Group's subsidiary companies that have material non-controlling interests: (continued)

	Hong Leong Assurance Berhad		Hong Leong Bank Berhad		Hong Leong Capital Berhad	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Total assets	24,123,922	24,049,683	254,331,377	237,129,240	4,276,873	4,224,597
Total liabilities	(21,756,901)	(21,909,432)	(223,342,401)	(207,670,126)	(3,331,880)	(3,267,606)
Net assets	2,367,021	2,140,251	30,988,976	29,459,114	944,993	956,991
Equity attributable to owners of the Company	(1,656,915)	(1,498,044)	(20,307,075)	(19,310,448)	(696,554)	(705,398)
Non-controlling interests	(710,106)	(642,207)	(10,681,901)	(10,148,666)	(248,439)	(251,593)
Revenue	320,303	334,378	5,597,408	5,466,873	223,360	315,625
Profit before taxation	313,585	310,924	4,366,800	3,470,939	97,172	177,350
Taxation	(56,815)	(51,943)	(1,077,517)	(610,297)	(24,709)	25,937
Other comprehensive (loss)/income	-	-	(677,311)	57,942	(23,156)	(5,985)
Total comprehensive income	256,770	258,981	2,611,972	2,918,584	49,307	197,302
Net cash used in investing activities	(5,160)	(4,676)	(288,023)	(9,506,228)	(60,606)	(220,017)
Net cash (used in)/generated from financing activities	(54,992)	279,769	196,815	(920,331)	(69,936)	(89,314)
Net cash generated from/(used in) operating activities	191,028	(567,712)	2,501,916	6,741,661	352,065	152,341
Net increase/(decrease) in cash and cash equivalents	130,876	(292,619)	2,410,708	(3,684,898)	221,523	(156,990)
Profit allocated to non-controlling interests of the Group	77,031	77,693	1,133,548	985,279	19,051	48,055
Dividends to non-controlling interests of the Group	9,000	-	376,719	245,976	16,116	15,520

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for the financial year ended 30 June 2022

12 INVESTMENT IN ASSOCIATED COMPANIES

	The Group	
	2022 RM'000	2021 RM'000
Quoted shares and unit trust investments	1,159,108	1,270,702
Unquoted shares investments	643,323	643,323
Cumulative share of results, net of dividend received	4,888,027	4,170,103
Equity conversion option	82,751	-
Cumulative share of changes in other comprehensive income	(15,701)	13,805
Exchange fluctuation reserve	903,317	774,982
	7,660,825	6,872,915

(a) Information about associated companies

Name of companies	Country of incorporation	Principal activities	The Group Percentage (%) of equity held	
			2022 %	2021 %
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	55
Hong Leong Dana Maa'rof Fund	Malaysia	Unit trust	12	22
Hong Leong Dana Al-Izdihar Fund	Malaysia	Unit trust	-	14
Hong Leong Islamic Income Management Fund	Malaysia	Unit trust	7	9
Hong Leong Asia-Pacific Dividend Fund	Malaysia	Unit trust	22	-

Nature of relationship

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

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2022

12 INVESTMENT IN ASSOCIATED COMPANIES (continued)

(a) Information about associated companies (continued)

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

The market value of BOCD's shares held by the Group is RM7.09 billion (2021: RM5.29 billion) at RM10.91 (2021: RM8.13) per share as at 30 June 2022.

As at 30 June 2022, 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 2022 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.

(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 ("MSIG")

On 1 October 2010, HLA Holdings Sdn Bhd ("HLAH") entered into a Strategic Partnership with Mitsui Sumitomo Insurance Company, Limited ("MSIJ") to transfer the Non-Life Business of Hong Leong Assurance Berhad ("HLA") to MSIG Insurance (Malaysia) Bhd ("MSIG"), a subsidiary of MSIJ and one of the largest general insurance in Malaysia, satisfied via the issuance of such number of new shares as shall represent 30% of the ordinary issued and paid-up capital of MSIG.

Notes to the Financial Statements

for the financial year ended 30 June 2022

12 INVESTMENT IN ASSOCIATED COMPANIES (continued)

- (a) Information about associated companies (continued)

(v) Unit trust investments

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

CCSR and MSIG are non-listed companies and no quoted market price available for their shares.

The Group deems BOCD and MSIG 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	
	2022 RM'000	2021 RM'000
Total assets	587,601,391	472,900,647
Total liabilities	(552,359,573)	(442,862,536)
Net assets	35,241,818	30,038,111
Interest income	20,952,823	16,344,249
Interest expense	(10,666,498)	(8,212,463)
Non-interest income	2,410,797	2,060,225
Profit before taxation	6,675,167	4,698,078
Profit after taxation	5,629,205	4,005,497
Total comprehensive income	5,536,137	3,922,011
Dividends paid/declared by the associated company during the financial year	1,493,002	961,734
Shares of results of associated company (%)	18%	18%
Shares of results of associated company (RM'000)	1,012,694	720,589
Dividends from the associated company (RM'000)	268,591	173,016

Notes to the Financial Statements

for the financial year ended 30 June 2022

12 INVESTMENT IN ASSOCIATED COMPANIES (continued)

- (b) The summarised financial information below represents amounts shown in the material associated companies financial statements which are accounted for using equity method is as follows: (continued)

(ii) MSIG Insurance (Malaysia) Bhd

	The Group	
	2022 RM'000	2021 RM'000
Total assets	6,423,664	5,818,179
Total liabilities	(3,141,819)	(2,354,907)
Net assets	3,281,845	3,463,272
Interest income	20,285	22,477
Non-interest income	558,510	595,469
Profit before taxation	324,719	340,845
Profit after taxation	260,894	266,095
Total comprehensive income	218,344	231,678
Shares of results of associated company (%)	30%	30%
Shares of results of associated company (RM'000)	78,268	79,829
Dividends from the associated company (RM'000)	119,931	11,993

- (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	
	2022 RM'000	2021 RM'000
Opening net assets as at 1 July	30,038,111	25,378,979
Profit for the financial year	5,629,205	4,005,497
Other comprehensive income for the financial year	(93,068)	(83,486)
Dividends paid/declared	(1,493,002)	(961,734)
Equity conversion option	459,983	-
Exchange fluctuation reserve	700,589	1,698,855
Closing net assets as at 30 June	35,241,818	30,038,111
Interest in associated company (%)	18%	18%
Interest in associated company (RM'000)	6,340,003	5,403,856

Notes to the Financial Statements

for the financial year ended 30 June 2022

12 INVESTMENT IN ASSOCIATED COMPANIES (continued)

- (c) Reconciliation of the summarised financial information to the carrying amount of the interest in the material associated companies recognised in the consolidated financial statements: (continued)

(ii) MSIG Insurance (Malaysia) Bhd

	The Group	
	2022 RM'000	2021 RM'000
Opening net assets as at 1 July	3,463,272	3,271,572
Profit for the financial year	260,894	266,095
Other comprehensive income for the financial year	(42,550)	(34,418)
Dividends	(399,771)	(39,977)
Closing net assets as at 30 June	3,281,845	3,463,272
Interest in associated company (%)	30%	30%
Interest in associated company (RM'000)	984,553	1,038,981

The summarised financial information above represents amount shown in the material associates' financial statements prepared in accordance with MFRSs. The information is based on the financial statements of the associated companies after reflecting adjustments made by the Group when using the equity method, such as fair value adjustments made at the time of acquisition and differences in accounting policies between the Group and the associated companies.

Notes to the Financial Statements

for the financial year ended 30 June 2022

13 PROPERTY AND EQUIPMENT

The Group 2022	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		1,026,176	1,172,938	485,842	10,393	88,914	2,784,263
Exchange fluctuation		3,136	2,780	1,411	57	609	7,993
Reclassification/transfer		(1,536)	14,059	1,073	-	(15,132)	(1,536)
Reclassification to intangible assets	17	-	802	1,279	-	(86,591)	(84,510)
Additions		-	25,570	4,515	3,544	102,953	136,582
Disposals/write-off		(630)	(32,648)	(16,675)	(1,620)	(34)	(51,607)
As at 30 June		1,027,146	1,183,501	477,445	12,374	90,719	2,791,185
Accumulated depreciation							
As at 1 July		133,325	905,274	382,714	7,718	-	1,429,031
Exchange fluctuation		763	2,368	1,250	51	-	4,432
Disposals/write-off		(318)	(32,340)	(16,257)	(1,620)	-	(50,535)
Charge during the financial year		17,197	90,118	25,018	1,544	-	133,877
As at 30 June		150,967	965,420	392,725	7,693	-	1,516,805
Net book value as at 30 June 2022		876,179	218,081	84,720	4,681	90,719	1,274,380

* Land and building consists of the following:

The Group 2022	Freehold		Long-term leasehold		Short-term leasehold		Total RM'000
	land RM'000	building RM'000	land [^] RM'000	building RM'000	land [^] RM'000	building RM'000	
Cost							
As at 1 July	136,299	585,388	44,143	256,618	1,092	2,636	1,026,176
Exchange fluctuation	-	-	-	3,136	-	-	3,136
Reclassification	-	-	-	(1,536)	-	-	(1,536)
Disposals	-	-	(258)	(372)	-	-	(630)
As at 30 June	136,299	585,388	43,885	257,846	1,092	2,636	1,027,146
Accumulated depreciation							
As at 1 July	-	63,157	6,320	61,899	469	1,480	133,325
Exchange fluctuation	-	-	-	763	-	-	763
Disposals	-	-	(91)	(227)	-	-	(318)
Charge during the financial year	-	11,696	465	4,965	17	54	17,197
As at 30 June	-	74,853	6,694	67,400	486	1,534	150,967
Net book value as at 30 June 2022	136,299	510,535	37,191	190,446	606	1,102	876,179

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

Notes to the Financial Statements
for the financial year ended 30 June 2022

13 PROPERTY AND EQUIPMENT (continued)

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		Long-term leasehold		Short-term leasehold		Total RM'000
	land RM'000	building RM'000	land [^] RM'000	building RM'000	land [^] RM'000	building 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.

Notes to the Financial Statements

for the financial year ended 30 June 2022

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
2022				
Cost				
As at 1 July	1,108	4,526	1,971	7,605
Additions	11	-	2,363	2,374
Disposals	(25)	(3)	(1,060)	(1,088)
As at 30 June	1,094	4,523	3,274	8,891
Accumulated depreciation				
As at 1 July	1,030	1,680	1,706	4,416
Disposals	(25)	(3)	(1,060)	(1,088)
Charge during the financial year	40	429	291	760
As at 30 June	1,045	2,106	937	4,088
Net book value as at 30 June 2022	49	2,417	2,337	4,803
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 2021	78	2,846	265	3,189

Notes to the Financial Statements
for the financial year ended 30 June 2022

14 RIGHT-OF-USE ASSETS

The Group	Properties RM'000	Office equipment RM'000	Total RM'000
2022			
As at 1 July	210,324	370	210,694
Modification	2,241	-	2,241
Additions	63,490	221	63,711
Disposals	(10,527)	-	(10,527)
Charge during the financial year	(51,913)	(368)	(52,281)
Exchange fluctuation	516	1	517
As at 30 June	214,131	224	214,355

2021			
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

The Company	Properties RM'000	Total RM'000
2022		
As at 1 July	5,015	5,015
Charge during the financial year	(940)	(940)
As at 30 June	4,075	4,075

2021		
As at 1 July	5,955	5,955
Charge during the financial year	(940)	(940)
As at 30 June	5,015	5,015

Notes to the Financial Statements

for the financial year ended 30 June 2022

15 INVESTMENT PROPERTIES

	The Group	
	2022 RM'000	2021 RM'000
Fair value		
As at 1 July	469,610	472,610
Fair value loss	2,000	(3,000)
As at 30 June	471,610	469,610
The analysis of investment properties is as follows:		
Freehold land and building	469,000	467,000
Leasehold land and building	2,610	2,610

The fair value of the properties was estimated based on open market valuation by an independent professional valuer, Raine & Horne International Zaki + Partners Sdn Bhd. During the financial year, the fair value gain attributable to insurance fund policy holders was 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	
	2022 RM'000	2021 RM'000
Level 2	2,610	2,610
Level 3	469,000	467,000

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

Valuation technique	Unobservable input	The Group	
		2022	2021
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)	RM2.11 - RM3.87	RM2.14 - RM3.66
	Estimated value per square feet	RM521 - RM799	RM521 - RM792

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

	The Group	
	2022 RM'000	2021 RM'000
Rental income	8,789	8,544
Direct operating expenses	8,462	8,588

Notes to the Financial Statements

for the financial year ended 30 June 2022

16 GOODWILL ARISING ON CONSOLIDATION

	The Group	
	2022 RM'000	2021 RM'000
As at 1 July/30 June	2,410,644	2,410,644
Goodwill has been allocated to the following cash-generating units ("CGUs"):		
Commercial banking	2,246,484	2,246,484
Investment banking and asset management	99,803	99,803
Insurance	64,357	64,357
	2,410,644	2,410,644

Impairment test for goodwill

(i) Commercial banking CGU and investment banking and asset management CGU

The recoverable amounts of the commercial banking CGU and investment banking and asset management CGU have been determined based on the respective value-in-use calculations. Value in use is the present value of the future cash flows expected to be derived from the CGU. This calculation uses pre-tax cash flow projection based on the budget for the financial year ending 2023, which is approved by the respective Board of Directors of Hong Leong Bank Berhad and Hong Leong Capital Berhad with a further projection of 3 years (2021: 2 years) and 2 years (2021: 2 years) respectively. Cash flows beyond the 3 years period are extrapolated using an estimated growth rate of 4.40% (2021: 3.33%) representing the forecasted GDP growth rate of the country for all cash generating units. The cash flow projections are derived based on a number of key factors including past performance of these CGUs and management's expectation of market developments.

In addition, the recoverable amount is assessed by incorporating multiple scenarios with variation in the assumptions used including discount rate and haircut on the cash flow projections, to allow assessment on the sensitivity of goodwill recoverable amount taking into consideration assumed probabilities of different future events and/or scenarios.

The discount rate used in determining the recoverable amount of the commercial banking CGUs and investment banking and asset management CGUs are 9.9% (2021: 10.2%) and 11.2% (2021: 10.0%) 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 2022

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% (2021: 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% (2021: 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.

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for the financial year ended 30 June 2022

17 INTANGIBLE ASSETS

The Group	Note	Core deposit RM'000	Customer relationship RM'000	Computer software RM'000	Total RM'000
2022					
Cost or valuation					
As at 1 July		152,434	127,426	911,492	1,191,352
Additions		-	-	41,382	41,382
Disposals/write-off		-	-	(14,613)	(14,613)
Exchange fluctuation		-	-	5,657	5,657
Reclassification from property and equipment	13	-	-	84,510	84,510
As at 30 June		152,434	127,426	1,028,428	1,308,288
Accumulated amortisation and impairment					
As at 1 July		152,434	127,426	651,498	931,358
Amortisation during the financial year		-	-	62,123	62,123
Disposals/write-off		-	-	(13,875)	(13,875)
Exchange fluctuation		-	-	3,744	3,744
As at 30 June		152,434	127,426	703,490	983,350
Net book value as at 30 June 2022		-	-	324,938	324,938
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

Notes to the Financial Statements

for the financial year ended 30 June 2022

17 INTANGIBLE ASSETS (continued)

The Company	Computer software	
	2022 RM'000	2021 RM'000
Cost		
As at 1 July	466	350
Additions	8	116
Disposals/write-off	(33)	-
As at 30 June	441	466
Accumulated amortisation		
As at 1 July	359	348
Amortisation during the financial year	39	11
Disposals/write-off	(33)	-
As at 30 June	365	359
Net book value as at 30 June	76	107

18 DEPOSITS FROM CUSTOMERS

The Group	The Group	
	2022 RM'000	2021 RM'000
At amortised cost		
Fixed deposits	94,334,763	91,630,006
Negotiable instruments of deposits	8,626,532	7,276,126
Short-term placements	25,984,088	21,803,680
	128,945,383	120,709,812
Demand deposits	41,151,127	35,279,818
Savings deposits	24,771,649	23,857,612
Others	449,369	563,080
	195,317,528	180,410,322
At fair value through profit or loss		
Structured deposits linked to interest rate derivatives	2,425,376	1,469,078
Fair value changes arising from designation at fair value through profit or loss*	(359,983)	(110,580)
	2,065,393	1,358,498
	197,382,921	181,768,820

* The Group has issued structured deposits which are linked to interest rate derivatives and designated them at fair value through profit or loss. This designation is permitted under MFRS 9 as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of fair value and includes terms that have substantive derivative characteristics.

The fair value changes of the structured deposits which are linked to interest rate derivatives that are attributable to the changes in own credit risk are not significant.

Notes to the Financial Statements
for the financial year ended 30 June 2022

18 DEPOSITS FROM CUSTOMERS (continued)

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

	The Group	
	2022 RM'000	2021 RM'000
Due within:		
- six months	104,131,355	97,955,437
- six months to one year	20,172,188	20,881,750
- one year to five years	3,835,461	1,251,960
- more than five years	806,379	620,665
	128,945,383	120,709,812

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

	The Group	
	2022 RM'000	2021 RM'000
Government and statutory bodies	3,703,073	2,392,705
Business enterprises	91,954,329	83,003,914
Individuals	99,418,027	93,792,061
Others	2,307,492	2,580,140
	197,382,921	181,768,820

19 INVESTMENT ACCOUNTS OF CUSTOMERS

	The Group	
	2022 RM'000	2021 RM'000
Unrestricted investment accounts:		
Mudarabah with maturity	2,659,311	1,145,154
Restricted investment accounts:		
Wakalah bi Al-Istihmar	9,097	-
	2,668,408	1,145,154

Notes to the Financial Statements

for the financial year ended 30 June 2022

19 INVESTMENT ACCOUNTS OF CUSTOMERS (continued)

(i) Movement in the investment account holder

The Group	Unrestricted investment accounts Mudarabah RM'000	Restricted investment accounts Wakalah RM'000
2022		
At 1 July	1,145,154	-
Funding inflows/(outflows)		
New placement during the year	5,730,758	10,262
Redemption during the year	(4,226,969)	(236)
	2,648,943	10,026
Profit payable to Investment Account Holder	10,368	(929)
At 30 June	2,659,311	9,097
2021		
At 1 July	356,475	-
Funding inflows/(outflows)		
New placement during the year	2,114,873	-
Redemption during the year	(1,333,298)	-
	1,138,050	-
Profit payable to Investment Account Holder	7,104	-
At 30 June	1,145,154	-

Notes to the Financial Statements
for the financial year ended 30 June 2022

19 INVESTMENT ACCOUNTS OF CUSTOMERS (continued)

(i) Movement in the investment account holder (continued)

The Group	Unrestricted investment accounts Mudarabah RM'000	Restricted investment accounts Wakalah RM'000
2022		
<u>Investment Asset</u>		
House financing	688,725	-
Term financing	1,323,448	-
Personal financing	317,873	-
Cash or cash equivalent	318,897	-
Unit trusts	-	10,026
Total investment	2,648,943	10,026
2021		
<u>Investment Asset</u>		
House financing	295,893	-
Term financing	569,025	-
Personal financing	136,566	-
Cash or cash equivalent	136,566	-
Total investment	1,138,050	-

(ii) Profit Sharing Ratio ("PSR") and Rate of Return ("ROR"):

The Group	2022		2021	
	Average PSR %	Average ROR %	Average PSR %	Average ROR %
Unrestricted investment accounts:				
1 Month	85	2.16	-	-
2 Months	85	2.19	-	-
3 Months	85	2.18	81	2.45
4 Months	85	2.20	-	-
6 Months	83	2.35	84	2.54
9 Months	-	-	85	2.40
12 Months	84	2.56	85	2.50

Notes to the Financial Statements

for the financial year ended 30 June 2022

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2022 RM'000	2021 RM'000
Licensed banks	5,007,600	9,937,337
Licensed investment banks	22,067	351,028
Central banks (Note)	1,579,601	1,382,520
Other financial institutions	1,620,217	2,508,576
	8,229,485	14,179,461

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 RM1,579,601,000 (2021: RM1,317,291,000) at concession rates.

21 DERIVATIVE FINANCIAL INSTRUMENTS

	Note	The Group	
		2022 RM'000	2021 RM'000
Derivatives at fair value through profit or loss			
- Interest rate swaps		729,883	396,529
- Cross currency swaps		211,722	150,191
- Foreign currency forwards		732,105	385,315
- Foreign currency options		52,967	8,993
- Foreign currency swaps		5,249	2,815
- Foreign currency spots		-	23
- Futures		10,145	2,143
- Futures options		-	743
- Equity options		104,852	76,996
- Commodity swap		4,348	2,974
- Total return swap		39,156	12,095
Derivatives designated as cash flow hedge			
- Interest rate swaps	(a)	-	596
Derivatives designated as fair value hedge			
- Interest rate swaps	(b)	11,266	11,918
- Foreign currency forwards		476	297
Total derivative financial instruments assets		1,902,169	1,051,628

Notes to the Financial Statements
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21 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Note	The Group	
		2022 RM'000	2021 RM'000
Derivatives at fair value through profit or loss			
- Interest rate swaps		(1,051,116)	(627,855)
- Cross currency swaps		(224,152)	(53,644)
- Foreign currency forwards		(240,959)	(138,251)
- Foreign currency options		(50,603)	(7,995)
- Foreign currency swaps		(8,601)	(238)
- Equity options		(103,510)	(76,915)
- Futures		(32,739)	(1,405)
- Futures options		-	(248)
- Swaption		(7,767)	(10,270)
- Commodity swap		(4,346)	(2,958)
- Total return swap		(39,156)	(12,095)
Derivatives designated as cash flow hedge			
- Interest rate swaps	(a)	(361)	(6,805)
Derivatives designated as fair value hedge			
- Interest rate swaps	(b)	(233)	(29,578)
- Foreign currency forwards		(1,463)	(2,694)
Total derivative financial instruments liabilities		(1,765,006)	(970,951)

(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 RM274,000 (2021: unrealised loss of RM6,031,000) from the hedging relationship as disclosed in Note 30(g) was recognised through other comprehensive income.

Notes to the Financial Statements

for the financial year ended 30 June 2022

21 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(a) Cash flow hedge (continued)

The cash flows of the hedging instruments and the hedged items are detailed below:

	The Group				
	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
2022					
Cash inflows (hedging instruments)	-	569	-	-	-
Cash outflows (hedged items)	-	(491)	-	-	-
Net cash inflows	-	78	-	-	-
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)

(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 RM633,095,000 (2021: RM1,017,861,500) and foreign currency risk of RM608,545,944 (2021: RM575,469,112) on certain receivables using interest rate swaps and foreign currency forwards. The total fair value gain and loss of the said interest rate swaps amounted to gain of RM9,515,000 (2021: loss RM17,660,000) and of the said foreign currency forwards amounted to loss of RM987,000 (2021: loss RM2,397,000).

On 29 April 2022, HLB issued a nominal value of RM900.0 million Basel III-compliant Additional Tier 1 Green capital securities ("Green Capital Securities"), pursuant to its Multi-currency Additional Tier 1 capital securities programme. HLB has hedged the interest rate risk arising from these Green Capital Securities.

Included in the net non-interest income is the net gains and losses arising from fair value hedges that were effective during the financial year as follows:

	The Group	
	2022 RM'000	2021 RM'000
Gain/(loss) on hedging instruments	25,454	(3,064)
Loss on the hedged items attributable to the hedged risks	(28,656)	(883)
	(3,202)	(3,947)

Notes to the Financial Statements
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22 PAYABLES AND OTHER LIABILITIES

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade payables		4,149,662	3,765,476	-	-
Post employment benefits obligation					
- defined contribution plan		1,905	1,889	41	40
Loan advance payment		3,829,956	3,795,992	-	-
Treasury and cheque clearing		128,773	162,604	-	-
Treasury related payables		213,260	145,411	-	-
Sundry creditors and accruals		402,365	375,011	2,411	1,713
Provision for reinstatement cost		22,948	23,394	264	250
Provision for bonus and staff related expenses		244,062	259,458	12,152	15,217
Expected credit losses on financial guarantee contracts	(a)	3,657	4,563	-	-
Financial liabilities due to third party investors	(b)	1,589,696	7,303,953	-	-
Settlement accounts		824,436	525,131	-	-
Others		590,294	505,259	-	-
		12,001,014	16,868,141	14,868	17,220

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2022				
As at 1 July	3,378	1,185	-	4,563
Changes in ECL due to transfer within stages	15	(199)	184	-
- Transfer to Stage 1	70	(70)	-	-
- Transfer to Stage 2	(55)	55	-	-
- Transfer to Stage 3	-	(184)	184	-
New financial assets originated	170	-	-	170
Financial assets derecognised	(1,143)	(4)	-	(1,147)
Changes due to change in credit risk	647	(425)	(184)	38
Changes in models/risk parameters	(92)	(38)	-	(130)
Exchange differences	141	22	-	163
As at 30 June	3,116	541	-	3,657

Notes to the Financial Statements

for the financial year ended 30 June 2022

22 PAYABLES AND OTHER LIABILITIES (continued)

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

The Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired 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)
Changes 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

(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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Lease liabilities	212,599	204,872	4,249	5,099

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

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Scheduled repayment of lease liabilities				
- Not later than one year	42,560	42,962	896	850
- Later than one year and not later than five years	130,277	109,597	3,353	3,887
- Later than five years	39,762	52,313	-	362
	212,599	204,872	4,249	5,099

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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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets/(liabilities)				
- to be recovered within 12 months	456,845	387,718	229	184
- to be recovered more than 12 months	(91,914)	(368,465)	-	-
	364,931	19,253	229	184

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

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets				
- Cash flow hedge reserve	88	1,904	-	-
- Financial assets at FVTPL	68,954	-	-	-
- Financial investments at FVOCI	241,482	-	-	-
- Unutilised tax credit	98,747	111,008	-	-
- Provision for expenses	123,238	120,143	-	-
- Expected credit loss	248,339	249,748	-	-
- Other temporary differences	4,771	893	229	184
	785,619	483,696	229	184
Deferred tax liabilities				
- Property and equipment	(74,373)	(66,988)	-	-
- Financial investments at FVOCI	-	(19,568)	-	-
- Financial assets at FVTPL	-	(80,500)	-	-
- Unallocated surplus	(346,315)	(297,387)	-	-
	(420,688)	(464,443)	-	-
Deferred tax assets/(liabilities) net	364,931	19,253	229	184

Notes to the Financial Statements

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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
2022												
As at 1 July		(66,988)	(19,568)	(80,500)	1,904	-	111,008	249,748	120,143	(297,387)	893	19,253
(Charged)/credited to statements of income	42	(7,172)	-	18,057	-	-	(12,270)	(1,518)	2,970	(48,927)	2,136	(46,724)
Credited to insurance funds		(9)	-	131,397	-	-	-	-	-	-	1,743	133,131
Credited/(charged) to equity	57	-	261,084	-	(1,816)	-	-	-	-	-	-	259,268
Exchange difference		(204)	(34)	-	-	-	9	109	125	(1)	(1)	3
As at 30 June		(74,373)	241,482	68,954	88	-	98,747	248,339	123,238	(346,315)	4,771	364,931
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

Notes to the Financial Statements
for the financial year ended 30 June 2022

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
2022		
As at 1 July		184
Charged to statements of income	42	45
As at 30 June		229
2021		
As at 1 July		83
Credited to statements of income	42	101
As at 30 June		184

25 BORROWINGS

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revolving credit	(a)	100,075	125,094	100,075	125,094
Commercial papers	(b)	109,920	155,846	109,920	155,846
Term loans	(c)	-	1,000	-	1,000
Senior notes	(d)	201,936	380,086	201,863	405,421
		411,931	662,026	411,858	687,361

- (a) The revolving credit facilities are unsecured and repayable within 12 months.
- (b) The CPs are issued at a discount and the issue price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering ("FAST") issued by Bank Negara Malaysia at the tenure of one (1), three (3), six (6), nine (9) or twelve (12) months as the Company may select.
- (c) The Company has no unsecured term loan facility at the end of the financial year.
- (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 3 years and were fully repaid during the financial year.

On 23 August 2021, the Company issued an unsecured RM200.0 million in aggregate principal amount of new Senior Notes ("the new Notes") out of its multi-currency perpetual notes programme. The new Notes were issued for a period of years with a coupon rate of 2.85% per annum.

Notes to the Financial Statements

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26 SUBORDINATED OBLIGATIONS

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
RM600.0 million Tier 2 subordinated debt, at par	(a)	600,000	600,000	-	-
Add: Interest payable		4,710	4,710	-	-
		604,710	604,710	-	-
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		2,473	2,608	2,473	2,608
		1,602,473	1,602,608	1,602,473	1,602,608
Less: Unamortised discounts		(100)	(139)	(849)	(1,366)
		1,602,373	1,602,469	1,601,624	1,601,242
		2,207,083	2,207,179	1,601,624	1,601,242

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

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

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

- (b) On 25 June 2018, the Company had issued an unsecured RM500.0 million nominal value of Tier 2 subordinated notes (“Sub-Notes”) out of its multi-currency perpetual notes programme. The Sub-Notes, which qualified as Tier 2 capital for the Company, carry a distribution rate of 4.93% per annum. The Sub-Notes has a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM500.0 million Tier 2 subordinated notes issued by HLB, a subsidiary of the Company.

On 14 June 2019, the Company had issued an unsecured RM1.1 billion nominal value of Tier 2 subordinated notes (“Sub-Notes”) out of its multi-currency perpetual notes programme. The Sub-Notes, which qualified as Tier 2 capital for the Company, carry a distribution rate of 4.30% per annum. The Sub-Notes has a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM1.0 billion and RM100.0 million Tier 2 subordinated notes issued by HLB and HLIB respectively, the subsidiary companies of the Company.

The Sub-Notes constitute unsecured liabilities of the Company.

Notes to the Financial Statements
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27 MULTI-CURRENCY ADDITIONAL TIER 1 CAPITAL SECURITIES

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
RM800 million Multi-currency Additional Tier 1 capital securities, at par	1,700,000	800,000	800,000	800,000
Add: Interest payable	13,712	6,742	6,799	6,742
	1,713,712	806,742	806,799	806,742
Less: Unamortised discounts	(1,145)	(187)	(368)	(767)
Add: Fair value changes arising from fair value hedges	3,282	-	-	-
	1,715,849	806,555	806,431	805,975

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.

On 29 April 2022, HLB issued a nominal value of RM900.0 million Basel III-compliant Additional Tier 1 Green capital securities ("Green Capital Securities"), pursuant to its Multi-currency Additional Tier 1 capital securities programme. The Green Capital Securities carry a distribution rate of 4.45% per annum and are perpetual and non-callable for 5 years with an Issuer's call option to redeem at the end of year 5. Proceeds from the issuance of the Green Capital Securities shall be utilised for purposes that meet the criteria as set out in the HLB Green Bond Framework, which was established by HLB on 20 February 2022 and revised in April 2022 (as may be amended, revised and/or substituted from time to time) in accordance with the ASEAN Green Bond Standards issued by the ASEAN Capital Markets Forum in November 2017 and revised in October 2018 and the Green Bond Principles issued by the International Capital Market Association in June 2021.

28 INSURANCE FUNDS

	The Group	
	2022 RM'000	2021 RM'000
Unearned premium reserves	119,375	96,930
Life policyholders' fund	12,528,235	13,251,740
Life investment-linked unitholders' fund	4,876,579	4,383,110
	17,524,189	17,731,780

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.

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29 SHARE CAPITAL

	The Group and the Company			
	2022		2021	
	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

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Retained profits	(a)	20,937,790	19,213,037	14,315,649	14,011,005
Regulatory reserves	(b)	666,534	437,103	-	-
Share options reserve	(c)	60,866	96,305	2,685	24,215
Exchange fluctuation reserve	(d)	907,614	749,226	-	-
Other capital reserve	(e)	213,314	213,314	254,991	254,991
Fair value reserve	(f)	(541,311)	85,375	-	-
Cash flow hedge reserve	(g)	(185)	(3,959)	-	-
		22,244,622	20,790,401	14,573,325	14,290,211

- (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 RM229.4 million at Group has been transferred from regulatory reserves to retained profits (2021: RM423.4 million).

Included in the Group is the regulatory reserve maintained by the Group's banking subsidiary company in Vietnam of RM11.2 million (2021: RM11.2 million) in line with the requirements of the State Bank of Vietnam.

- (c) The share options reserve arose from the employee share option schemes granted to eligible executives of the Group. Terms of the share options and movements in the number of shares held by Trustee for ESOS are disclosed in Note 54 to the financial statements.

Notes to the Financial Statements

for the financial year ended 30 June 2022

30 RESERVES (continued)

- (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.

	Note	The Group	
		2022 RM'000	2021 RM'000
As at 1 July		85,375	248,248
Net gain from change in fair value		(1,110,656)	(117,146)
Changes in expected credit losses		(751)	229
Reclassification to net profits/retained profits on disposal and impairment		(66,794)	(171,446)
Deferred taxation	57	261,084	70,779
Share of fair value reserve of associated companies		(29,506)	(25,341)
Net change in fair value reserve		(946,623)	(242,925)
Attributable to non-controlling interests		319,937	80,052
As at 30 June		(541,311)	85,375

- (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

A trust has been set up for the ESS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust.

MFRS 132 "Financial Instruments: Presentation" requires that if an entity reacquires its own equity instruments, those instruments shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

In accordance with MFRS 132 "Financial Instruments: Presentation", the shares purchased for the benefit of the 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 9,479,596 shares (2021: 9,636,000) at an average price of RM18.74 per share (2021: RM18.74). The total consideration paid, including transaction costs was RM177,656,388 (2021: RM180,587,544).

Pursuant to the insurance subsidiary company's ESOS, the insurance subsidiary company also held 4,091,900 (2021: 4,091,900) units of the Company's shares at an average price of RM14.27 (2021: RM14.27) per share with total consideration paid, including transaction costs of RM58,381,907 (2021: RM58,381,907), 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.

Notes to the Financial Statements

for the financial year ended 30 June 2022

32 INTEREST INCOME

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loans, advances and financing	4,143,728	4,102,089	-	-
Money at call and deposit placements with financial institutions	147,955	165,758	562	679
Securities purchased under resale agreements	758	29	-	-
Financial investments at FVOCI	709,818	764,234	-	-
Financial investments at amortised cost	653,131	537,109	-	-
Others	17,357	17,354	110,230	110,230
	5,672,747	5,586,573	110,792	110,909
Of which:				
Accretion of discount less amortisation of premium	(143,093)	(147,630)	-	-
Interest income earned on impaired loans, advances and financing	26,008	27,537	-	-

33 INTEREST INCOME FOR FINANCIAL ASSETS AT FVTPL

	The Group	
	2022 RM'000	2021 RM'000
Financial assets at FVTPL	270,941	208,535

34 INTEREST EXPENSE

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits and placements of banks and other financial institutions	84,152	77,027	-	-
Deposits from customers	1,616,096	1,758,328	-	-
Short-term placements	178,631	181,406	-	-
Borrowings	14,269	28,810	14,331	28,885
Subordinated obligations	94,439	89,674	72,468	72,468
Recourse obligations on loans sold to Cagamas Berhad	15,450	10,441	-	-
Multi-currency Additional Tier 1 capital securities	47,102	40,153	40,598	40,598
Others	37,045	50,291	282	324
	2,087,184	2,236,130	127,679	142,275

Notes to the Financial Statements
for the financial year ended 30 June 2022

35 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2022 RM'000	2021 RM'000
Income derived from investment of depositors' funds and others	1,409,048	1,410,567
Income derived from investment of shareholders' funds	168,618	183,704
Income derived from investment of investment accounts	68,451	32,195
Income attributable to depositors	(702,907)	(689,707)
Income attributable to depositors on investment accounts	(38,425)	(17,357)
	904,785	919,402
Of which:		
Financing income earned on impaired financing and advances	3,417	5,247

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

	The Group	
	2022 RM'000	2021 RM'000
(i) Loss on modification of cash flow		
included in interest income (note 32)	(27,472)	(12,508)
included in income from Islamic banking business (note 35)	(17,944)	(9,430)
Subtotal	(45,416)	(21,938)
(ii) Benefits recognised under the various government schemes		
included in interest income (note 32)	-	5,331
Net effects of (i) and (ii)		
included in interest income (note 32)	(27,472)	(7,177)
included in income from Islamic banking business (note 35)	(17,944)	(9,430)
Total	(45,416)	(16,607)

Note:

During the financial year ended 30 June 2022, the Group continued to support its customers impacted by the COVID-19 pandemic by providing targeted assistance to customers through various government support measures such as PEMULIH and URUS. As a result, the Group recognised a loss from the modification of cash flows of the loan/financing.

Notes to the Financial Statements

for the financial year ended 30 June 2022

37 NON-INTEREST INCOME

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Insurance income	368,913	337,379	-	-
Brokerage income	65,883	134,531	-	-
Fee income				
Commissions	181,402	180,851	-	-
Service charges and fees	37,999	41,299	-	-
Guarantee fees	15,913	16,321	-	-
Credit card related fees	193,684	173,899	-	-
Corporate advisory fees	9,970	7,661	-	-
Commitment fees	36,696	36,946	-	-
Fee on loans, advances and financing	50,101	45,594	-	-
Placement fees	8,853	13,726	-	-
Arranger fees	1,503	3,856	-	-
Unit trust fee income	58,104	57,269	-	-
Other fee income	229,441	168,500	8,802	9,324
	823,666	745,922	8,802	9,324
Net income from securities				
Net realised (loss)/gain from sale of:				
- financial assets at FVTPL	(61,771)	44,762	(38)	-
- financial investments at FVOCI	81,523	238,490	-	-
- financial investments at amortised cost	-	29,385	-	-
- derivative financial instruments	56,192	(181,290)	-	-
Gross dividend income from:				
- financial assets at FVTPL	73,196	72,289	193	1,120
- financial investments at FVOCI	406	665	-	-
- subsidiary companies	-	-	820,911	506,075
Net unrealised gain/(loss) on revaluation of:				
- financial assets at FVTPL	118,285	11,153	-	-
- derivative financial instruments	114,389	265,592	-	-
- investment properties	-	(1,000)	-	-
Net realised loss on fair value changes arising from fair value hedges	(8,454)	(6,074)	-	-
Net unrealised loss on fair value changes arising from fair value hedges	(3,202)	(3,947)	-	-
	370,564	470,025	821,066	507,195

Notes to the Financial Statements
for the financial year ended 30 June 2022

37 NON-INTEREST INCOME (continued)

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other income				
Foreign exchange (loss)/gain	(158,222)	14,146	1	(1)
Rental income	10,975	7,662	-	-
Net gain on disposal of property and equipment	1,745	5,379	160	156
Gain on disposal of shares in subsidiary company	-	-	-	88,122
Other non-operating income	6,703	5,448	245	386
	(138,799)	32,635	406	88,663
	1,490,227	1,720,492	830,274	605,182

38 OVERHEAD EXPENSES

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Personnel costs	(a)	1,303,424	1,396,319	113	37,983
Establishment costs	(b)	558,715	544,109	2,262	2,049
Marketing expenses	(c)	198,548	182,328	-	-
Administration and general expenses	(d)	297,523	269,784	4,342	3,942
		2,358,210	2,392,540	6,717	43,974

(a) Personnel costs comprise the following:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Salaries, bonus and allowances	1,234,170	1,244,643	16,870	28,952
Medical expenses	30,909	33,056	15	96
Training and convention expenses	14,824	12,817	3	20
Staff welfare	13,341	11,998	636	573
Other employees benefits	10,180	93,805	(17,411)	8,342
	1,303,424	1,396,319	113	37,983

Notes to the Financial Statements

for the financial year ended 30 June 2022

38 OVERHEAD EXPENSES (continued)

(b) Establishment costs comprise the following:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Depreciation of property and equipment	130,105	134,584	760	663
Depreciation of right-of-use assets	50,518	53,148	940	940
Amortisation of intangible assets	59,027	61,290	39	11
Rental of premises	1,854	2,834	-	-
Information technology expenses	230,781	204,533	312	124
Security services	19,354	22,845	-	-
Electricity, water and sewerage	21,628	22,446	37	36
Hire of plant and machinery	12,483	13,936	-	-
Others	32,965	28,493	174	275
	558,715	544,109	2,262	2,049

(c) Marketing expenses comprise the following:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Advertisement and publicity	29,454	29,782	-	-
Sales commission and credit card related fees	127,692	110,233	-	-
Others	41,402	42,313	-	-
	198,548	182,328	-	-

(d) Administration and general expenses comprise the following:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Teletransmission expenses	23,339	24,261	24	31
Stationery and printing expenses	12,251	13,389	14	25
Professional fees	92,911	84,402	1,506	1,215
Insurance fees	33,550	25,649	-	-
Stamp, postage and courier	15,229	15,928	-	3
Credit card fees	49,302	37,525	-	-
Travelling and transport expenses	2,806	3,114	1	1
Registration and license fees	10,151	10,502	-	-
Brokerage and commission	11,007	9,583	-	-
Others	46,977	45,431	2,797	2,667
	297,523	269,784	4,342	3,942

Notes to the Financial Statements
for the financial year ended 30 June 2022

38 OVERHEAD EXPENSES (continued)

The above expenditure includes the following statutory disclosures:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors' remuneration (Note 41)	11,853	11,277	11,386	10,758
Auditors' remuneration:				
(i) PwC Malaysia firm				
- statutory audit	3,201	3,198	146	146
- regulatory related fees	471	463	19	19
- other services	578	372	329	182
- tax compliance	98	82	-	-
(ii) PwC overseas affiliated firms				
- statutory audit	731	632	-	-
- regulatory related fees	194	181	-	-
- tax compliance	93	91	-	-
Property and equipment written off	729	2,753	-	-
Intangible assets written off	738	924	-	-
Options (writeback)/charge arising from ESOS	(20,447)	26,590	(18,660)	7,264

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

	The Group	
	2022 RM'000	2021 RM'000
Allowance for impairment losses on loans, advances and financing		
- expected credit losses	393,314	827,947
Writeback of impairment losses on clients' and brokers' balances		
- expected credit losses	(190)	(838)
Impaired loans, advances and financing		
- written off	20,054	16,227
- recovered from bad debt written off	(250,061)	(193,381)
	163,117	649,955

Notes to the Financial Statements

for the financial year ended 30 June 2022

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

	The Group	
	2022 RM'000	2021 RM'000
Expected credit losses on:		
- financial investments at FVOCI	(827)	261
- financial investments at amortised cost	(14)	(130)
- other receivables	47	352
- cash and short-term funds	85	90
- deposits and placements with banks and other financial institutions	(322)	79
	(1,031)	652
	The Company	
	2022 RM'000	2021 RM'000
Expected credit losses on investment in debt instruments issued by subsidiary companies	(1,253)	-

Notes to the Financial Statements

for the financial year ended 30 June 2022

41 DIRECTORS' REMUNERATION

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

2022	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	10,489	-	23	10,512	10,489	-	23	10,512
Non-executive Directors								
Tan Sri Quek Leng Chan	-	-	29	29	-	-	29	29
Leong Ket Ti	25	285	-	310	13	160	-	173
Raja Noorma binti Raja Othman	44	302	-	346	12	137	-	149
Chong Chye Neo	34	327	-	361	23	205	-	228
Dato' Noorazman bin Abd Aziz (Resigned with effect from 14 January 2022)	7	70	-	77	7	70	-	77
Ho Heng Chuan	18	177	-	195	18	177	-	195
Emily Kok (Appointed with effect from 26 April 2022)	1	22	-	23	1	22	-	23
	129*	1,183	29	1,341	74*	771	29	874
Total Directors' remuneration	10,618	1,183	52	11,853	10,563	771	52	11,386
Directors of subsidiaries	12,536	4,441	209	17,186				

* Directors' meeting allowances

Notes to the Financial Statements

for the financial year ended 30 June 2022

41 DIRECTORS' REMUNERATION (continued)

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

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 2022

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 (2021: RM10 million). The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group was RM84,550 (2021: RM71,250) and the apportioned amount of the said premium paid by the Company was RM4,228 (2021: RM3,563).

The movement and details of the Directors of the Company in office and interests in shares and share options are reported in the Directors' Report.

Included in the Non-Executive Directors' remunerations are amounts paid to Directors in their capacities as Executive Directors for certain subsidiary companies.

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

42 Taxation

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income tax:					
- Current year		1,139,477	921,966	418	-
- Over accrual in prior years		(29,083)	(210,093)	(122)	-
		1,110,394	711,873	296	-
Deferred taxation:					
- Current year		51,342	(250,687)	(45)	(101)
- (Over)/under accrual in prior years		(4,618)	133,960	-	-
	24	46,724	(116,727)	(45)	(101)
Taxation		1,157,118	595,146	251	(101)

Notes to the Financial Statements

for the financial year ended 30 June 2022

42 TAXATION (continued)

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before taxation	4,839,979	3,971,507	807,923	529,842
Tax calculated at a rate of 24% (2021: 24%)	1,161,595	953,162	193,902	127,162
Additional tax rate of 9% in excess of RM100.0 million (Note)	309,949	-	-	-
Tax effects of:				
- Differences in tax rate of foreign inward and offshore insurance	(278)	(966)	-	-
- Income not subject to tax	(98,830)	(133,440)	(223,371)	(171,862)
- Share of net income of associated companies	(266,102)	(195,788)	-	-
- Expenses not deductible for tax purposes	86,220	117,010	29,842	44,599
- Over accrual in prior years	(33,701)	(76,133)	(122)	-
- Recognition of unutilised tax credit previously not recognised	(1,332)	(68,516)	-	-
- Origination of temporary differences not recognised	(403)	(183)	-	-
Taxation	1,157,118	595,146	251	(101)

In order to support the Government's initiative to assist parties affected by the pandemic, it has been proposed in Budget 2022 that for year of assessment ('YA') 2022, a special one-off tax which is called 'Cukai Makmur' will be imposed on non-micro, small and medium enterprise companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100.0 million will be charged an income tax rate of 33% for YA 2022.

Under the Malaysian Finance Act 2021 which was gazetted on 31 December 2021, the Group's unutilised tax losses can be utilised up to a maximum of ten consecutive years effective retrospectively from YA 2019.

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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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Weighted average number of ordinary shares ('000)	1,133,882	1,133,791	1,137,974	1,137,881
Net profit attributable to owners of the parent	2,452,209	2,265,254	807,672	529,943
Basic earnings per share (sen)	216.3	199.8	71.0	46.6

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	
	2022 RM'000	2021 RM'000
Interim dividend of 15.0 sen per share in respect of the financial year ended 30 June 2022	170,706	-
Interim dividend of 10.8 sen per share in respect of the financial year ended 30 June 2021	-	122,891
Final dividend of 29.2 sen per share in respect of the financial year ended 30 June 2021	332,261	-
Final dividend of 25.0 sen per share in respect of the financial year ended 30 June 2020	-	284,470
	502,967	407,361

The Directors have declared a final single-tier dividend of 31.0 sen per share in respect of the financial year ended 30 June 2022. 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 2023.

Notes to the Financial Statements

for the financial year ended 30 June 2022

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 its customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The notional/principal amount of the commitments and contingencies constitute the following:

	The Group	
	2022 RM'000	2021 RM'000
Commitments and contingencies		
Direct credit substitutes*	138,103	172,600
Certain transaction related contingent items	2,024,547	1,676,061
Short-term self liquidating trade related contingencies	853,412	671,759
Obligations under underwriting agreement	7,140	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- more than one year	-	30,000
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:		
- less than one year	919,747	911,550
Irrevocable commitments to extend credit:		
- less than one year	23,913,907	23,767,882
- more than one year	17,538,803	20,459,242
Unutilised credit card lines	7,090,121	7,419,464
	52,485,780	55,108,558
Derivative financial instruments		
Foreign exchange related contracts [^] :		
- less than one year	58,120,986	65,568,146
- one year to less than five years	5,944,644	5,104,301
- five years and above	396,495	361,486
Interest rate related contracts [^] :		
- less than one year	35,859,070	119,693,163
- one year to less than five years	55,088,368	34,095,456
- five years and above	4,308,323	4,387,355
Equity related contracts [^] :		
- less than one year	245,878	247,217
- one year to less than five years	102,899	121,619
- five years and above	270,542	255,112
Credit related contracts [^] :		
- five years and above	938,327	652,187
Commodity related contracts:		
- less than one year	438,428	55,088
- one year to less than five years	493,416	39,881
	162,207,376	230,581,011
	214,693,156	285,689,569

Notes to the Financial Statements

for the financial year ended 30 June 2022

45 COMMITMENTS AND CONTINGENCIES (continued)

(a) Group related commitments and contingencies (continued)

* Included in direct credit substitutes are the financial guarantee contracts of RM79,527,616 (2021: RM121,815,003), 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	
	2022 RM'000	2021 RM'000
Authorised and contracted for	95,606	102,815
Authorised but not contracted for	21,785	29,608
	117,391	132,423

47 ULTIMATE HOLDING COMPANY

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

Notes to the Financial Statements

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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 2021, 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 2021 or a three year period beginning 2021. Prior to this revision, BNM issued a letter dated 24 March 2021, 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	
	2022	2021	2022	2021	2022	2021	2022	2021
Before deducting proposed dividends								
CET 1 capital ratio	12.025%	11.866%	13.935%	14.030%	13.912%	13.911%	39.445%	50.575%
Tier 1 capital ratio	13.220%	12.801%	15.050%	14.561%	14.999%	14.245%	39.445%	50.575%
Total capital ratio	16.130%	15.697%	17.176%	16.703%	17.051%	16.301%	50.437%	61.409%
After deducting proposed dividends								
CET 1 capital ratio	11.792%	11.643%	13.428%	13.552%	13.266%	13.307%	35.367%	34.419%
Tier 1 capital ratio	12.987%	12.578%	14.543%	14.083%	14.353%	13.642%	35.367%	34.419%
Total capital ratio	15.897%	15.474%	16.669%	16.224%	16.404%	15.697%	46.359%	45.253%

Notes to the Financial Statements

for the financial year ended 30 June 2022

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 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	20,937,790	19,213,037	22,727,982	20,751,376	15,120,482	14,139,555	287,881	389,376
Other reserves	651,730	1,108,509	592,754	1,217,660	(283,282)	366,088	(19,792)	1,514
Qualifying non-controlling interests	6,896,206	6,410,633	-	-	-	-	-	-
Less: Treasury shares	(236,039)	(238,970)	(713,690)	(719,030)	(713,690)	(719,030)	-	-
Less: Other intangible assets	(309,817)	(245,593)	(304,749)	(242,317)	(269,645)	(218,277)	-	-
Less: Goodwill	(2,346,287)	(2,346,287)	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(33,638)	(31,745)
Less: Deferred tax assets	-	-	(528,771)	(275,670)	(403,666)	(183,513)	(110,559)	(121,199)
Less: Investment in subsidiary companies/associated companies	(9,640,457)	(8,491,639)	(6,455,474)	(5,501,542)	(2,794,291)	(2,725,221)	(200)	(200)
Total CET 1 capital	18,220,134	17,676,698	21,225,803	21,138,228	16,623,424	16,627,118	376,642	490,696
Tier 1 capital								
Multi-currency Additional Tier 1 capital securities	799,932	799,813	1,698,839	799,785	1,698,839	799,785	-	-
Qualifying non-controlling interests	1,011,415	594,101	-	-	-	-	-	-
Tier 1 capital before regulatory adjustments	1,811,347	1,393,914	1,698,839	799,785	1,698,839	799,785	-	-
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	-	(400,000)	(400,000)	-	-
Tier 1 capital after regulatory adjustments	1,811,347	1,393,914	1,698,839	799,785	1,298,839	399,785	-	-
Total Tier 1 capital	20,031,481	19,070,612	22,924,642	21,938,013	17,922,263	17,026,903	376,642	490,696
Tier 2 Capital								
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	1,718,509	1,695,147	1,738,471	1,726,493	1,350,820	1,356,795	4,952	5,115
Subordinated obligations	1,599,900	1,599,861	1,499,970	1,499,970	1,499,970	1,499,970	100,000	100,000
Qualifying non-controlling interests	1,090,639	1,019,015	-	-	-	-	-	-
Less: Investment in Tier 2 subordinated sukuk murabahah	-	-	-	-	(400,000)	(400,000)	-	-
Total Tier 2 capital	4,409,048	4,314,023	3,238,441	3,226,463	2,450,790	2,456,765	104,952	105,115
Total capital	24,440,529	23,384,635	26,163,083	25,164,476	20,373,053	19,483,668	481,594	595,811

Notes to the Financial Statements

for the financial year ended 30 June 2022

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Credit risk*	137,480,719	135,611,721	139,077,644	138,119,456	108,065,582	108,543,591	396,120	409,205
Market risk	4,254,505	4,167,709	3,917,894	3,778,671	3,934,497	3,895,661	217,123	248,108
Operational risk	9,789,061	9,194,803	9,327,630	8,761,958	7,485,705	7,087,877	341,603	312,925
Total RWA	151,524,285	148,974,233	152,323,168	150,660,085	119,485,784	119,527,129	954,846	970,238

* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM1,899,820,000 (2021: RM847,370,000) 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	
	2022	2021
Before deducting proposed dividends		
CET 1 capital ratio	11.176%	11.133%
Tier 1 capital ratio	12.550%	12.535%
Total capital ratio	15.101%	15.112%
After deducting proposed dividends		
CET 1 capital ratio	11.176%	11.133%
Tier 1 capital ratio	12.550%	12.535%
Total capital ratio	15.101%	15.112%

Notes to the Financial Statements

for the financial year ended 30 June 2022

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 |

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for the financial year ended 30 June 2022

49 SEGMENTAL INFORMATION (continued)

Business segment reporting

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

The Group 2022	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	5,575,202	222,478	475,131	(21,295)	-	6,251,516
Inter-segment revenue	22,206	882	1,414	816,261	(840,763)	-
Segment revenue	5,597,408	223,360	476,545	794,966	(840,763)	6,251,516
Overhead expenses of which:	(2,098,376)	(126,841)	(161,133)	12,946	15,194	(2,358,210)
Depreciation of property and equipment	(121,499)	(4,036)	(3,785)	(785)	-	(130,105)
Amortisation of intangible assets	(53,962)	(1,884)	(3,143)	(38)	-	(59,027)
(Allowance for)/writeback of impairment losses on loans, advances and financing	(163,574)	457	-	-	-	(163,117)
Writeback of/(allowance for) impairment losses on other assets	851	196	(16)	-	-	1,031
Segment results	3,336,309	97,172	315,396	807,912	(825,569)	3,731,220
Share of results of associated companies	1,030,491	-	78,268	-	-	1,108,759
Profit before taxation	4,366,800	97,172	393,664	807,912	(825,569)	4,839,979
Taxation						(1,157,118)
Net profit for the financial year						3,682,861
Non-controlling interests						(1,230,652)
Profit attributable to owners of the parent						2,452,209
Other information						
Segment assets	254,331,377	4,276,873	27,237,632	19,501,749	(18,426,814)	286,920,817
Segment liabilities	223,342,401	3,331,880	23,268,856	2,840,682	(1,852,726)	250,931,093
Other significant segment items						
Capital expenditure	151,120	7,220	17,083	2,541	-	177,964

Note:

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

Notes to the Financial Statements
for the financial year ended 30 June 2022

49 SEGMENTAL INFORMATION (continued)

Business segment reporting (continued)

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

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						<u>2,265,254</u>
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 2022

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
2022				
Malaysia	5,825,813	266,930,759	232,285,684	147,712
Overseas operations	425,703	19,990,058	18,645,409	30,252
	6,251,516	286,920,817	250,931,093	177,964
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

50 SIGNIFICANT RELATED PARTY TRANSACTIONS**(a) Related parties and relationship**

In addition to the related party disclosures mentioned elsewhere in the financial statements, other significant related parties transactions and their relationship with the Company are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
HLCM Capital Sdn Bhd, HL Management Co Sdn Bhd and Hong Leong Share Registration Services Sdn Bhd	Subsidiary companies of ultimate holding company
Guardian Security Consultants Sdn Bhd ("GSC")	Associated company of ultimate holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("HLI Group")	Subsidiary and associated companies of ultimate holding company
Malaysian Pacific Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("MPI Group")	Subsidiary and associated companies of ultimate holding company

Notes to the Financial Statements
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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 Cement Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("Hume Group")	Subsidiary and associated companies of ultimate holding company
HLMG Management Co Sdn Bhd	Subsidiary companies of ultimate holding company
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements ("GGL Group")	Substantial shareholder
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements ("GLM Group")	Subsidiary and associated companies of substantial shareholder
Subsidiary companies of the Company as disclosed in Note 11	Subsidiary companies of the Company
Key management personnel	The key management personnel of the Group and the Company consists of: <ul style="list-style-type: none"> - 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

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50 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions

Transactions with related parties are as follows:

2022	The Group			
	Parent company RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Interest on deposits	-	329	-	-
Interest on loans	-	-	3,446	3
Dividend income	-	-	2,609	-
Rental income	-	117	1,729	-
Brokerage fee received	-	-	418	46
Insurance premium received	-	531	7,364	-
Commission on product	-	12,810	-	-
Others	-	-	1,340	315
	-	13,787	16,906	364
Expenditure				
Rental and maintenance	-	-	9,533	-
Interest on deposits	-	-	-	14
Interest paid on short-term placements	-	-	3,657	2,340
Interest paid on current account and fixed deposits	-	-	1	-
Management fees	-	-	50,335	-
Insurance expenses	-	2,171	4,047	-
Other miscellaneous expenses	-	984	9,215	-
	-	3,155	76,788	2,354
Amount due from:				
Current account	-	21,809	-	-
Loans	-	-	87,745	-
Redeemable preference shares	-	-	25,000	-
Insurance premium receivable	-	-	5,765	-
Credit card	-	-	-	126
Others	-	-	8,498	-
	-	21,809	127,008	126
Amount due to:				
Current account and fixed deposits	-	-	6,032	9,245
Short-term placements	-	-	199,008*	148,466
Others	-	-	25,263	-
	-	-	230,303	157,711

* Transaction with subsidiary companies of ultimate holding company

Notes to the Financial Statements
for the financial year ended 30 June 2022

50 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

2021	The Group			
	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:				
Current account	-	22,461	-	-
Loans	-	-	112,785	-
Redeemable preference shares	-	-	25,000	-
Insurance premium receivable	-	-	1,439	-
Credit card	-	-	-	109
Others	-	-	164	-
	-	22,461	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

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50 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

2022	The Company			
	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Dividend income	-	820,911	-	-
Interest on deposits	-	87	-	-
Lease income - sublease	-	203	-	-
Interest on debt instruments	-	110,230	-	-
Management and Outsourcing	-	8,802	-	-
Other Income	-	197	-	-
	-	940,430	-	-
Expenditure				
Insurance	-	88	31	-
Management fees	-	-	2,130	-
Interest on lease liabilities	-	245	-	-
Other miscellaneous expenses	-	672	468	-
	-	1,005	2,629	-
Amount due from:				
Money at call and deposit placements	-	17,391	-	-
Amount due to:				
Lease liabilities	-	4,249	-	-

Notes to the Financial Statements
for the financial year ended 30 June 2022

50 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

2021	The Company			
	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	-	-

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

	The Group	
	2022 RM'000	2021 RM'000
The approved limit on loans, advances and financing for key management personnel	2,402	2,402

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50 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)**(c) Key management personnel**Key management compensation

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Salaries and other short-term employee benefits	13,239	13,509	12,773	12,990
Executive share schemes expenses	(18,660)	7,264	(18,660)	7,264

Included in the above is the Directors' compensation which is disclosed in Note 41.

Loans made to key management personnel of the Group is on similar terms and conditions generally available to other employees within the Group. No specific allowances were required for loans made to key management personnel.

51 FINANCIAL INSTRUMENTS**(a) Financial risk management objectives and policies**

The Group's financial risk management policies are adopted from its main operating subsidiary companies which are involved in banking and finance, securities and insurance related business.

The Board of Directors ("The Board") of each main operating subsidiary company has the overall responsibility to ensure there is proper oversight of the management of risks in each of the subsidiary company. The Board sets the risk appetite and tolerance level that are consistent with each subsidiary company's overall business objectives and desired risk profile. A number of committees and dedicated risk management functions have been established to address and manage specific areas of risk and implement various risk management policies and procedures.

Specifically, a Board Audit and Risk Management Committee ("BARMC") comprising members of the Directors, has been set up to oversee that risk management at all levels is being managed effectively. They, in turn, report all the risk management activities to the Directors.

Commercial Banking**Group Risk Management ("GRM")**

The Banking Group has implemented risk management framework with the objective to ensure the overall financial soundness and stability of the Banking Group's business operations. The Banking Group's risk management framework outlines the overall governance structure, aspiration, values and risk management strategies which aligns the Banking Group's risk profile, capital strategies and return objectives. Appropriate methodologies and measurements have been developed to manage uncertainties such that deviations from intended strategic objectives are closely monitored and kept within tolerable levels.

Notes to the Financial Statements

for the financial year ended 30 June 2022

51 FINANCIAL INSTRUMENTS (continued)

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

Commercial Banking (continued)

Group Risk Management (“GRM”) (continued)

From a governance perspective, the Board has the overall responsibility to define the Banking Group’s risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is assisted by the Board Risk Management Committee (“BRMC”) in approving the Banking Group’s risk management framework as well as the attendant capital management and planning policy, risk appetite statements, risk management strategies and risk policies.

Dedicated management level committees are established by the Banking Group to oversee the development and the effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

BRMC is supported by the GRM function. The GRM function has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Banking Group. The core functions of the Banking Group’s GRM function is to support line management in identification and management of key and emerging risks for the Banking Group, to measure these risks, to manage the risk positions and to determine the optimum capital allocations. The Banking Group regularly reviews its risk management framework to reflect changes in markets, products, regulatory and emerging best market practice.

Credit Risk Management

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfil their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Banking Group. The Banking Group has established a credit risk governance policy to ensure that exposure to credit risk is kept within the Banking Group’s financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines that are reviewed and concurred by the Management Credit Committee (“MCC”), endorsed by the Credit Supervisory Committee (“CSC”) and the BRMC, and approved by the Board. These policies are subject to review and enhancements, at least on an annual basis.

Credit portfolio strategies and significant exposures are reviewed by both the BRMC and the Board. These portfolio strategies are designed to achieve a desired portfolio risk tolerance level and sector distribution.

The Banking Group’s credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While the business units are responsible for credit origination, the credit approving function rests mainly with the Credit Evaluation Departments, the MCC and the CSC. The Board delegates approving and discretionary authority to the MCC and the various personnel of the Banking Group based on job function and designation.

For any new products, credit risk assessment also forms part of the new product sign-off process to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

Notes to the Financial Statements

for the financial year ended 30 June 2022

51 FINANCIAL INSTRUMENTS (continued)

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

Commercial Banking (continued)

Credit Risk Management (continued)

The Banking Group's exposure to credit risk is mainly from its retail, small and medium enterprise ("SME"), commercial and corporate customers. The credit assessment for retail customers is managed on a portfolio basis and the risk scoring models and lending templates are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts. The SME, commercial and corporate customers are individually assessed and assigned with a credit rating, which is based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered.

In addition, the Banking Group also conducts periodic stress testing of its credit portfolios to ascertain credit risk impact to capital under the relevant stress scenarios.

Independent Credit Review Team conducts independent post approval reviews on sampling basis to ensure that quality of credit appraisals, approval standards and operational robustness are in accordance with the credit standards, lending policies and the directives established and approved by the Banking Group's management.

Market Risk Management

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

The Banking Group adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. Value at Risk ("VaR"), set in accordance with the size of positions and risk tolerance appetites.

Portfolios held under the Banking Group's trading books are tracked using daily mark-to-market positions, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using VaR and other measurements.

Foreign exchange risks arising from adverse exchange rate movements, is managed by the setting of preset limits, matching of open positions against these preset limits and imposition of cut-loss mechanisms.

Interest rate risk is identified, measured and controlled through various types of limit. In addition, the Banking Group regularly review the interest rate outlook and develop strategies to protect the total net interest income from adverse changes in market interest rates. This applies to both interest rate risk exposures in the trading book and the banking book. In managing interest rate risk in the banking book, the Banking Group measures earnings at risk and economic value or capital at risk.

In addition, the Banking Group also conducts periodic stress testing of the respective portfolios and on an overall basis to ascertain market risk under abnormal market conditions.

Notes to the Financial Statements

for the financial year ended 30 June 2022

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.

Crisis Related Risk Management

Crisis related risk is the risk of loss arising from increased volatility and uncertainty, resulting in impact to the Banking Group's customers, financial markets and interruption on the Banking Group's operations. Such loss could arise from disruptive events such as a global pandemic, catastrophic climate change effects, geopolitical tensions and uncertainties surrounding the global economic outlook.

The Banking Group has put in place a strategic plan to ensure that its operations and services are maintained fully functional in the event of a crisis. Emerging from the COVID-19 pandemic, the Banking Group remains cognizant of the need to continuously build and maintain resilience, through close and active monitoring of potentially high impact events in the short term and longer term horizon. The Banking Group continuously simulates and tests our preparedness to navigate through crisis conditions and has subjected its Business Continuity Management ("BCM") plans and processes through challenges based on various scenarios. Consequently, the Banking Group continuously enhances its BCM plans and processes to strengthen its resilience to endure future crises.

Environment, Social and Governance Risk Management

Environment, Social and Governance ("ESG") Risks are a complex collective action problem that gives rise to financial loss arising from current or prospective impacts of ESG factors. Financial risks may arise from Physical, Transition and Liability Risk which spreads across most key assets of the Banking Group.

Notes to the Financial Statements

for the financial year ended 30 June 2022

51 FINANCIAL INSTRUMENTS (continued)

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

Commercial Banking (continued)

Environment, Social and Governance Risk Management (continued)

The Banking Group has integrated ESG and sustainability considerations within its business practices to ensure creation of long-term socioeconomic benefits for the communities it serves. The Banking Group has in place a Sustainability Risk Governance Framework which is aligned to the Banking Group's overall Risk Management Framework. This provides a structured approach towards identifying, evaluating, quantifying, monitoring, mitigating and reporting ESG risks.

Although ESG presents risks, the Banking Group has introduced initiatives that mitigate and adapt to these risks which allows it to capitalise on potential opportunities to enhance resource efficiencies, adopt low-emission energy sources, develop new green products and services, access new markets and further strengthen its resiliency against risks in general.

Recognising the urgency for financial institutions to accelerate efforts to manage climate-related risks, the Banking Group has established ESG related strategies, practices, processes and procedures to ensure it is able to continue to deliver long-term value to its stakeholders in tandem with ESG related developments and aspirations.

Investment Banking

Risk management is one of the core activities of the Investment Banking Group to strike a balance between sound practices and risk-return. An effective risk management is therefore vital to ensure that the Investment Banking Group conducts its business in a prudent manner to ensure that the risk of potential losses is reduced.

Market risk

Market risk is the risk of loss arising from adverse fluctuation in market prices, such as interest rates, equity prices and foreign currency. The Investment Banking Group monitors all such exposures arising from trading activities of the treasury and stockbroking business activities on a daily basis and management is alerted on the financial impact of these risks. To mitigate market risk, the Group also uses derivative financial instruments.

The Investment Banking Group has in place a set of policies, guidelines, measurement methodologies and control limits which includes Value-at-Risk ("VaR"), Present-Value-Basis-Point ("PVBP"), Management Action Trigger ("MAT"), notional limits and concentration limits to mitigating market risk.

Stress testing is also employed to capture the potential market risk exposures from unexpected market movements. Concerns and significant findings are communicated to the senior management at the Assets and Liabilities Management Committee ("ALMCO") and to the Board.

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.

Notes to the Financial Statements

for the financial year ended 30 June 2022

51 FINANCIAL INSTRUMENTS (continued)

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

Investment Banking (continued)

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, credit limits and monitoring procedures. Credit risk includes settlement risk, default risk and concentration risk. Exposure to credit risk arises mainly from financing, underwriting, securities and derivative exposures of the Investment Banking Group.

The Investment Banking Group has set out Board approved policies and guidelines for the management of credit risk. To oversee all credit related matters of the Investment Banking Group, the Management Credit and Underwriting Committee ("MCUC") was setup in 2011 in addition to an independent Credit Department.

The Board has delegated appropriate Delegation of Authority to the MCUC and senior management for the approval of credit facilities. Credit limit setting for Treasury activities are endorsed by the MCUC and approved by the Board at least annually. Adherence to established credit policies, guidelines and limits is monitored daily by the Credit Control Department, Credit Department and the Risk Management Department.

Insurance

Insurers have to comply with the Malaysian Insurance Act and Regulations, including guidelines on investments. The Board of Directors is responsible for formulating policies and overseeing the major risks including those risks associated with the Financial Instruments described below.

The responsibility for the formulation, establishment and approval of the Insurance Group's investment policies rests with the Board of Directors as reported in the Corporate Governance Framework in the Directors' Report. The deployment and execution of the investment policies is delegated to the Investment Committee ("IC") in which the members are appointed by the Board of Directors. The IC oversees the formulation of investment and risk strategy and asset allocation to determine the optimum risk and return profile.

Risk limits are in place at various levels and monitored by a risk manager to ensure all investment securities are compatible with the Insurance Group's investment principles and philosophy. Sensitivity and stress tests are carried out on a regular basis to assess the resilience of the investment portfolios and the impact on the Insurance Group's solvency. The Insurance Group's Asset and Liability Management ("ALM") model is being deployed to address the Insurance Group's assets and liabilities match. The ALM model will enable management to assess the long-term impact of the investment strategy, asset mix and product pricing strategy on the Insurance Group's financial ability to meet its future obligations.

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 2022

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.

(b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates, foreign currency rates and equity risk, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Company as at financial year end.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Company proactively seek to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

Notes to the Financial Statements
for the financial year ended 30 June 2022

51 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(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
2022				
+100 basis points ("bps")	(119,364)	(820,663)	(143)	-
-100 bps	154,348	855,647	143	-
2021				
+100 bps	(127,371)	(1,088,491)	(181)	-
-100 bps	154,983	1,116,103	181	-

(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	
	2022 RM'000	2021 RM'000
United States Dollar ("USD")	(213,099)	707,221
Euro ("EUR")	7,263	(143,486)
Great Britain Pound ("GBP")	3,917	8,974
Singapore Dollar ("SGD")	(25,614)	24,089
Chinese Yuan Renminbi ("CNY")	(226,826)	212,251
Hong Kong Dollar ("HKD")	389,321	453,212
Japanese Yen ("JPY")	5	29
Australian Dollar ("AUD")	21,641	(55,083)
Others	295,796	244,886
	252,404	1,452,093

Notes to the Financial Statements

for the financial year ended 30 June 2022

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)	
	2022 RM'000	2021 RM'000
+ 1%		
United States Dollar ("USD")	1,849	3,366
Euro ("EUR")	(55)	(1,091)
Great Britain Pound ("GBP")	(26)	66
Singapore Dollar ("SGD")	2,664	253
Chinese Yuan Renminbi ("CNY")	1,726	1,613
Hong Kong Dollar ("HKD")	2,542	(646)
Australian Dollar ("AUD")	(165)	(389)
Others	(2,216)	1,862
	6,319	5,034
- 1%		
United States Dollar ("USD")	(1,849)	(3,366)
Euro ("EUR")	55	1,091
Great Britain Pound ("GBP")	26	(66)
Singapore Dollar ("SGD")	(2,664)	(253)
Chinese Yuan Renminbi ("CNY")	(1,726)	(1,613)
Hong Kong Dollar ("HKD")	(2,542)	646
Australian Dollar ("AUD")	165	389
Others	2,216	(1,862)
	(6,319)	(5,034)

Notes to the Financial Statements
for the financial year ended 30 June 2022

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
2022		
+ 20% change in equity market price	99,854	91,738
- 20% change in equity market price	(99,854)	(91,738)
2021		
+ 20% change in equity market price	94,140	84,648
- 20% change in equity market price	(94,140)	(84,648)

Notes to the Financial Statements

for the financial year ended 30 June 2022

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.

2022	The Group						Trading book RM'000	Total RM'000
	Non-trading book					Non-interest/ profit rate sensitive RM'000		
	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			
Financial assets								
Cash and short-term funds	8,007,675	291,195	-	-	-	1,307,024	-	9,605,894
Deposits and placements with banks and other financial institutions	-	926,643	367,258	-	-	6,845	-	1,300,746
Financial assets at fair value through profit or loss	-	15,264	6,806	195,032	634,820	3,309,683	25,309,024	29,470,629
Financial investments at fair value through other comprehensive income	921,028	1,023,891	905,341	19,396,428	4,892,707	313,548	-	27,452,943
Financial investments at amortised cost	4,370,742	230,080	1,203,719	22,373,916	5,067,716	362,684	-	33,608,857
Derivative financial instruments								
- Trading derivatives	-	-	-	-	-	-	1,891,782	1,891,782
- Hedging derivatives	-	-	-	707	9,680	-	-	10,387
Loans, advances and financing								
- Performing	140,557,250	732,314	1,470,703	8,977,056	14,659,740	296,137	-	166,693,200
- Impaired [^]	69,568	5,164	6,489	52,546	350,336	-	-	484,103
Clients' and brokers' balances	-	-	-	-	-	722,181	-	722,181
Other receivables	126,102	157	705	3,134	-	2,214,173	-	2,344,271
Statutory deposits with Central Banks	-	-	-	-	248,512	272,138	-	520,650
Total financial assets	154,052,365	3,224,708	3,961,021	50,998,819	25,863,511	8,804,413	27,200,806	274,105,643

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

Notes to the Financial Statements

for the financial year ended 30 June 2022

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)

2022	The Group						Trading book	Total
	Non-trading book					Non-interest/ profit rate sensitive		
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities								
Deposits from customers	79,144,766	35,679,741	37,937,516	4,727,875	1,704,736	38,188,287	-	197,382,921
Investment accounts of customers	975,190	1,457,150	226,629	-	-	9,439	-	2,668,408
Deposits and placements of banks and other financial institutions	4,872,554	1,209,531	534,761	1,557,628	21,973	33,038	-	8,229,485
Obligations on securities sold under repurchase agreements	1,117,131	2,662,226	-	-	187,726	4,221	-	3,971,304
Bills and acceptance payable	3,044	15,461	11,389	-	-	211,467	-	241,361
Derivative financial instruments								
- Trading derivatives	-	-	-	-	-	-	1,764,532	1,764,532
- Hedging derivatives	-	361	-	113	-	-	-	474
Clients' and brokers' balances	-	-	-	-	-	306,901	-	306,901
Payables and other liabilities	2,209	434	13,850	183	-	11,519,770	125,386	11,661,832
Recourse obligations on loans/financing sold to Cagamas Berhad	-	362,918	600,039	650,012	-	10,967	-	1,623,936
Provision for claims	-	-	-	-	-	319,045	18,960	338,005
Borrowings	210,000	-	-	200,073	-	1,858	-	411,931
Multi-currency Additional Tier 1 capital securities	-	-	799,916	892,649	3,282	20,002	-	1,715,849
Subordinated obligations	-	-	499,970	1,150,000	548,345	8,768	-	2,207,083
Lease liabilities	3,970	7,736	33,853	145,483	8,661	7,960	4,936	212,599
Insurance funds	-	-	-	-	-	17,444,519	79,670	17,524,189
Total financial liabilities	86,328,864	41,395,558	40,657,923	9,324,016	2,474,723	68,086,242	1,993,484	250,260,810
Net interest sensitivity gap	67,723,501	(38,170,850)	(36,696,902)	41,674,803	23,388,788			
Financial guarantees	-	-	-	-	-	745,430	-	
Credit related commitments and contingencies	-	-	-	-	-	49,469,718	-	
Treasury related commitments and contingencies (hedging)	-	-	100,000	476,190	86,905	-	-	
Net interest sensitivity gap	-	-	100,000	476,190	86,905	50,215,148		

Notes to the Financial Statements

for the financial year ended 30 June 2022

51 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

	The Group							Trading book	Total
	Non-trading book					Non-interest/			
2021	Up to 1 month	>1 - 3 months	>3 -12 months	>1 - 5 years	Over 5 years	profit rate sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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 2022

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)

2021	The Group						Trading book RM'000	Total RM'000
	Non-trading book							
	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		
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 2022

51 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Company's exposure to interest/profit rate risks. Included in the tables are the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

	The Company							Trading book RM'000	Total RM'000
	Non-trading book					Non-interest sensitive RM'000			
2022	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				
Financial assets									
Cash and short-term funds	26,609	-	-	-	-	-	-	26,609	
Deposits and placements with banks and other financial institutions	-	3,360	-	-	-	-	-	3,360	
Other receivables	78	157	705	3,134	-	1,271	-	5,345	
Total financial assets	26,687	3,517	705	3,134	-	1,271	-	35,314	
Financial liabilities									
Payables and other liabilities	315	-	12,831	-	-	1,722	-	14,868	
Borrowings									
- Revolving credit	100,000	-	-	-	-	75	-	100,075	
- Commercial papers	110,000	-	-	-	-	(80)	-	109,920	
- Senior notes	-	-	-	200,000	-	1,863	-	201,863	
Multi-currency Additional Tier 1 capital securities	-	-	400,000	400,000	-	6,431	-	806,431	
Subordinated obligations	-	-	-	-	1,600,000	1,624	-	1,601,624	
Lease liabilities	73	147	676	3,353	-	-	-	4,249	
Total financial liabilities	210,388	147	413,507	603,353	1,600,000	11,635	-	2,839,030	
Net interest sensitivity gap	(183,701)	3,370	(412,802)	(600,219)	(1,600,000)				

Notes to the Financial Statements

for the financial year ended 30 June 2022

51 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Company's exposure to interest/profit rate risks. Included in the tables are the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

	The Company							Trading book RM'000	Total RM'000
	←	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			
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 2022

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							Total RM'000
	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	
2022								
Assets								
Cash and short-term funds	5,306,682	3,881,384	291,195	-	-	-	126,633	9,605,894
Deposits and placements with banks and other financial institutions	-	100,021	831,311	366,214	3,139	-	61	1,300,746
Financial assets at fair value through profit or loss	316,574	1,110,143	1,110,675	388,372	244,068	18,598,072	7,702,725	29,470,629
Financial investments at fair value through other comprehensive income	399,843	522,737	1,011,973	134,190	616,442	24,684,372	83,386	27,452,943
Financial investments at amortised cost	96,866	4,352,807	251,194	255,838	1,014,103	27,638,049	-	33,608,857
Derivative financial instruments	46,061	164,821	433,512	138,025	123,545	996,205	-	1,902,169
Loans, advances and financing	13,501,595	8,377,197	5,183,381	2,808,015	1,036,259	136,270,856	-	167,177,303
Clients' and brokers' balances	316,276	-	-	-	405,905	-	-	722,181
Other receivables	1,344,550	13,623	17,632	23,109	49,043	6,275	977,268	2,431,500
Statutory deposits with Central Banks	-	-	-	-	-	-	520,650	520,650
Tax recoverable	-	-	-	-	5,742	-	520	6,262
Investment in associated companies	-	-	-	-	-	-	7,660,825	7,660,825
Deferred tax assets	-	-	-	-	56,596	-	308,335	364,931
Property and equipment	-	-	-	-	-	-	1,274,380	1,274,380
Investment properties	-	-	-	-	-	-	471,610	471,610
Goodwill arising on consolidation	-	-	-	-	-	-	2,410,644	2,410,644
Intangible assets	-	-	-	-	-	-	324,938	324,938
Right-of-use assets	-	78	157	235	470	3,135	210,280	214,355
Total assets	21,328,447	18,522,811	9,131,030	4,113,998	3,555,312	208,196,964	22,072,255	286,920,817

Notes to the Financial Statements

for the financial year ended 30 June 2022

51 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

2022	The Group							Total RM'000
	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	
Liabilities								
Deposits from customers	85,184,711	29,884,970	35,877,471	18,088,407	20,068,312	8,279,050	-	197,382,921
Investment accounts of customers	232,455	744,106	1,463,800	105,564	122,483	-	-	2,668,408
Deposits and placements of banks and other financial institutions	3,030,676	1,872,390	1,210,850	419,733	116,236	1,579,600	-	8,229,485
Obligations on securities sold under repurchase agreements	96,323	1,022,185	2,664,629	-	-	188,167	-	3,971,304
Bills and acceptances payable	143	2,901	15,461	11,382	8	-	211,466	241,361
Derivative financial instruments	44,133	81,964	139,983	126,527	65,384	1,307,015	-	1,765,006
Clients' and brokers' balances	306,901	-	-	-	-	-	-	306,901
Payables and other liabilities	5,456,674	1,775,319	130,674	8,822	4,520,956	20,167	88,402	12,001,014
Recourse obligations on loans/financing sold to Cagamas Berhad	-	-	372,882	601,042	-	650,012	-	1,623,936
Provision for claims	-	-	-	-	338,005	-	-	338,005
Provision for taxation	-	-	-	-	22,188	-	308,913	331,101
Borrowings	-	209,996	-	-	-	201,935	-	411,931
Multi-currency Additional Tier 1 capital securities	-	-	4,859	810,360	-	900,630	-	1,715,849
Subordinated obligations	-	-	4,652	2,492	499,970	1,699,969	-	2,207,083
Lease liabilities	316	3,971	8,368	12,305	24,034	163,605	-	212,599
Insurance funds	-	78	183	15,154	6,209,038	11,299,736	-	17,524,189
Total liabilities	94,352,332	35,597,880	41,893,812	20,201,788	31,986,614	26,289,886	608,781	250,931,093
Total equity	-	-	-	-	-	-	35,989,724	35,989,724
Total liabilities and equity	94,352,332	35,597,880	41,893,812	20,201,788	31,986,614	26,289,886	36,598,505	286,920,817
Net liquidity gap	(73,023,885)	(17,075,069)	(32,762,782)	(16,087,790)	(28,431,302)	181,907,078		

Notes to the Financial Statements

for the financial year ended 30 June 2022

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)

2021	The Group							Total RM'000
	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	
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	190,544	19,759	106,011	142,573	520,174	2,119,230
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	11,146,429	5,705,079	5,282,155	201,078,250	19,888,217	273,279,966

Notes to the Financial Statements

for the financial year ended 30 June 2022

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)

2021	The Group							Total RM'000
	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	
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)	(25,621,947)	(18,087,740)	(26,541,819)	177,615,014		

Notes to the Financial Statements

for the financial year ended 30 June 2022

51 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

2022	The Company							Total RM'000
	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	
Assets								
Cash and short-term funds	1,715	24,894	-	-	-	-	-	26,609
Deposits and placements with banks and other financial institutions	-	-	3,360	-	-	-	-	3,360
Other receivables	-	-	1	-	-	2,634	-	2,635
Tax recoverable	-	-	-	-	-	-	492	492
Investment in subsidiary companies	-	-	4,863	404,232	-	-	19,050,333	19,459,428
Deferred tax assets	-	-	-	-	-	-	229	229
Property and equipment	-	-	-	-	-	-	4,803	4,803
Intangible assets	-	-	-	-	-	-	76	76
Right-of-use assets	-	78	157	235	470	3,135	-	4,075
Total assets	1,715	24,972	8,381	404,467	470	5,769	19,055,933	19,501,707
Liabilities								
Payables and other liabilities	-	315	-	995	11,836	1,722	-	14,868
Borrowings								
- Revolving credits	-	100,075	-	-	-	-	-	100,075
- Commercial papers	-	109,920	-	-	-	-	-	109,920
- Senior notes	-	-	-	-	-	201,863	-	201,863
Multi-currency Additional Tier 1 capital securities	-	-	-	401,732	-	404,699	-	806,431
Subordinated obligations	-	-	-	-	-	1,601,624	-	1,601,624
Lease liabilities	-	73	147	223	454	3,352	-	4,249
Total liabilities	-	210,383	147	402,950	12,290	2,213,260	-	2,839,030
Total equity	-	-	-	-	-	-	16,662,677	16,662,677
Total liabilities and equity	-	210,383	147	402,950	12,290	2,213,260	16,662,677	19,501,707
Net liquidity gap	1,715	(185,411)	8,234	1,517	(11,820)	(2,207,491)		

Notes to the Financial Statements

for the financial year ended 30 June 2022

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)

2021	The Company							Total RM'000
	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	
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 asset	-	-	-	-	-	-	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 2022

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					Total RM'000
	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	
2022						
Financial liabilities						
Deposits from customers	61,373,701	40,597,258	48,187,735	47,439,915	2,834,423	200,433,032
Investment accounts of customer	518,105	1,125,721	1,076,127	-	-	2,719,953
Deposits and placements of banks and other financial institutions	5,034,430	1,162,632	592,906	1,062,663	516,938	8,369,569
Obligations on securities sold under repurchase agreements	1,119,639	2,670,623	-	-	-	3,790,262
Bills and acceptances payable	211,666	-	-	-	-	211,666
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(9,451,882)	(5,239,105)	(4,635,703)	(2,728,214)	(113,232)	(22,168,136)
- Outflow	9,568,214	5,357,199	4,768,773	2,877,443	118,371	22,690,000
- Net settled derivatives	112	53,384	280,761	865,118	92,752	1,292,127
Clients' and brokers' balances	306,901	-	-	-	-	306,901
Payables and other liabilities	7,055,631	103,191	4,482,648	15,289	5,072	11,661,831
Recourse obligations on loans/financing sold to Cagamas Berhad	10,498	376,820	626,213	691,934	-	1,705,465
Provision for claims	-	-	338,005	-	-	338,005
Borrowings	528	3,839	7,330	423,776	-	435,473
Multi-currency Additional Tier 1 capital securities	-	19,237	879,864	1,092,300	-	1,991,401
Subordinated obligations	-	7,860	1,131,958	802,594	609,867	2,552,279
Lease liabilities	4,928	11,071	41,256	133,349	50,265	240,869
Insurance funds	78	199	6,309,946	3,908,640	17,030,343	27,249,206
Total financial liabilities	75,752,549	46,249,929	64,087,819	56,584,807	21,144,799	263,819,903

Notes to the Financial Statements

for the financial year ended 30 June 2022

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					Total RM'000
	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	
2021						
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 2022

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					Total RM'000
	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	
2022						
Financial liabilities						
Payables and other liabilities	315	-	12,831	-	1,721	14,867
Borrowings						
- Revolving credit	302	600	2,644	101,249	-	104,795
- Commercial papers	226	412	1,813	113,912	-	116,363
- Senior notes	-	2,827	2,873	208,542	-	214,242
Multi-currency Additional Tier 1 capital securities	-	9,719	420,107	419,333	-	849,159
Subordinated obligations	-	-	571,882	1,147,430	-	1,719,312
Total financial liabilities	843	13,558	1,012,150	1,990,466	1,721	3,018,738
2021						
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 2022

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
2022			
Direct credit substitutes	137,903	200	138,103
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	919,747	-	919,747
Short-term self liquidating trade related contingencies	607,327	-	607,327
Obligations under underwriting agreement	7,140	-	7,140
Irrevocable commitments to extend credit	23,913,907	17,538,803	41,452,710
Unutilised credit card lines	7,090,121	-	7,090,121
Total commitments and contingencies	32,676,145	17,539,003	50,215,148
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

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 2022

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 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)	9,530,886	12,345,550	29,969	13,974
Financial assets and investments portfolios (exclude shares and unit trust investments)				
- Financial investments at FVOCI	27,369,557	35,731,964	-	-
- Financial investments at amortised cost	33,608,856	24,694,193	-	-
Loans, advances and financing	167,177,303	154,778,757	-	-
Clients' and brokers' balances	722,181	526,781	-	-
Other receivables	2,214,173	1,964,880	1,271	504
Amount due from subsidiary companies	-	-	-	10
	240,622,956	230,042,125	31,240	14,488
Credit risk exposure relating to off-balance sheet assets:				
Commitments and contingencies	50,215,148	53,194,351	-	-
Total maximum credit risk exposure	290,838,104	283,236,476	31,240	14,488

Notes to the Financial Statements
for the financial year ended 30 June 2022

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	
	2022 RM'000	2021 RM'000
Financial assets at FVTPL	21,518,805	21,493,030
Derivative assets	1,902,169	22,544,658
	23,420,974	44,037,688

(ii) Collaterals

The main type of collaterals obtained by the Group are as follows:

- Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
- Land and buildings
- Aircrafts, vessels and automobiles
- Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
- Endowment life policies with cash surrender value
- 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 RM94.5 million (2021: RM117.8 million) for the Group.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group is 87.23% (2021: 92.07%). 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 76.11% (2021: 94.08%).

Notes to the Financial Statements

for the financial year ended 30 June 2022

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 0.

(iv) Credit quality

The Group assess credit quality of loans and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

Credit quality description is summarised as follows:

Credit quality	Description
Good	Obligors in this category exhibit strong capacity to meet financial commitments.
Adequate	Obligors in this category have a fairly acceptable capacity to meet financial commitments.
Marginal	Obligors in this category have uncertain capacity to meet financial commitments and is under closer monitoring.
No rating	Obligors which are currently not assigned with a credit ratings as it do not satisfy the criteria to be rated based on internal credit rating system.
Credit impaired	Obligors assessed to be impaired.

Notes to the Financial Statements
for the financial year ended 30 June 2022

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 2022	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	4,117,655	-	-	4,117,655
Investment grade	3,403,967	-	-	3,403,967
Non-Investment grade	542,006	-	-	542,006
Un-graded	1,467,607	-	-	1,467,607
Gross carrying amount	9,531,235	-	-	9,531,235
Expected credit losses	(349)	-	-	(349)
Net carrying amount	9,530,886	-	-	9,530,886

Notes to the Financial Statements

for the financial year ended 30 June 2022

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 2022	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial investments at FVOCI:				
Sovereign	18,760,424	-	-	18,760,424
Investment grade	7,905,917	-	-	7,905,917
Non-investment grade	48,777	-	-	48,777
Un-graded	654,439	-	-	654,439
Gross carrying amount	27,369,557	-	-	27,369,557
Expected credit losses	(1,729)	-	-	(1,729)
Net carrying amount	27,367,828	-	-	27,367,828
Financial investments at amortised cost:				
Sovereign	31,817,634	-	-	31,817,634
Investment grade	540,848	-	-	540,848
Un-graded	1,250,442	-	-	1,250,442
Gross carrying amount	33,608,924	-	-	33,608,924
Expected credit losses	(68)	-	-	(68)
Net carrying amount	33,608,856	-	-	33,608,856
Loans, advances and financing:				
Good	130,880,036	193,547	-	131,073,583
Adequate	20,109,077	1,767,203	-	21,876,280
Marginal	-	14,525,676	-	14,525,676
Un-graded	619,321	9,316	-	628,637
Credit impaired	-	-	819,878	819,878
Gross carrying amount	151,608,434	16,495,742	819,878	168,924,054
Expected credit losses	(977,229)	(423,913)	(335,647)	(1,736,789)
Others*	(9,962)	-	-	(9,962)
Net carrying amount	150,621,243	16,071,829	484,231	167,177,303

* Included fair value changes arising from fair value hedges.

Notes to the Financial Statements
for the financial year ended 30 June 2022

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
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
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

Notes to the Financial Statements

for the financial year ended 30 June 2022

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
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.

(v) Collateral and other credit enhancements obtained

	The Group	
	2022 RM'000	2021 RM'000
Properties	352,321	315,415

Reposessed properties are made available-for-sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group generally does not occupy the premises reposessed for its business use.

Notes to the Financial Statements

for the financial year ended 30 June 2022

51 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(vi) Credit risk exposure analysed by industry analysis for the financial assets are set out below:

2022	The Group											
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Clients' and brokers' balances RM'000	Other receivables RM'000	Derivative financial instruments RM'000	Total credit risk exposures RM'000	Credit related commitments and contingencies RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	77,534	41,252	-	3,184,597	-	-	-	3,303,383	-	1,104,840	6,625
Mining and quarrying	-	-	-	-	131,719	-	-	-	131,719	-	77,169	-
Manufacturing	-	-	-	-	14,120,195	-	-	-	14,120,195	-	7,817,397	315,298
Electricity, gas and water	-	1,600,466	1,980,042	431,237	720,058	-	30	-	4,731,833	-	246,455	10,224
Construction	-	372,397	324,038	160,904	4,954,202	-	1,133	-	5,812,674	1,000	3,507,501	30,853
Wholesale and retail	-	-	31,847	-	15,666,440	-	-	-	15,698,287	-	7,003,440	251,317
Transport, storage and communications	-	245,225	262,386	-	5,271,899	-	499	-	5,780,009	-	1,390,757	2,406
Finance, insurance, real estate and business services	7,678,739	12,781,549	9,500,839	1,161,324	14,148,360	405,905	2,174,990	1,902,169	49,753,875	-	3,199,487	72,841
Government and government agencies	1,852,147	6,422,075	15,156,543	31,855,391	-	-	1,553	-	55,287,709	-	-	46,795
Education, health and others	-	-	-	-	1,714,066	-	-	-	1,714,066	-	524,211	3,843
Household	-	19,559	-	-	106,595,832	-	-	-	106,615,391	-	23,669,416	3,004
Purchase of securities	-	-	-	-	329,172	316,276	-	-	645,448	919,747	-	-
Others	-	-	72,610	-	340,763	-	35,968	-	449,341	7,140	2,158	1,224
	9,530,886	21,518,805	27,369,557	33,608,856	167,177,303	722,181	2,214,173	1,902,169	264,043,930	927,887	48,542,831	744,430

Notes to the Financial Statements

for the financial year ended 30 June 2022

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)

2021	The Group											
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Clients' and brokers' balances RM'000	Other receivables RM'000	Derivative financial instruments RM'000	Total credit risk exposures RM'000	Credit related commitments and contingencies RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	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	-	53,475	-	532,752	30,000	11,335	133
	12,345,550	21,493,030	35,731,964	24,694,193	154,778,757	526,781	1,964,876	1,051,628	252,586,779	942,550	51,646,588	605,213

Notes to the Financial Statements
for the financial year ended 30 June 2022

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
2022				
Finance, insurance, real estate and business services	29,969	1,271	-	31,240
2021				
Finance, insurance, real estate and business services	13,974	504	10	14,488

(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 RM418.9 million (2021: RM319.9 million) for the Group.

(viii) Modification of contractual cash flows

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised within impairment in the income statements with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

Notes to the Financial Statements

for the financial year ended 30 June 2022

51 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(viii) Modification of contractual cash flows (continued)

ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification.

Although loans and financing may be modified for non-credit reasons, a significant increase in credit risk may occur. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from stage 3 or stage 2 to stage 1. This is only the case for assets which have been monitored for consecutive six months observation period or more.

The amounts of loans, advances and financing whose cash flows are modified and of which modification loss is recognised during the year for the Group are RM3,546.8 million (2021: RM1,012.8 million).

(ix) Sensitivity analysis

The Group have performed ECL sensitivity assessment on loans, advances and financing based on the changes in key macroeconomic variables, such as consumer price index, private consumption, house price index, unemployment rates and banking system credit while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the ECL of the Group.

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant:

(a) Retail

	The Group Changes	
	2022	2021
Private consumption	+/- 100 bps	+/- 100 bps
House price index	+/- 100 bps	+/- 100 bps
Unemployment rate	+/- 200 bps	+/- 200 bps

	The Group	
	2022 RM'000	2021 RM'000
Total effect of ECL on the positive changes in key variables	(4,561)	(10,113)
Total effect of ECL on the negative changes in key variables	566	4,702

Notes to the Financial Statements
for the financial year ended 30 June 2022

51 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(ix) Sensitivity analysis (continued)

(b) Non-retail

	The Group Changes	
	2022	2021
Banking system credit	+/- 100 bps	+/- 100 bps
Gross domestic product	+/- 100 bps	+/- 100 bps

	The Group	
	2021 RM'000	2021 RM'000
Total effect of ECL on the positive changes in key variables	(5,510)	(5,196)
Total effect of ECL on the negative changes in key variables	3,445	3,160

(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 2022.

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 2022.

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 RM628.5 million (2021: RM812.2 million) of the Group's ECL on loans, advances and financing as at 30 June 2022.

Notes to the Financial Statements

for the financial year ended 30 June 2022

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.

Notes to the Financial Statements
for the financial year ended 30 June 2022

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

The Group 2022	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	-	14,498,064	-	14,498,064
- Quoted securities	7,226,794	-	-	7,226,794
- Unquoted securities	-	7,363,108	382,663	7,745,771
Financial investments at FVOCI				
- Money market instruments	-	16,024,171	-	16,024,171
- Quoted securities	2,890,212	-	-	2,890,212
- Unquoted securities	-	8,455,174	83,386	8,538,560
Derivative financial instruments	9,909	1,787,458	104,802	1,902,169
	10,126,915	48,127,975	570,851	58,825,741
Financial liabilities				
Derivative financial instruments	104	1,661,392	103,510	1,765,006
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,065,393	-	2,065,393
	104	3,726,785	103,510	3,830,399

Notes to the Financial Statements

for the financial year ended 30 June 2022

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 2021	Fair Value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 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

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 (2021: RM Nil).

Notes to the Financial Statements
for the financial year ended 30 June 2022

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
2022				
As at 1 July	374,729	69,094	76,913	76,913
Fair value changes recognised in statements of income	7,934	-	28,076	28,076
Net fair value changes recognised in other comprehensive income	-	14,292	-	-
Purchases	-	-	2,155	863
Disposal	-	-	-	-
Settlements	-	-	(2,342)	(2,342)
As at 30 June	382,663	83,386	104,802	103,510
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2022	7,934	-	28,076	28,076
Total gain recognised in other comprehensive income relating to assets held on 30 June 2022	-	14,292	-	-
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	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2022

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)

2022 Description	The Group		Valuation technique(s)	Unobservable input	Range (weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
	Fair value assets RM'000	Fair value liabilities RM'000				
Financial assets at FVTPL						
Unquoted shares	382,663	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments at FVOCI						
Unquoted shares	83,386	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	104,802	(103,510)	Monte Carlo Simulation	Equity volatility	7% to 121%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity/FX Correlation between underlyers	-16% to 16%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

Notes to the Financial Statements
for the financial year ended 30 June 2022

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)

2021 Description	The Group		Valuation technique(s)	Unobservable input	Range (weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
	Fair value assets RM'000	Fair value liabilities RM'000				
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

Notes to the Financial Statements

for the financial year ended 30 June 2022

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair value hierarchy (continued)

Sensitivity analysis for level 3

	Type of unobservable input	Sensitivity of significant unobservable input	The Group	
			Effect of reasonable possible alternative assumptions to: Statements of Income	
			Favourable/Unfavourable changes	
			Financial assets RM'000	Financial liabilities RM'000
2022				
Derivative financial instruments				
- Equity derivatives	Equity volatility	+10%	271	(271)
		-10%	(355)	355
	Equity/FX	+10%	35	(35)
	Correlation	-10%	121	(121)
	Total*		72	(72)
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

* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.

Notes to the Financial Statements
for the financial year ended 30 June 2022

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	Fair value	Carrying amount	Fair value
	2022	2022	2021	2021
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial investments at amortised cost				
- Money market instruments	29,626,784	29,951,834	19,415,499	19,420,730
- Quoted securities	62,174	61,526	881,763	864,795
- Unquoted securities	3,919,899	3,925,377	4,396,931	4,427,722
Loans, advances and financing	167,177,303	168,100,543	154,778,757	155,640,565
	200,786,160	202,039,280	179,472,950	180,353,812
Financial liabilities				
Deposits from customers	195,317,528	195,073,675	180,410,322	180,319,716
Recourse obligations on loans sold to Cagamas Berhad	1,623,936	1,808,376	1,033,839	1,066,933
Borrowings	411,931	403,565	662,026	659,502
Subordinated obligations	2,207,083	2,199,738	2,207,179	2,345,731
Multi-currency Additional Tier 1 capital securities	1,715,849	1,719,554	806,555	861,981
	201,276,327	201,204,908	185,119,921	185,253,863
	The Company			
	Carrying amount	Fair value	Carrying amount	Fair value
	2022	2022	2021	2021
	RM'000	RM'000	RM'000	RM'000
Financial liabilities				
Borrowings	411,858	403,492	687,361	684,837
Subordinated obligations	1,601,624	1,588,675	1,601,242	1,688,242
Multi-currency Additional Tier 1 capital securities	806,431	806,898	805,975	832,299
	2,819,913	2,799,065	3,094,578	3,205,378

Notes to the Financial Statements

for the financial year ended 30 June 2022

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	Level 2 RM'000	Level 3 RM'000
2022				
Financial assets				
Financial investments at amortised cost				
- Money market instruments	29,626,784	-	29,951,834	-
- Quoted securities	62,174	-	61,526	-
- Unquoted securities	3,919,899	-	3,925,377	-
Loans, advances and financing	167,177,303	-	168,100,543	-
	200,786,160	-	202,039,280	-
Financial liabilities				
Deposits from customers	195,317,528	-	195,073,675	-
Recourse obligations on loans sold to Cagamas Berhad	1,623,936	-	1,808,376	-
Borrowings	411,931	-	403,565	-
Subordinated obligations	2,207,083	-	2,199,738	-
Multi-currency Additional Tier 1 capital securities	1,715,849	-	1,719,555	-
	201,276,327	-	201,204,909	-
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	-

Notes to the Financial Statements
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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	Level 2 RM'000	Level 3 RM'000
2022				
Financial liabilities				
Borrowings	411,858	-	403,492	-
Subordinated obligations	1,601,624	-	1,588,675	-
Multi-currency Additional Tier 1 capital securities	806,431	-	806,898	-
	2,819,913	-	2,799,065	-
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	-

(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 2022

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Fair value methodologies and assumptions (continued)

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of banks and other financial institutions, bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Recourse obligations on loans sold to Cagamas Berhad

For amounts due to Cagamas Berhad with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amounts due to Cagamas Berhad with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

Subordinated obligations, senior notes and capital securities

The fair value of subordinated obligations, senior notes and capital securities are based on quoted market prices where available.

Other financial assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

All other borrowing costs are recognised in statements of income in the period in which they are incurred.

Notes to the Financial Statements
for the financial year ended 30 June 2022

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:

	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		Net amount RM'000
				Values of the financial instruments RM'000	Cash collateral received/pledged RM'000	
Financial assets						
Clients' and brokers' balances	935,610	(213,429)	722,181	-	-	722,181
Derivative financial instruments	1,902,169	-	1,902,169	(918,459)	(164,363)	819,347
Total	2,837,779	(213,429)	2,624,350	(918,459)	(164,363)	1,541,528
Financial liabilities						
Clients' and brokers' balances	398,485	(91,584)	306,901	-	-	306,901
Derivative financial instruments	1,765,006	-	1,765,006	(918,459)	(570,298)	276,249
Obligations on securities sold under repurchase agreements	3,971,304	-	3,971,304	(2,755,310)	-	1,215,994
Payables and other liabilities	12,122,859	(121,845)	12,001,014	-	-	12,001,014
Total	18,257,654	(213,429)	18,044,225	(3,673,769)	(570,298)	13,800,158

Notes to the Financial Statements

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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 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	Related amount not set off in the statements of financial position		Net amount RM'000
				Values of the financial instruments RM'000	Cash collateral received/ pledged 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

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54 EQUITY COMPENSATION BENEFITS

Executive Share Scheme

The Group established and implemented the following Executive Share Schemes.

(a) Executive Share Scheme 2013 (“ESS 2013”)

ESS 2013 established using the shares of the Company - The Company and its subsidiary company Hong Leong Assurance Berhad

The ESS 2013 of up to ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company comprises the Executive Share Option Scheme 2013/2023 (“ESOS 2013”) and the Executive Share Grant Scheme 2013 (“ESGS 2013”).

The main features of the ESS 2013 are, inter alia, as follows:

1. Eligible executives are persons as defined by the ESS 2013 Bye-Laws.
2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board, as defined by the ESS 2013 Bye-Laws, may from time to time at its absolute discretion select and identify suitable eligible executives to be offered options or grants.
3. At any point of time during the existence of the ESS 2013, the aggregate number of shares comprised in the options and grants under the ESS 2013 and any other executive share schemes established by the Company which are still subsisting shall not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company at any one time.
4. The option price for the options to be granted under the ESOS 2013 shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day volume weighted average market price of the shares of the Company preceding the Date of Offer as defined by the ESS 2013 Bye-Laws.
5. The options granted to an option holder under the ESOS 2013 is exercisable by the option holder during his employment or directorship with the Group and upon meeting the vesting conditions of each ESOS 2013 plan subject to any maximum limit as may be determined by the Board under the ESS 2013 Bye-Laws.
6. The shares to be vested to a grant holder under the ESGS 2013 will be vested to the grant holder only during his employment or directorship with the Group and subject to any other terms and conditions as may be determined by the Board.
7. The exercise of the options under the ESOS 2013 or the vesting of shares under the ESGS 2013 may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESS 2013; or a combination of both new shares and existing shares.

Notes to the Financial Statements

for the financial year ended 30 June 2022

54 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

(a) Executive Share Scheme 2013 (“ESS 2013”) (continued)

ESS 2013 established using the shares of the Company - The Company and its subsidiary company Hong Leong Assurance Berhad (continued)

The ESOS 2013 options granted have performance and/or service based vesting conditions. Generally, the share options granted can be classified into 2 categories:

- An award that is conditional upon achieving agreed key performance indicators and milestones; and/or
- An award for the recognition of material and positive accomplishments towards building a strong and sustainable underlying business value, preserving and enhancing the quality of assets and for shareholders wealth creation.

(i) ESOS 2013

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

The ESOS 2013 would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

Arising from the completion of the Company’s Rights Issue on 7 December 2015, the exercise price for the share options granted on 2 April 2015 under the ESS 2013 was adjusted from RM16.88 to RM16.61 and additional share options of 189,819 were allotted to the option holders, in accordance with the provisions of the Existing Bye-Laws. All share options were fully lapsed during the financial year ended 30 June 2022.

(ii) ESGS 2013

The ESGS 2013 which was approved by the shareholders of the Company on 29 October 2013, was established on 28 February 2014 and would end on 11 March 2023.

On 6 September 2013, the Company announced that Bursa Malaysia Securities Berhad had resolved to approve-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the ESGS 2013.

The ESGS 2013 would provide the Company with the flexibility to reward the eligible executives of the Group for their contribution with awards of the Company’s shares without any consideration payable by the eligible executives.

During the financial year ended 30 June 2022, the Company has granted 469,210 ordinary shares in the Company to eligible executives pursuant to the ESGS 2013.

Notes to the Financial Statements

for the financial year ended 30 June 2022

54 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

(b) Executive Share Scheme 2022 ("ESS 2022")

ESS 2022 established using the shares of the Company - The Company and its subsidiary company Hong Leong Assurance Berhad

The ESS 2022, which is governed by the ESS 2022 Bye-Laws, entails the making of one or more of the following offers to the Eligible Executives:

- (i) option(s) under the executive share option scheme ("ESOS") which entitle an Eligible Executive who has accepted the offer ("Option Holder(s)") to acquire ordinary shares in HLFGB ("Shares") at an exercise price to be determined by the Board at its discretion ("Option Price") ("Option(s)"); and/or
- (ii) grant(s) under the executive share grant scheme ("ESGS") which entitle an Eligible Executive who has accepted the offer ("Grant Holder(s)") to receive Shares without any consideration payable by the Grant Holder ("Grant(s)").

(The Option Holder(s) and Grant Holder(s) are collectively referred to as the "Holder(s)".)

The Board may at its discretion impose such vesting conditions (including financial and performance targets, the performance period and vesting period, if any) as it deems fit with the offer of the Options and/or Grants ("Offer(s)"). In determining whether to make an Option Offer and/or a Grant Offer, the Board may take into consideration various factors such as market practice, the quantum of the award, the length of the performance period and the performance targets.

In implementing the ESS 2022, it is the intention of the Company to have the flexibility, at the absolute discretion of the Board, to enable the satisfaction of the Options and/or Grants through the following:

- (i) transfer of existing Shares (other than treasury Shares); and/or
- (ii) cash settlement pursuant to the Bye-Laws.

Notes to the Financial Statements

for the financial year ended 30 June 2022

54 EQUITY COMPENSATION BENEFITS (continued)**Executive Share Scheme (continued)**

A trust has been set up for the Executive Share Scheme and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Group upon such terms and conditions as the Group and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the Executive Share Scheme holdings are recorded as "Treasury Shares for ESOS" in the shareholders' equity on the statements of financial position. The cost of operating the Executive Share Scheme is charged to the statements of income.

The number and cost of the ordinary shares held by the Trustee are as follows:

	The Group			
	2022		2021	
	Number of trust shares held unit'000	Cost RM'000	Number of trust shares held unit'000	Cost RM'000
As at 1 July	13,728	238,970	13,718	238,834
Purchase of treasury shares	-	-	10	136
Exercise of grant shares	(156)	(2,931)	-	-
As at 30 June	13,572	236,039	13,728	238,970

	The Company			
	2022		2021	
	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	9,636	180,587
Exercise of grant shares	(156)	(2,931)	-	-
As at 30 June	9,480	177,656	9,636	180,587

Notes to the Financial Statements
for the financial year ended 30 June 2022

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

ESOS

The options granted under the scheme are as follows:

Grant date	The Group					Outstanding as at 30 June unit'000	Exercisable as at 30 June unit'000
	As at 1 July unit'000	Option granted unit'000	Exercised unit'000	Ceased/ Forfeited unit'000			
2022							
15-Dec-17	12,425	-	-	(12,425)	-	-	
2021							
15-Dec-17	12,425	-	-	-	12,425	-	
Grant date	The Company					Outstanding as at 30 June unit'000	Exercisable as at 30 June unit'000
	As at 1 July unit'000	Option granted unit'000	Exercised unit'000	Ceased/ Forfeited unit'000			
2022							
15-Dec-17	7,000	-	-	(7,000)	-	-	
2021							
15-Dec-17	7,000	-	-	-	7,000	-	

Adjustments on exercise price due to Rights Issue

The fair value of share options granted was estimated using the Black-scholes model, taking into account the terms and conditions upon which the options are granted and is inclusive of incremental fair value arising from adjusted exercise price. The expected volatility reflects the assumption that the historical volatility was indicative of future trends, which may not necessarily be the actual outcome.

Notes to the Financial Statements

for the financial year ended 30 June 2022

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	
	2022	2021
Fair value of share options (RM)	-	1.20 - 3.35
Share price at valuation date (RM)	-	17.80
Original exercise price (RM)	-	17.12
Expected volatility (%)	-	27.74
Weighted average dividend yield (%)	-	0.61
Weighted average risk free rate (%)	-	1.85

Share options were fully lapsed during the financial year ended 30 June 2022.

ESGS

The ordinary shares granted under the scheme are as follows:

Grant date	The Group					
	As at 1-July unit'000	Option granted unit'000	Exercised unit'000	Ceased/ Forfeited unit'000	Outstanding as at 30-June unit'000	Exercisable as at 30-June unit'000
2022						
03-Nov-21	-	469	(156)	-	313	-

Grant date	The Company					
	As at 1-July unit'000	Option granted unit'000	Exercised unit'000	Ceased/ Forfeited unit'000	Outstanding as at 30-June unit'000	Exercisable as at 30-June unit'000
2022						
03-Nov-21	-	469	(156)	-	313	-

Notes to the Financial Statements

for the financial year ended 30 June 2022

54 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

Executive Share Scheme (“ESS”) established using the shares of subsidiary of the Company - Hong Leong Bank Berhad (“HLB”)

There are two share issuance schemes implemented by the HLB.

(a) Executive Share Scheme 2013 (“ESS 2013”)

The ESS 2013 of up to ten percent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of HLB comprises the Executive Share Option Scheme 2013 (“ESOS 2013”) and the Executive Share Grant Scheme 2013 (“ESGS 2013”).

The main features of the ESS 2013 are, inter alia, as follows:

1. Eligible executives are persons as defined by the ESS 2013 Bye-Laws.
2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of HLB in the annual general meeting held on 29 October 2013 and 25 October 2012. The Board of HLB, as defined by the ESS 2013 Bye-Laws, may from time to time at its absolute discretion select and identify suitable eligible executives to be offered options or grants.
3. At any point of time during the existence of the ESS 2013, the aggregate number of shares comprised in the options and grants under the ESS 2013 and any other executive share schemes established by HLB which are still subsisting shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of HLB at any one time.
4. The exercise of the options under the ESOS 2013 or the vesting of shares under the ESGS 2013 may, at the absolute discretion of the HLB’s Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESS; or a combination of both new shares and existing shares.

(i) ESOS 2013

The ESOS 2013 which was approved by the shareholders of HLB on 25 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

On 18 September 2012, HLB announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of HLB to be issued pursuant to the exercise of options under the ESOS 2013.

The ESOS 2013 would provide an opportunity for eligible executives who had contributed to the growth and development of the HLB Group to participate in the equity of HLB.

Notes to the Financial Statements

for the financial year ended 30 June 2022

54 EQUITY COMPENSATION BENEFITS (continued)**Executive Share Scheme (continued)****Executive Share Scheme (“ESS”) established using the shares of subsidiary of the Company - Hong Leong Bank Berhad (“HLB”) (continued)**(i) ESOS 2013 (continued)

The main features of the ESOS 2013 are, inter alia, as follows:

1. The option price for the options to be granted under the ESOS 2013 shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of HLB preceding the Date of Offer as defined by the ESS Bye-Laws, and shall in no event be less than the par value of the shares of HLB.
2. The options granted to an option holder under the ESOS 2013 is exercisable by the option holder during his employment or directorship with the HLB Group and upon meeting the vesting conditions of each ESOS 2013 plan subject to any maximum limit as may be determined by the HLB’s Board under the Bye-Laws of the ESS.

During the financial year, Nil (2021: Nil) share options have been granted under the ESOS 2013 with Nil (2021: 11,966,502) options remain outstanding.

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:

	2022		2021	
	Before Rights Issue	After Rights Issue	Before Rights Issue	After Rights Issue
Fair value of share options (RM)	-	-	1.48	1.64
Share price at grant date/modified grant date (RM)	-	-	14.30	13.56
Exercise price (RM)	-	-	14.24	13.77
Weighted average option life at grant date/modified grant date (Years)	-	-	1.27	1.13
Expected volatility (%)	-	-	11.74	12.21
Weighted average dividend yield (%)	-	-	0.67	0.70
Weighted average risk free rate (%)	-	-	0.78	0.82

Notes to the Financial Statements

for the financial year ended 30 June 2022

54 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

Executive Share Scheme ("ESS") established using the shares of subsidiary of the Company - Hong Leong Bank Berhad ("HLB") (continued)

- (i) ESOS 2013 (continued)

Share options at an adjusted exercise price of RM13.77 (continued)

Adjustments on exercise price due to Rights Issue (continued)

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.

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:

	2022 After Rights Issue	2021 After Rights Issue
Fair value of share options (RM)	-	1.22
Share price at grant date/modified grant date (RM)	-	13.56
Exercise price (RM)	-	13.77
Weighted average option life at grant date (Years)	-	1.13
Expected volatility (%)	-	12.21
Weighted average dividend yield (%)	-	0.7
Weighted average risk free rate (%)	-	0.82

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%.

All share options were fully lapsed during the financial year ended 30 June 2022.

Notes to the Financial Statements

for the financial year ended 30 June 2022

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 2013

The ESGS 2013 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 2013.

The ESGS 2013 would provide HLB with the flexibility to reward the eligible executives of the HLB Group for their contribution with awards of HLB’s shares without any consideration payable by the eligible executives.

The shares to be vested to a grant holder under the ESGS 2013 will be vested to the grant holder only during his employment or directorship with the HLB Group and subject to any other terms and conditions as may be determined by the HLB’s Board.

During the financial year ended 30 June 2022, total of 658,433 ordinary shares were vested and transferred pursuant to the HLB’s ESGS, 3,806 ordinary shares forfeited with 973,971 ordinary shares remain outstanding.

(b) ESS 2022

The ESS 2022, which is governed by the bye-laws (“Bye-Laws”), entails the making of one (1) or more of the following offers to the Eligible Executives:

- (i) option(s) under the ESOS which entitle an Eligible Executive who has accepted the offer (“Option Holder(s)”) to acquire ordinary shares in HLB (“Shares”) at an exercise price to be determined by the board at its discretion (“Option Price”) (“Option(s)”); and/or
- (ii) grant(s) under the ESGS which entitle an Eligible Executive who has accepted the offer (“Grant Holder(s)”) to receive Shares without any consideration payable by the Grant Holder (“Grant(s)”).

The board may at its discretion impose such vesting conditions (including financial and performance targets, the performance period and vesting period, if any) as it deems fit with the offer of the Options and/or Grants (“Offer(s)”). In determining whether to make an Option Offer and/or a Grant Offer, the board may take into consideration various factors such as market practice, the quantum of the award, the length of the performance period and the performance targets.

Notes to the Financial Statements

for the financial year ended 30 June 2022

54 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

Executive Share Scheme (“ESS”) established using the shares of subsidiary of the Company - Hong Leong Bank Berhad (“HLB”) (continued)

(b) ESS 2022 (continued)

In implementing the ESS 2022, it is the intention of the HLB to have the flexibility, at the absolute discretion of the board, to enable the satisfaction of the Options and/or Grants through the following:

- (i) transfer of existing Shares (other than treasury Shares); and/or
- (ii) cash settlement pursuant to the Bye-Laws.

55 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) HL Bank Nominees (Singapore) Pte. Ltd., a wholly-owned subsidiary of Hong Leong Bank Berhad (“HLB”), was dissolved on 2 November 2021.
- (b) EB Nominees (Asing) Sendirian Berhad, a wholly-owned subsidiary of HLB, was dissolved on 19 April 2022.
- (c) On 29 April 2022, HLB issued a nominal value of RM900.0 million Basel III-compliant Additional Tier 1 Green capital securities (“Green Capital Securities”), pursuant to its multi-currency Additional Tier 1 capital securities programme. The Green Capital Securities carry a distribution rate of 4.45% per annum and are perpetual and non-callable for 5 years with an Issuer’s call option to redeem at the end of year 5. Proceeds from the issuance of the Green Capital Securities shall be utilised for purposes that meet the criteria as set out in the HLB Green Bond Framework, which was established by HLB on 20 February 2022 and revised in April 2022 (as may be amended, revised and/or substituted from time to time) in accordance with the ASEAN Green Bond Standards issued by the ASEAN Capital Markets Forum in November 2017 and revised in October 2018 and the Green Bond Principles issued by the International Capital Market Association in June 2021.
- (d) Pursuant to Section 247(3) of the Companies Act 2016, the Companies Commission of Malaysia had granted its approval for HLBCAM, a wholly-owned subsidiary of the Bank incorporated in the Kingdom of Cambodia, to have a different financial year end from its holding company. The financial year end of HLBCAM is 31 December as required under the Prakas on Annual Audit of Financial Statement of Banks and Financial Institutions issued by the National Bank of Cambodia.

56 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

There are no material subsequent events after the financial year that require disclosure or adjustments to the financial statements.

Notes to the Financial Statements

for the financial year ended 30 June 2022

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
2022			
Financial investments at fair value through other comprehensive income			
- net fair value changes and changes in expected credit losses	(1,178,201)	261,084	(917,117)
Cash flow hedge			
- net fair value gain/(loss)	7,574	(1,816)	5,758
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

58 IBOR REFORM

Following the financial crisis, the reform and replacement of benchmark interest rates such as Kuala Lumpur Interbank Offered Rate ("KLIBOR"), London Interbank Offered Rate denominated in USD ("USD LIBOR") and other inter-bank offered rates ("IBORs") has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group has designated hedge relationships where hedged items and/or hedging instruments has reference to IBORs. The Group's risk exposure that is directly affected by the IBOR reform through its fair value hedges predominantly comprises exposures to KLIBOR and USD LIBOR. These fair value hedges are designated using interest rate swaps, for changes attributable to the respective current benchmark interest rates, which are MYR KLIBOR, Secured Overnight Financing Rate ("SOFR") and Singapore Overnight Rate Average ("SORA").

Notes to the Financial Statements

for the financial year ended 30 June 2022

58 IBOR REFORM (continued)

As part of the reforms noted above:

- BNM introduced the Malaysia Overnight Rate (“MYOR”) as the new alternative reference rate, which will run in parallel with the existing KLIBOR, providing the market with the flexibility to choose either MYOR or KLIBOR as the reference rate for pricing of financial instruments. On 1 January 2023, BNM will discontinue the publication of the 2- and 12-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts. The remaining 1-, 3- and 6-month KLIBOR tenors, which continue to reflect an active underlying market, will be reviewed in the second half of 2022. The Financial Markets Committee (“FMC”) will engage the International Swaps and Derivatives Association (“ISDA”) to ensure continuity of KLIBOR derivative contracts in the event of a temporary or permanent discontinuation of KLIBOR publication.
- The UK Financial Conduct Authority (“FCA”) has decided not to compel the panel banks to participate in the USD LIBOR submission process after the end of 2021 and to cease oversight of these benchmark interest rates.

The SOFR is expected to replace the USD LIBOR, and regulatory authorities and private sector working groups, continue to discuss alternative benchmark rates for USD LIBOR.

The Group Asset and Liability Committee oversees the Group’s IBOR transition plan. The transition plan considers changes to systems, processes, risk management and valuation models, as well as managing tax and accounting implications. The Group and the Company continue to monitor market developments in relation to the transition and their impact on the Group’s financial assets and liabilities to ensure that there are no unexpected consequences or disruptions from the transition.

As at 30 June 2022, the Group hold the following financial instruments which are referenced to the current benchmark interest rates and have yet to transition to an alternative interest rate benchmark:

	The Group Notional Amount	
	Assets RM’000	Liabilities RM’000
(a) Derivative assets/liabilities		
(i) Interest rate swaps		
- USD LIBOR	66,083	198,248
- KLIBOR	40,313,762	45,961,580
	40,379,845	46,159,828
(ii) Cross currency swaps		
- USD LIBOR	1,959,061	3,050,298
(iii) Option		
- KLIBOR	2,458,510	100,000

Notes to the Financial Statements

for the financial year ended 30 June 2022

59 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Allowance for ECL

The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

MFRS 9 introduces the use of macro economic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, private consumption, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- (i) Determining criteria for significant increase in credit risk;
- (ii) Choosing appropriate models and assumptions for the measurement of ECL;
- (iii) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- (iv) Establishing groups of similar financial assets for the purposes of measuring ECL.

The sensitivity effect on the macroeconomic factor is further disclosed in Note 51(d) to the financial statements.

The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. While the methodologies and assumptions applied in the base ECL calculations remained unchanged, the Group have applied overlays to determine a sufficient overall level of ECL for the financial year ended 30 June 2022.

(b) Life policyholders' fund

Material judgement is required in determining the liabilities and in the choice of assumptions.

Assumptions in use are based on the past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals.

Assumption are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

60 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 20 September 2022.

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 114 to 304 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 2022 and financial performance of the Group and the Company for the year then ended 30 June 2022, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

On behalf of the Board.

TAN KONG KHOON

Director

HO HENG CHUAN

Director

Kuala Lumpur
20 September 2022

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 114 to 304 are to the best of my knowledge and belief correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Teh Tiong Khim at)
Kuala Lumpur in Wilayah Persekutuan on)
20 September 2022)

TEH TIONG KHIM

MIA No. CA 13898

Before me,

Pesuruhjaya Sumpah
Commissioner for Oaths

Independent Auditors' Report

to the members of Hong Leong Financial Group Berhad

Registration No. 196801000439 (8024-W) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Hong Leong Financial Group Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2022, 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 2022 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 114 to 304.

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
<p><u>Expected credit losses for loans, advances and financing</u></p> <p>Refer to Note O of the summary of significant accounting policies, and Notes 7, 39 and 59 to the financial statements.</p> <p>We focused on this area due to the significant size of the carrying value of loans, advances and financing, which represented 58.3% of total assets for the Group.</p> <p>The expected credit loss ("ECL") impairment model under MFRS 9 "Financial Instruments" requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.</p> <p>This is an area of focus as it involves making significant judgments in applying the accounting requirements for measuring ECL, which include the following:</p> <ul style="list-style-type: none"> • Building and selecting 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; • Identification of loans, advances and financing that have experienced a significant increase in credit risk; and • Assumptions used in the ECL models, which are expected future cash flows, forward-looking macroeconomic factors, probability weighted multiple scenarios and ECL overlay adjustments made, given the economic uncertainty arising from COVID- 19 that may impact the future ECL. 	<p>We understood and tested the design and operating effectiveness of the controls relating to:</p> <ul style="list-style-type: none"> • Identification of loans, advances and financing that displayed objective evidence of impairment or loans, advances and financing that have experienced significant increase in credit risk or objective evidence of impairment and the calculation of the impairment loss; • Governance over the ECL model development and model refinements including model approval, model validation, model monitoring and overlay; • 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 • Calculation, review and approval of the ECL computation. <p><u>Individual assessment</u></p> <p>Where the loans, advances and financing are individually assessed, we performed the following procedures:</p> <ul style="list-style-type: none"> • Examined a sample of loans, advances and financing focused on loans, advances and financing identified by the Group as having lower credit quality, borrowers in high risk industries impacted by COVID-19, borrowers who requested for multiple payment relief assistance due to COVID-19 and borrowers affected by recent adverse market developments and news, including the Russian-Ukraine conflict 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 assessed the adequacy of impairment allowance by examining both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenging the assumptions and comparing estimates to external evidence where available. We also reperformed the calculations of discounted cash flows.

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
	<p><u>Collective assessment</u></p> <p>To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the Group, we have:</p> <ul style="list-style-type: none"> • Assessed the methodologies and significant modelling assumptions inherent within the ECL models applied against the requirements of MFRS 9, including the basis used by the Group to determine the key assumptions used in respective ECL models; • Assessed and considered the reasonableness of forward-looking forecasts assumptions, taking into consideration the economic uncertainty arising from COVID-19; • Assessed and tested the identification and calculation of overlay adjustments to the ECL due to the impact of COVID-19; • Checked the accuracy of data inputs used in ECL models and checked the calculation of ECL amount on a sampling basis; and • Involved our financial risk modelling experts and IT specialists in areas such as reviewing the appropriateness of the ECL models and data_reliability. <p>Based on the procedures performed, we did not find any material exceptions to the Group's assessment on impairment of loans, advances and financing.</p>

We have determined that there are no key audit matters to report for the Company.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

to the members of Hong Leong Financial Group Berhad
Registration No. 196801000439 (8024-W) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Independent Auditors' Report

to the members of Hong Leong Financial Group Berhad

Registration No. 196801000439 (8024-W) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT

LLP0014401-LCA & AF 1146

Chartered Accountants

Kuala Lumpur

20 September 2022

ONG CHING CHUAN

02907/11/2023 J

Chartered Accountant

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Third Annual General Meeting (“AGM”) of Hong Leong Financial Group Berhad (“Company”) will be held at Wau Bulan 2, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Monday, 31 October 2022 at 2.30 p.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2022.
2. To approve the payment of Director Fees of RM844,994 for the financial year ended 30 June 2022 to be divided amongst the Directors in such manner as the Directors may determine and Directors’ Other Benefits of up to an amount of RM200,000 from the 53rd AGM to the 54th AGM of the Company. **(Resolution 1)**
3. To re-elect the following Directors pursuant to the Company’s Constitution:
 - (a) Ms Leong Ket Ti **(Resolution 2)**
 - (b) YM Raja Noorma binti Raja Othman **(Resolution 3)**
 - (c) Ms Emily Kok **(Resolution 4)**
4. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

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 (“MMLR”) 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 issue and allot new shares in the Company, grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, to any persons who are not caught by Paragraph 6.04(c) of the MMLR provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so allotted on Bursa Securities and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT in connection with the above, pursuant to Section 85 of the Companies Act 2016 to be read together with Clause 50 of the Constitution of the Company, the shareholders of the Company do hereby waive their pre-emptive rights over all new shares, options over or grants of new shares or any other convertible securities in the Company and/or any new shares to be issued pursuant to such options, grants or other convertible securities, such new shares when issued, to rank pari passu with existing issued shares in the Company.” **(Resolution 6)**
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 30 September 2022 (“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 7)

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 30 September 2022 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 8)

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
30 September 2022

Notice of Annual General Meeting

NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 20 October 2022 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
3. Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.
4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlfg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.
5. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to a vote by way of a poll.

Notice of Annual General Meeting

EXPLANATORY NOTES

1. Resolution 1 on Director Fees and Other Benefits

- Director Fees of RM844,994 are inclusive of Board Committee Fees of RM205,028 and Meeting Allowances of RM73,500.
- Directors' Other Benefits refer to Directors' & Officers' Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to RM110,000 as well as Chairman's car benefits of up to RM90,000.

2. Resolutions 2, 3 and 4 on Re-election of Directors

The Board, on the recommendation of the Nomination Committee of the Company ("NC"), supports the re-election of the retiring Directors. The NC has reviewed the results of the Board Annual Assessment conducted for the financial year ended 30 June 2022 and noted that the retiring Directors have effectively discharged their duties and responsibilities. The NC has also conducted assessments on the fitness and propriety of the retiring Directors including the review of their Fit and Proper Declarations and results of their background checks, and was satisfied that the retiring Directors met the Fit and Proper criteria as set out in the Fit and Proper Policy of the Company. In addition, the NC has assessed the declaration made by Ms Leong Ket Ti, YM Raja Noorma binti Raja Othman and Ms Emily Kok confirming that they fulfilled the Independent Director criteria as set out in the relevant regulatory requirements, and found them to be in order.

The retiring Directors had abstained from deliberations and decisions on their re-election at the NC and Board meetings, as applicable.

The profiles and details of the retiring Directors are set out in the Board of Directors' Profile section of the Company's 2022 Annual Report.

3. Resolution 6 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 28 October 2021 and which will lapse at the conclusion of the 53rd 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.

Pursuant to Section 85 of the Companies Act 2016 read together with Clause 50 of the Constitution of the Company, shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company or other convertible securities.

Notice of Annual General Meeting

Section 85(1) of the Companies Act 2016 provides as follows:

“85. Pre-emptive rights to new shares

- (1) *Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.”*

Clause 50 of the Constitution of the Company provides as follows:

“50. Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities, shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. Such offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of such time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they consider beneficial to the Company.

The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities or by reason of any other difficulty in apportioning the same) cannot, in the opinion of the Directors, be conveniently offered in manner herein before provided.

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.”

The proposed Ordinary Resolution, if passed, will exclude your pre-emptive right to be offered new shares and/or convertible securities to be issued by the Company pursuant to the said Ordinary Resolution.

4. Resolutions 7 and 8 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 30 September 2022 which is available on the Company’s Corporate website (<http://www.hlfg.com.my/agm2022>).

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-Third Annual General Meeting of the Company.

- **Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

Details of the general mandate to issue securities in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 3 of the Notice of Fifty-Third 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 2022

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 2022

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	309	7.72	6,484	0.00
100 – 1,000	1,062	26.52	565,109	0.05
1,001 – 10,000	1,630	40.71	6,247,128	0.54
10,001 – 100,000	764	19.08	23,161,976	2.02
100,001 – less than 5% of issued shares	237	5.92	230,436,097	20.08
5% and above of issued shares	2	0.05	887,100,096	77.31
	4,004	100.00	1,147,516,890	100.00

List of Thirty Largest Shareholders as at 30 August 2022

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)	26,315,400	2.29
4. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	16,464,810	1.43
5. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	14,484,502	1.26
6. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Nomura)	12,311,900	1.07
7. RHB Trustees Berhad - Exempt AN for Hong Leong Financial Group Berhad (HLFG-ESS)	9,479,596	0.83
8. Soft Portfolio Sdn. Bhd.	6,602,130	0.58
9. YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	5,544,000	0.48
10. YBhg Tan Sri Quek Leng Chan	5,438,664	0.47

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2022 (continued)

List of Thirty Largest Shareholders as at 30 August 2022 (continued)

Name of Shareholders	No. of Shares	%
11. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West CLT OD67)	5,227,000	0.46
12. Chua Holdings Sdn Bhd	4,967,949	0.43
13. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	4,762,341	0.42
14. Hong Bee Hardware Company, Sdn. Berhad	4,530,506	0.39
15. RHB Trustees Berhad - Exempt AN for Hong Leong Financial Group Berhad (HLA-ESS)	4,091,900	0.36
16. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Aberdeen)	3,757,200	0.33
17. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Bank of Singapore Limited (Foreign)	3,292,710	0.29
18. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	3,251,441	0.28
19. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	2,850,932	0.25
20. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (CIMB PRIN)	2,591,900	0.23
21. Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	2,579,750	0.23
22. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Norges Bank (FI 17)	2,570,522	0.22
23. CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Commerce Trustee Berhad – Kenanga Growth Fund	2,348,500	0.20
24. Kheng Lim Holdings Sdn Bhd	2,269,492	0.20
25. Pertubuhan Keselamatan Sosial	2,203,200	0.19
26. Choong Yee How	2,000,000	0.17
27. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	1,762,934	0.15
28. DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for People's Bank of China (SICL Asia EM)	1,613,634	0.14
29. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Amundi)	1,603,300	0.14
30. Citigroup Nominees (Asing) Sdn Bhd - CB Spore GW for Government of Singapore (GIC C)	1,593,412	0.14
	1,043,609,721	90.94

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2022 (continued)**Substantial Shareholders**

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2022 are as follows:

Name of Shareholders	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Hong Leong Company (Malaysia) Berhad	595,982,955	51.94	-	-
Tan Sri Quek Leng Chan	5,438,664	0.47	893,702,226	77.88 ^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 2022

Subsequent to the financial year end, there is no change, as at 30 August 2022, 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 107 to 108 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 except for the change set out below:

Indirect Interest	Number of shares	%
YBhg Tan Sri Quek Leng Chan in:		
Hume Cement Industries Berhad	350,231,658	69.54

Other Information

LIST OF PROPERTIES HELD AS AT 30 JUNE 2022

	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	88	7,409	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	23	1,984	26/06/1997
3	No. 42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 859 years (31/12/2779)	Branch Premises	4,425	40	1,246	27/12/1983
4	No. 133, 135 & 137 Jalan Kampong Nyabor 96000 Sibul, Sarawak	Freehold	Branch Premises	4,871	30	2,775	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	31	1,050	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	1,363	27/12/1994
8	No. 26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch Premises	3,750	36	475	30/12/1986
9	No. 120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/08/2063)	Branch Premises	3,355	56	478	31/05/1990
10	No. 100, Jalan Gurney 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch Premises	5,107	36	1,931	25/06/1992
11	No. 12, 14 & 16 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch Premises	4,174	31	3,365	25/06/1992
12	No. 63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant	4,760	27	3,054	28/04/1997
13	No. 24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch Premises	3,037	26	911	28/04/1997

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
14	No. 1, Jalan Takal 15/21 Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/06/2086)	Branch Premises	2,625	35	1,045	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	28	176	26/06/1997
16	Lot 3073 & 3074 Jalan Abang Galau 97000 Bintulu, Sarawak	Leasehold - 60 years (12/02/2056)	Branch Premises	2,582	25	862	26/06/1997
17	Lot 34, Putra Industrial Park 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	26	2,527	26/01/1995
18	No. 1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 60 years (19/07/2030)	Vacant	10,619	47	15	30/06/1977
19	No. 9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch Premises	9,320	29	704	01/01/1994
20	No. 45, Jalan Burma 10500 Pulau Pinang	Freehold	Vacant	14,277	44	1,696	24/11/1978
21	No. 55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Vacant	11,720	43	883	01/10/1984
22	No. 27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/02/2078)	Branch Premises	4,694	27	222	24/11/1995
23	No. 75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch Premises	1,900	25	574	15/06/1998
24	No. 80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/06/2089)	Branch Premises	9,062	32	773	01/06/1994
25	No. 19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (08/03/2081)	Branch Premises	5,859	40	301	29/11/1985
26	Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Vacant	4,978	42	359	31/07/1988
27	No. 161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	2,454	26	2,664	14/02/1996

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
28	No. 8A-D, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Vacant	12,854	29	298	22/10/1977
29	No. 109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch Premises	2,740	34	198	01/09/1988
30	No. 1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch Premises	5,432	54	28	30/06/1977
31	No. 36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch Premises	1,728	82	71	30/08/1982
32	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	23	1,046	18/12/1999
33	No. 2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Vacant	12,173	23	1,990	18/12/1999
34	Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch Premises	3,243	23	438	23/11/1999
35	No. 1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch Premises	7,870	22	1,335	23/11/1999
36	Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/02/2084)	Branch Premises	5,988	23	1,024	31/05/1991
37	No. 1 & 2 Jalan Raya 09800 Serdang Kedah Darul Aman	Freehold	Branch Premises	5,840	21	336	20/09/2000
38	No. 133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch Premises	4,700	21	311	13/12/2000
39	No. 65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	HLB's CSR Community Center	2,223	26	4,637	14/10/1996
40	No. 64, Jalan Tun Mustapha 87007 Labuan	Leasehold - 999 years (28/12/2881)	Branch Premises	1,370	31	363	30/05/1991

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
41	No. 159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	17	2,518	25/11/2005
42	No. 163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	17	2,595	25/10/2005
43	No. 114 & 116, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch Premises	12,200	16	3,307	07/06/2006
44	Lot A08-A09, Jalan SS 6/5A Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya	Freehold	Branch Premises	9,800	16	2,491	06/07/2006
45	No. 2 Jalan Puteri 2/4 Bandar Puteri 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	11,850	15	4,889	28/06/2007
46	Tower A, PJ City Development 46100 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (14/08/2094)	Branch Premises	194,489	14	68,173	21/07/2008
47	OUG No.2, Lorong 2/137C Off Jalan Kelang Lama 58200 Kuala Lumpur	Leasehold - 99 years (year 2088)	Branch Premises	17,300	12	4,418	01/04/2011
48	KEP Lot No 77C & 77D Lot No.58529 Jalan Kepong 52100 Kuala Lumpur	Leasehold - 99 years (07/01/2101)	Branch Premises	30,613	12	7,789	01/05/2011
49	No. 122, Kapit By-Pass 96807 Kapit Sarawak	Leasehold - 60 years (29/04/2045)	Branch Premises	1,200	29	166	30/04/1985
50	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	35	89	24/05/1983
51	No. 9, Jalan Cheng Lock 50000 Kuala Lumpur Wilayah Persekutuan	Freehold	Vacant	2,199	49	248	18/09/1972
52	No. 3, Jalan Bandar Satu Pusat Bandar Puchong 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	4,687	27	1,618	03/04/1997
53	No. 32 & 34, Jalan 21/19 Sea Park 46300 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant	3,080	59	2,075	19/08/1997

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
54	No. 26 & 27, Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	3,600	26	1,290	22/01/1999
55	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	18	3,135	02/12/2005
56	No. J09-6 and J02-06 Paradise Lagoon Holiday Apartment Batu 3 1/2, Jalan Pantai 70100 Port Dickson Negeri Sembilan Darul Khusus	Leasehold - 99 years (06/07/2087)	2 units apartment	2,088	26	160	21/04/1994
57	No. S-3, Kompleks Negeri Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan Darul Khusus	Leasehold - 99 years (30/01/2078)	Vacant	1,680	38	214	29/06/1981
58	No. 105 & 107, Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Leasehold - 99 years (20/03/2094)	Vacant	3,132	26	428	17/04/1998
59	No. 67 & 69, Jalan Merdeka 75000 Taman Merdeka Raya Melaka	Leasehold - 99 years (07/07/2093)	Branch Premises	3,080	27	593	15/08/1999
60	No. 35, 37 & 39, Jalan Johor Satu Taman Desa Cemerlang 81800 Ulu Tiram Johor Darul Takzim	Freehold	Branch Premises	13,965	19	1,802	12/02/2003
61	No. 21, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai Johor Darul Takzim	Freehold	Branch Premises	2,624	25	885	05/04/1999
62	No. B-278 & B-280, Jalan Beserah 25300 Kuantan Pahang Darul Makmur	Freehold	Branch Premises	3,208	21	1,278	04/08/1999
63	No. 31, 33, 35 & 37, Jalan Usahaniaga 1 Taman Niagajaya 14000 Bukit Mertajam Seberang Perai Tengah, Penang	Freehold	Branch Premises	15,844	19	1,088	10/07/2003
64	Lot 171, Jalan Council 95000 Bandar Sri Aman Sarawak	Leasehold - 60 years (20/06/2050)	Branch Premises	1,740	26	114	21/06/1990
65	Lot No. 2013, Jalan Pisang Barat 93150 Kuching Sarawak	Leasehold - 99 years (31/12/2038)	Storage	1,390	29	-	23/09/1992

Other Information

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
66 No: 3/G14, 3/G15 & 3/G16, Block 3 Lorong Api-Api 2 Api-Api Centre 88000 Kota Kinabalu, Sabah	Leasehold - 99 years (31/12/2086)	Branch Premises	4,141	27	1,465	04/02/1997
67 No. 177, Limbok Hill 70000 Seremban Negeri Sembilan Darul Khusus	Freehold	Single-storey Detached House	6,730	49	9	16/08/1972
68 No. 11, Jalan Emas 2 Taman Emas Cheras 43200 Cheras, Selangor	Freehold	Vacant	5,804	29	-	25/05/1993
69 No. 53 & 55, Jalan Sultan Ismail 50250 Kuala Lumpur	Freehold	Branch Premises	9,600	25	17,408	01/06/2015
70 No. 300, Jalan Jelutong 11600 Pulau Pinang	Freehold	Branch Premises	16,652	20	12,830	23/06/2015
71 Lot 1, Block 35 Fajar Commercial Complex Jalan Lembaga 91000 Tawau, Sabah	Leasehold - 998 years (31/12/2895)	Branch Premises	13,880	50	4,634	17/08/2015
72 Menara Hong Leong No. 6, Jalan Damanlela Bukit Damansara 50490 Kuala Lumpur	Freehold	Head Office / Branch Premises	668,331	7	546,680	03/07/2015
73 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	4	14,128	16/11/2018
74 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	4	2,008	13/09/2018
75 Lot 942 Jalan Parry 98000 Miri Sarawak	Leasehold - 60 Years (06/04/2057)	Branch Premises	5,496	25	733	31/01/1997
76 Lot 1, 2 & 3, Block 18 Bandar Indah, Mile 4 North Road, Bandar Indah Sandakan, Sabah	Freehold	Branch Premises	6,760	22	2,610	08/11/2001
77 No 3 Persiaran Greentown 4 Greentown Business Centre 30450 Ipoh	Leasehold - 99 Years (21/11/2094)	Branch Premises	8,846	27	398	04/12/1995
78 Bangunan HLA 7 Jalan Yayasan 86000 Kluang	Leasehold - 99 Years (23/03/2084)	Branch Premises	6,019	33	344	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
79 Wisma Hong Leong 18 Jalan Perak 50450 Kuala Lumpur	Freehold	Office Premises	333,594	21	260,000	13/11/2001
80 Unit 2.1.2, 1A, Stonor Condominium Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,904	29	447	30/06/1993
81 Unit 1.1.5, 1A Stonor Condominium Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,815	29	426	30/06/1993
82 14-23 Darul Aman Jalan Tun Ismail 25000 Kuantan Pahang Darul Makmur	Freehold	Branch Premises	5,610	29	446	21/02/1993
83 No 1 Persiaran Greentown 4 Pusat Perdagangan Greentown 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 Years (21/11/2094)	Branch Premises	5,246	27	417	04/12/1995
84 Block B, PJ City Jalan 219 Seksyen 51A 46100 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 Years (12/12/2107)	Office Premises	202,194	14	55,386	29/04/2008
85 31 & 32 Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor	Freehold	Branch Premises	8,932	30	1,409	31/12/2013
86 Menara Raja Laut No. 288 Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	Freehold	Office Premises	839,574	29	209,000	06/04/2015
87 No 2682 Jalan Aston 14000 Bukit Mertajam Pulau Pinang	Freehold	Branch Premises	10,160	4	2,622	14/03/2018
88 51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan	Freehold & Leasehold - 999 years	Branch Premises	4,793	28	1,698	31/12/1993
89 Unit 1-10, 8 th Floor Island Place Tower, Island Place No 510 King's Road Hong Kong	Leasehold - 55 Years (30/06/2047)	Office Premises	20,000	27	50,410	20/02/2010

FORM OF PROXY

I/We _____

NRIC/Passport/Company No. _____

of _____

being a member of HONG LEONG FINANCIAL GROUP BERHAD (the "Company"), hereby appoint _____

NRIC/Passport No. _____

of _____

or failing him/her _____

NRIC/Passport No. _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Fifty-Third Annual General Meeting of the Company to be held at Wau Bulan 2, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Monday, 31 October 2022 at 2.30 p.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below with an "X":

RESOLUTIONS	FOR	AGAINST
1. To approve the payment of Director Fees and Directors' Other Benefits		
2. To re-elect Ms Leong Ket Ti as a Director		
3. To re-elect YM Raja Noorma binti Raja Othman as a Director		
4. To re-elect Ms Emily Kok as a Director		
5. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
SPECIAL BUSINESS		
6. To approve the ordinary resolution on Authority to Directors to Allot Shares		
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 Hong Leong Company (Malaysia) Berhad, GuoLine Capital Assets Limited and persons connected with them		
8. To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust		

Dated this _____ day of _____ 2022

Number of shares held _____

Signature(s) of Member _____

CDS Account No. _____

Notes:

- For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 20 October 2022 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- A proxy may but need not be a member of the Company.
- Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
- Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).
- In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlfg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.
- In the event two (2) or more proxies are appointed, please fill in the ensuing section:

Name of Proxies	% of shareholdings to be represented

- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice will be put to a vote by way of a poll.

Fold this flap for sealing

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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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