HongLeong Bank Berhad

Annual Report **2021**

Corporate

Financials

Additional Information

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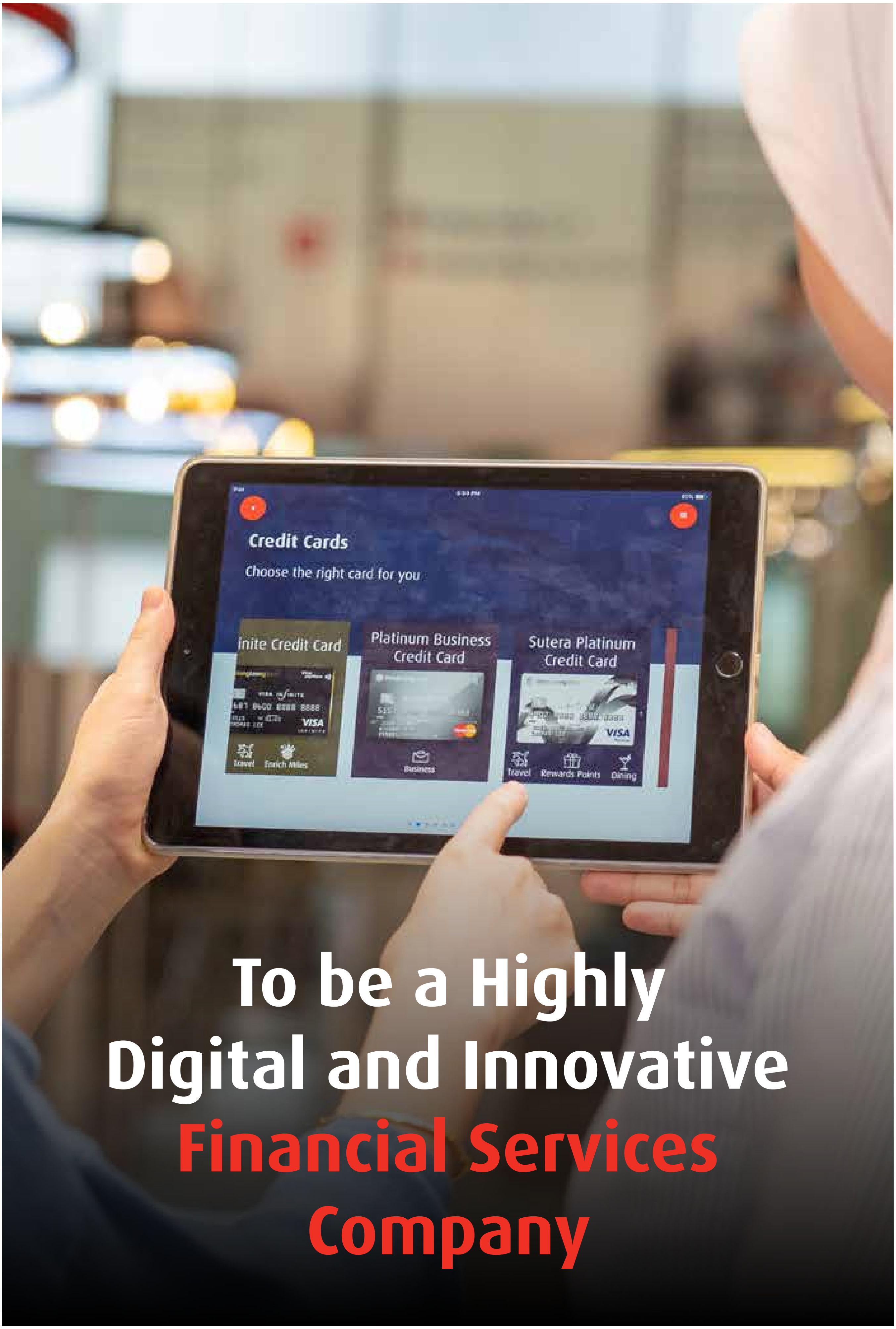


To be a Highly Digital and Innovative Financial Services Company

The Business

The pandemic has reinforced the strategic importance of having a clear sense of purpose to continuously support and empower our Customers, Communities, our People and the Planet. We reimagine banking to be a pivotal catalyst to support, enlighten and enrich the lives of the people and the community. This belief is reflected in our brand promise of 'Built Around You' that puts people at the very centre of everything we do, and guides our actions and commitments to them. Strengthened by our ethos to be 'Digital at the Core', we work to ensure that all our offerings, products and services deliver and uphold the different lifecycle needs of our customers through a combination of digital and people that is seamless, safe, efficient and convenient as we move towards becoming a digitally-geared society.

In a rapidly changing business environment, our beliefs and strategy help us deliver on our purpose and create sustainable value for our stakeholders. We do this by investing in new and innovative technologies, leverage consumer insights and collaboration, research and testbed offerings so that they are well-received, all with the aim of personalising solutions around customers' needs. When our customers and the community prosper, we prosper. This is what sustainability means to us.

Hong Leong Bank Berhad ("HLB" or "the Bank") is a leading Malaysian financial services institution, with over RM237 billion in assets, that serves the banking and lending needs of a broad segment of individual, business and corporate customers. We provide a wide range of products and services and innovative financial solutions in Malaysia and across the region. We are also committed to giving back to the community, not just philanthropically but also through empowering social enterprises with skills and access as part of our efforts to help shape and improve the communities we serve.

Our 116-year legacy of success has been largely due to our steadfast perseverance in always putting our customers and their needs first, our commitment to making a difference in our community, our dedication towards building sustainability in our business practices, and our unwavering belief in helping employees build rewarding careers and hence creating value for all stakeholders.

HLB's extensive branch network with almost 260 branches extends beyond Malaysian borders with one branch each in Labuan Offshore, Singapore and Hong Kong respectively, four branches in Vietnam and seven branches in Cambodia as well as a full-service call centre and more than 1,000 self-service terminals. Wealth Management services are offered through branches in

HONG LEONG BANK'S KEY BUSINESS PILLARS ARE:

Personal Financial Services

Principal business activities include providing banking services and financial products to individuals so that they can fulfil their needs for property and auto financing, personal loans/financing for their periodic household needs, payment products to facilitate everyday spend, share financing, investment and insurance to provide options to grow and manage their wealth as well as protect their health and wealth for retirement and/or the next generation, as well as deposits and remittance products and services to individuals and small businesses for their liquidity, savings and payment needs.

Business & Corporate Banking

Principal business activities include the provision of banking solutions to SMEs, commercial and corporate clients, such as deposit and loan services covering business current account, liquidity management, auto-sweep as well as fixed deposit. Financing options available range from asset acquisition, working capital, business expansion and business automation. HLB also specialises in the provision of transaction banking solutions via cash management, corporate internet banking platform, trade financing and services and merchant payment solutions.

The Business

Malaysia, Singapore and Hong Kong, in addition to various Priority Banking centres located throughout Malaysia and one in Singapore.

With vast changes and numerous developments in the banking industry and financial landscape as a whole, and with the challenges brought about by the COVID-19 pandemic, we are resolute in our purpose to serve our community so that they can stay strong and resilient to navigate the challenges of these trying times. Amid a challenging year, we readjusted our strategies to meet our stakeholder needs and refocused our priorities to ensure the well-being of our customers so that they can continue to support their livelihoods and businesses. Our people are instrumental in the achievement of our purpose by being agile and in tune with what our customers want. They remain the beating heart of the Bank and will continue to step up, always, to serve our customer, whilst at the same time we have had processes in place to ensure the well-being of our employees.

HLB's digital ambition will continue to see us have a sharp focus on building around customers' needs so that we can delight them by delivering an ever-increasing personalised approach to make every banking experience with us easy, contextual, efficient and seamless.

REGIONAL FOOTPRINT

In line with our growth strategy, HLB has been expanding its footprint in the Asian region.

SINGAPORE OPERATIONS

HL Bank Singapore, the Singapore branch of HLB operates under a full banking license. We offer a comprehensive range of financial services to business, retail and high net worth customers through our 4 core business segments – business & corporate banking, personal financial services, private wealth management and global markets. The branch is forging ahead by expanding the client segments value proposition, expanding employee's capabilities and stepping-up its digital transformation to enhance clients' experiences and operational efficiency.

HONG KONG OPERATIONS

The Bank's Hong Kong branch operates under a full banking license and provides global market and wealth management services to its customers. Under the current pandemic situation, the Hong Kong branch soft launched its SME business in early 2021 in a very prudent manner. It will continue to develop the SME business by acquiring good quality customers and sound assets in the new financial year while the global market team will provide treasury market solutions to the SME customers.

VIETNAM OPERATIONS

Hong Leong Bank Vietnam Limited ("HLBVN"), a subsidiary of the Bank, commenced operations in October 2009. HLBVN is a full-fledged commercial bank in Vietnam whose principal activities include provision of retail loans, deposit products, wealth management, and priority banking services to individuals. Whereas business banking solutions include working capital and term loans, deposit and liability management products and trade finance services as well as foreign exchange ("forex") and money market services. To date HLBVN has main operations through a branch each in Ho Chi Minh City and Hanoi.

CAMBODIA OPERATIONS

In July 2013, Hong Leong Bank (Cambodia) PLC ("HLBCAM") commenced operations as a 100% wholly owned subsidiary providing comprehensive financial services covering consumer banking, business banking, global markets and transaction banking services. With seven full-fledged branches located in Phnom Penh, HLBCAM's primary customer focus is towards established SME and commercial/corporate customers, high net worth individuals, affluent and emerging affluent as well as tech savvy young professionals.

INVESTMENT IN CHINA

HLB was the first Malaysian bank to enter the Chinese banking sector in 2008 with a strategic investment in Bank of Chengdu Co. Ltd ("Bank of Chengdu") and has an 18% stake in the company. Bank of Chengdu is a leading city commercial bank in Western and Central China based in Chengdu, the capital of Sichuan Province, and is listed on the Shanghai Stock Exchange. HLB also holds a 12% equity investment in Sichuan JinCheng Consumer Finance Company, a licensed consumer finance firm established in Chengdu in March 2010.

Global Markets

Principal activities include supporting our customers on their investment and hedging needs through key treasury products of Foreign Exchange, Fixed Income, Derivatives and Structured Products. Global Markets also prudently manages the Bank's excess liquidity and manages risks arising from customer transactions and payment flows.

Islamic Financial Services

Islamic Financial Services are offered by Hong Leong Islamic Bank, a wholly-owned subsidiary of HLB which is focused on providing Shariah-compliant Personal Financial Services, Wealth Management, Business and Corporate Banking and Global Markets products and services.

HONG LEONG BANK BERHAD

Euromoney Awards for Excellence 2020

Excellence in Leadership in Asia 2020

Organised by **Euromoney**

Best Bank Awards 2020

Best SME Bank Malaysia 2020

Organised by **Asiamoney**

Best Bank Awards 2020

Best Payments Bank in Malaysia 2020

Organised by **Asian Banker**

Awards & Accolades

National Annual Corporate Report Awards 2020

NACRA Award 2020 (Silver)

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

International Finance Banking Awards 2020

Best SME Development Bank Malaysia 2020

Organised by **International Finance**

International Finance Banking Awards 2020

Most Innovative SME Portfolio 2020

Organised by **International Finance**

Global Good Governance Award 2021

3G Best Social Impact 2021 Award

Organised by **Cambridge IFA**

Global Good Governance Award 2021

3G Human Resources Development Award 2021

Organised by **Cambridge IFA**

IRBA Excellence Award 2020

Islamic Digital Banking

Organised by **Cambridge IFA**

HR Excellence Awards 2020

HR Leader of the Year (Silver)

Organised by **Human Resources Online**

HR Excellence Awards 2020

Young HR Talent of the Year (Silver)

Organised by **Human Resources Online**

HR Excellence Awards 2020

Excellence in HR Innovation (Silver)

Organised by **Human Resources Online**

Employee Experience Awards 2021

Best Digital Transformation Strategy (Gold)

Organised by **Human Resources Online**

Employee Experience Awards 2021

Best Soft Skills Training Program (Silver)

Organised by **Human Resources Online**

Hong Leong Bank **Story**

HLB is listed on Bursa Malaysia Berhad and forms part of the Hong Leong Group. Headquartered in Kuala Lumpur, the Bank has a strong Malaysian entrepreneurship heritage of 116 years.

HLB was originally incorporated as Kwong Lee Mortgage and Remittance Company in 1905 in Kuching, Sarawak and later as Kwong Lee Bank Limited in 1934, bearing heritage of the oldest local financial institution in Malaysia. Kwong Lee Bank Berhad was acquired by the MUI Group in May 1982 and renamed Malayan United Bank Berhad on 2 February 1983. In 1989, it was renamed as MUI Bank. Under the MUI Bank banner, it grew from 11 to 35 branches nationwide. On 3 January 1994, Hong Leong Group acquired MUI Bank Berhad through Hong Leong Credit Berhad (now known as Hong Leong Financial Group Berhad) and renamed it Hong Leong Bank Berhad. The Bank was listed on the Kuala Lumpur Stock Exchange (now under Main Market of Bursa Malaysia) on 17 October 1994 and since then has grown to be a significant player in the Malaysian banking and financing landscape, organically as well as through mergers and acquisitions, with its merger with EON Bank Group in 2011. Today the Bank is Malaysia's fifth largest banking group by assets with over RM237.1 billion in assets as at 30 June 2021, and fourth largest by market capitalisation as at the same date.

Locations

Incorporated in 1905:

Kwong Lee Mortgage and Remittance Company in Kuching, Sarawak

RM 237.1 billion in assets

as at 30 June 2021

Key Focus Areas

- **Customers**
- **Talent**
- **Community**
- **Entrepreneurship**

Hong Leong Bank Story

HongLeong Bank

Personal Financial Services

Business & Corporate Banking

Global Markets

Islamic Banking

Technologically Focused:
Digital-at-the-Core

Customer Centred Solutions:
Built Around You

Strong Entrepreneurial Heritage

Channels

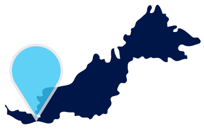
- Mobile Banking
- Internet Banking
- Branches
- Self Service Terminals
- Call Centre
- Relationship Managers

Core Values

- Here for the long-term
- Innovation
- Collaborate to Win
- Decisiveness
- Have fun

Corporate **Milestones**

1905
Started in Kuching, Sarawak, Malaysia, under the name of Kwong Lee Mortgage and Remittance Company



1934
Incorporated as Kwong Lee Bank Limited

1989
Renamed as MUI Bank, operating with 35 branches

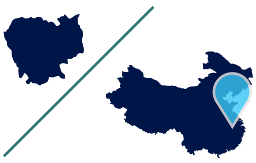
1994
- Acquired MUI Bank through Hong Leong Credit Berhad (Now known as Hong Leong Financial Group Berhad)
- Renamed as HLB

2008
Entered China banking sector with a 20% strategic stake in Bank of Chengdu Co. Ltd.

2009
HLBVN opened its doors in Ho Chi Minh City

2011
HLB completed merger with EON Bank Group

2013
- HLBCAM commenced its operations
- Set up representative office in Nanjing, China



Intensified digitisation of HLB's products and services

2014
Launched new Internet Banking platform, PEx payment, tablet app and cardless withdrawal

2015
- Launched new platform for business internet banking to replace HLOB (Hong Leong Online Business), Applewatch app, eFD & e-TDI, e-Will/Wasiat and Biometric authentication
- Introduced physical PEx+ Merchant Payment

2016
- First domestic bank to enable FPX payment allowing customers to conduct transactions 24/7 via Hong Leong Connect BIZ
- Launched Artificial Intelligence Chat Service using IBM Watson, E-TT and online statement
- Supercharged innovation through the setting up of a Customer Experience and Innovation Lab
- Moved to online platforms for auto and personal loans, credit card & CASA (Current Account & Savings Account) opening applications
- PEx+ Merchant Payment went online

2017
- Piloted in-branch mobile servicing solution featuring iPad-equipped service ambassadors to greet and service customers
- Launched HLB LaunchPad to nurture Malaysian technology and FinTech start-ups
- Introduced eFD via FPX

Corporate Milestones

2018

- Rolled out Robotic Process Automation projects
- Launched comprehensive online banking platforms for corporate, commercial and SME banking (Hong Leong Connect First)

HongLeong ConnectFirst

- Introduced eLearning for the benefit of all employees, a peer-to-peer, knowledge sharing mobile platform application which incorporates fun elements of gamification in the learning journey (SmartUp)

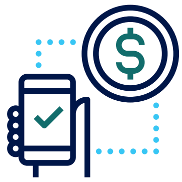
HongLeong Bank smartup

- Established the first Hong Leong Bank Digital Concept flagship branch in Damansara City, featuring Personalised Teller tablets, Teller Assisted Units and a Discovery Zone interactive digital platform
- Piloted Multi-lingual Robot Concierge services at Damansara City Priority Banking Branch
- Introduced a virtual assistant Artificial Intelligence chatbox on our employees' digital devices (HALI) to provide answers on Human Resources and Branch Operations Support policies and procedure queries
- Rolled out Digital Business Solutions and SMElite Financing facilities for SMEs

2019

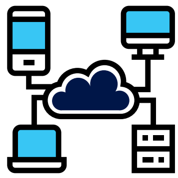
Business

- First bank in Malaysia to enable merchants and individual users to transact with WeChat Pay in Ringgit, with Malaysia being the first country outside of China and Hong Kong to be able to make payments in the local currency
- Increased efforts on **SME business** with more focus on providing fit-for-industry total business solutions
- Introduced a first-in-market **all-in-one Smart Point-of-Sales (POS)** terminal that enables merchants and consumers to perform cashless transactions, accepting all cards and e-payments in a single device
- Celebrated the 10th year of success of the country's first co-branding card, the HLB Golden Screen Cinema (GSC) Credit Card with more **exciting rewards and value** to movie-goers
- Partnered and launched two **Travel Cards, HLB AirAsia Credit Card** and **Emirates HLB Credit Card** with two of the best-in-class airlines, AirAsia and Emirates to serve the rising travel market in Malaysia



Innovation

- Pioneering change in the banking industry with the introduction of intuitive digital service delivery by launching the first Digital Branch in Penang at Burmah House
- Launched the **Customer Experience and Usability Lab (CX Lab)** in Menara Hong Leong providing a collaborative space for cross-functional business, operations and technology teams to work together with external parties such as FinTechs, startups and technology partners
- The first bank in Asia to transform customer support with leading innovative technology Amazon Connect, a self-service cloud-based contact centre solution at HL Bank, HLB's branch in Singapore



People

- Introduced **Hackathons** to discover talents and to inculcate and cultivate an innovation mindset to create an agile and future ready workforce
- Innovated the recruitment process via the introduction of HALI, an Artificial Intelligence chatbot and **Virtual Recruitment Assistant** to match suitable candidates with high-skill jobs
- Future-proofing employees by incorporating **design thinking** in our training modules as part of the on-boarding programme
- Introduced Workplace by Facebook to ensure our workforce can **communicate, collaborate and connect** simpler and better, using familiar features like groups, chat and video calls

CSR/Community

- Launched **HLB Jumpstart**, the Bank's CSR platform that champions Malaysians helping to build a sustainable Malaysia from social enterprises and non-profit organisations to passionate individuals on Malaysia Day
  - Introduced the **'Demi Kita'** campaign in collaboration with SURI which upcycles denim and provides financial opportunity and living skills for single and underprivileged mothers
  - Partnered with Green Hero to **support food wastage solutions** across Malaysia

Corporate Milestones

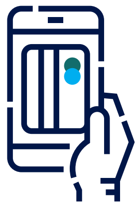
2020

Business

- Committed RM500 million for renewable energy financing for the next 4 years in supporting government plans to increase the share of Renewable Energy in the country
- Launched HLB Connect in Vietnam:
  - true convenience for consumers with next generation, customer-centric digital banking
  - greater financial inclusion and access to e-commerce on a single platform
- Pre-emptive action (early Feb 2020) to support customers with our HLB Customer Financial Relief Plans to support customers facing financial challenges due to the impact of the novel coronavirus (COVID-19)
- Fast tracked credit approval for SME's under BNM's Special Relief Facility Funds (SRF) to ease their burden amidst these challenging times
- Participated in the PENJANA SME Financing Scheme ("PSF") where the Bank will extend its support to local SME businesses during the recovery period which have and continue to be adversely impacted by COVID-19
- Plan in place to provide additional targeted assistance to customers who foresee difficulties in restarting their regular payments come October 2020 (post Malaysia's auto moratorium for individuals and SMEs) under the Bank's Payment Relief Assistance Plans

Innovation

- Cashless Experience - collaborated with WeEat, a WeChat mini programme for F&B outlets for customers to order and enjoy meals seamlessly while avoiding queues
- Worked with MyTaman to empower Taman Desa Residents Association (TDRA) to use WeChat Pay functionality at all merchants in the community, **the first of such an effort in Malaysia**
- Launched First-in-Market eToken with Biometric Recognition for businesses making banking more secure and convenient
- Expanded and enhanced in-branch tablet facilities to serve customers quickly and effectively, while enabling the Bank to reallocate resources to greater value add activities
- Launched **'Cashless Lagi Senang'**: onboarded traders at more than 20 public markets in Penang to accept cashless transactions in support of the state's 'Cashless Pasar Awam' initiative
- Upgraded the HLB Connect App to give customers the freedom to customise their digital banking experiences and reduces the number of steps needed to make online transactions
- Continued the digitalisation and innovation journey with the successful transformation and migration of Financial and Procurement processes to the **PtoP@HLB** platform allowing staff to work remotely, anytime and anywhere with ease and convenience to amongst others, raise claims, process invoice payments and raise purchase requisitions



Customers and Employees

- Introduced the Brand Promise **"Built Around You"** which revolves around the principles of building trust through personalised experiences, by having a deep understanding of our customers, making every experience easy to delight customers consistently and to proactively anticipate customers' needs to make their lives better
- **Expanded Workplace** by Facebook to **Cambodia** and **Vietnam** to make employee collaboration faster and easier and connect easily with familiar features such as groups, chats and video calls
- **Introduced the cloud-based Workday** platform which has helped streamline talent management, HR operational activities as well as learning and development

CSR/Community

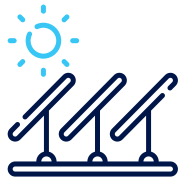
- Launched **HLB DuitSmart** initiative to empower Malaysians with better financial knowledge during Malaysia Day Via **HLB Jumpstart**:
  - the Bank partnered with **Coffee for Good** who provides barista training for underprivileged youth
  - Assisted Social Enterprise SURI with Social Procurement to Support Single Mothers Producing PPE for Medical front liners in an effort to uplift and strengthen communities in-need
- Pledged RM150,000 to Support Orphanages and Senior Care Homes with meals during Ramadan and Raya
- Donated RM1 million to MERCY Malaysia through the Association of Banks Malaysia to help the fight against COVID-19
- Embraced environmentally friendly policies by changing the way we procure and use resources and how we interact with customers, for example, not sending hardcopy statements which was expanded to more products and services

Corporate Milestones

2021

Business

- The Bank has been consistently offering repayment restructuring options to help individuals, SMEs and Corporate borrowers navigate through the financial fallout from the COVID-19 pandemic as part of its own initiatives starting February 2020 ahead of the industry wide initiatives in March 2020 while continuing to support the on-going industry wide repayment deferment programmes over the past 18 months.
- Continued to work closely with clients that were not covered by the auto-moratorium such as credit card customers, those that were in arrears and corporate clients.
- Additional credit was extended to SMEs under the Government's recovery schemes and we have continued to provide normal lending/financing activities throughout.
- A Flood Relief Assistance programme which consisted of a six-month moratorium was offered to customers impacted by the major floods in various parts of Malaysia.
- Made available special financing to business customers who required working capital to aid the recovery of their businesses.
- Introduced the HLB SME Solar Financing, a green energy financing facility specially developed for Malaysian SMEs looking to install small-scale solar photovoltaic systems to help drive cost and energy efficiencies, which in turn drive compliance with ESG principles.



Innovation

- The first bank in Malaysia to offer our customers an end-to-end digital onboarding via **Apply@HLB** without the need to be physically present at a branch or go to a self-service terminal.
- The first bank in Malaysia to have an e-commerce store on Malaysia's leading e-commerce platform, Shopee Mall. Customers are able to sign-up for banking products and services anytime with just a few clicks without the need to visit any physical branches.
- Upgraded the flagship **HLB Connect** digital platform to elevate its efficient transactional tool to an integrated and personalised banking platform that can help our customers take control of their financial management.
- Launched **HLB Pocket Connect**, a first-in-the-market interactive digital banking platform that serves both young savers and their parents enabling the younger customer segment to take charge of their own pocket money and savings, while parents seed a responsible and healthy financial lifestyle in their children, which is done in a fun and interactive way.
- Extended the **HLB Pocket Connect** app offering with the digitally-forward first-of-its-kind in the market **Earth Hero** initiative that gamified financial and environmental education through interactive and hyper-personalised content designed to educate young digital natives towards being financially savvy and environmentally friendly.

Customers and Employees

- Enabled micro and smaller businesses and traders to embrace cashless payment mode via the **Hong Leong Bank Tap on Phone POS** terminal where merchants such as hawkers and wet market traders were better positioned to cope with the changing customer payment mode using the contactless mobile payment acceptance service, which is a simple and secure low-cost payment solution.
- Initiated various cost savings initiatives for customers in FY2021 resulting in approximately RM93.3 million in overall savings via:
  - Provision of waiver of interbank cash withdrawal fee resulting in RM20.8 million savings for the community.
  - Assisted customers in restoring their payment behaviours and financial well-being enabling them to settle their arrears in full or partially during the moratorium period where some part of the interest/profit charged are waived thereby reducing the amount owing by borrowers by RM31.1 million.
  - Initiated a Car Surrender Programme for customers with past due instalments where the Bank assisted borrowers to sell their cars on their behalf and shortfalls on the loan/financing were waived. A shortfall amounting to RM2.5million was borne by the Bank for this initiative.
  - Waiver of various late fees, interest/profit accrual and collection fees were waived for customers who made settlement plans to regularise or payoff their loans/financing with the total waived amounting to RM945,000.
  - Waiver of late interest/profit & fees for SME clients with RM116,000 in savings for customers.
  - Waiver of Corporate Internet Banking monthly subscription fees and token fees resulting in RM12 million in savings for customers.
  - Absorbed Stamp Duty on Foreign Exchange contracts with a total of RM77,000 in savings for customers.
  - Introduced a Credit Card Conversion to Term Loan initiative resulting in savings amounting to RM25 million in the first year.
  - Waiver of late payment fees and a hassle-free application process for customers applying for Relief Assistance during the MCO period with a total of RM941,000 in savings.

Corporate Milestones

- Fully deployed Google Workspace bank-wide, harnessing the power of working on cloud, enabling the utilisation of virtual meetings capabilities among employees, customers and business partners.
- Supported employees through strong employee engagement amid the pandemic using platforms such as Google Connect, the PlusVibes app and Brown Bag sessions.

Corporate Social Responsibility and Community Investment

- Nurturing FinTechs and startups that solve community pain points by identifying startups with innovative solutions that are Digital, Adaptable and Sustainable to help Malaysians adapt and thrive in this new and next normal.
- Launched **Jumpstart@65** – a facility which offers collaborators a co-working space, customer usability labs and a community centre that is equipped with state-of-the-art tools such as eye-tracking technology and 3D printing for testing through customer immersion sessions such as focus groups, ethnographic studies, customer-staff co-creation sessions as well as experiencing first-hand how customers behave and react to the solutions and offerings proposed.
- Expanded our financial sustainability and literacy programme, **HLB DuitSmart** by adapting the programme to be easily used by the visually impaired community in collaboration with several blind associations in Malaysia.
- Expanded the **HLB DuitSmart** programme online to students, piloting the DuitSmart Online Workshop with 72 UCSI University students and will be rolling out the online workshops to more students from higher education institutions, secondary and private primary schools, as well as to single mothers and Orang Asli communities.
- Expanded access to financial literacy and inclusion through the financial sustainability programme, **HLB DuitSmart** to the visually impaired community.
- Further driving the financial inclusion agenda for the visually impaired through the development of the first-of-its-kind 'talking ATM' to serve the needs of our visually impaired customers in Brickfields, Kuala Lumpur and Pulau Tikus, Penang.
- Undertook to mentor three winning startups; **Food Market Hub**, **Pay:Watch** and **ERTH** (e-Waste Recycling Through Heroes) to work collaboratively on pilot projects addressing food security, gig economy and e-waste management respectively in the third edition of our **HLB Launchpad 2020**.
- Collaborated with **The Asli Co**, a social enterprise focusing on helping Orang Asli mothers to earn a sustainable living through making artisanal handicrafts and products from home by providing assistance and mentorship to make their enterprise more sustainable and scalable through **HLB Jumpstart**, the Bank's CSR platform.
- Onboarded our fifth social enterprise and our first from East Malaysia - **Benak Raya Enterprise** a Sarawak-based social enterprise to the **HLB Jumpstart** platform.
- Donated a total of RM255,368.86 to Mercy Malaysia as part of a community disaster response effort to aid in ongoing COVID-19 response mobilisation and support.
- Donated RM27,000 to the University of Malaysia Medical Centre towards a High Flow Nasal Cannula Oxygen ("HFNC") non-invasive ventilator unit to help critical patients suffering from COVID-19.

Sustainability

- Sustainability has been elevated to a core focus area, integrating its various requirements into all aspects of our business activities to ensure that we do our part in promoting sustainability and we contribute towards building a vibrant and sustainable ecosystem by:
  - Introduction of an ESG Framework that incorporates Environmental, Social and Governance ("ESG") considerations in the Bank's credit evaluation of its small and medium-sized enterprises ("SME") and corporate customers.
  - The ESG Framework governs the Bank's credit assessment as we move towards advocating the greening of business activities as well as the transition to a low carbon and climate-resilient economy.
  - Enhanced the Framework to include an Internal Environmental and Social risks rating system and additional guidelines to deal with high-risk sectors such as forestry, metals and mining/quarrying, non-renewable energy and palm oil.
  - Launched the 'Sustainability Roundtable' aimed at engaging the industry including related associations, organisations and companies embarking on sustainability transformations, to share and discuss the benefits and challenges in sustainability practices. The Roundtable's early topics related to plastics manufacturing and renewable energy.

Chairman's **Statement**

"

In a year defined by a resurgent COVID-19 pandemic that has continued to disrupt economies and communities around us, Hong Leong Bank ("HLB" or "Bank") has responded by prioritising the needs of our stakeholders. The Bank, cognisant of the important role we can play in helping our customers during the pandemic, by proactively providing the necessary financial assistance for them to weather the storm. Our energies were directed to safeguarding the health of our colleagues, many of whom have gone beyond the call of duty during these difficult times to ensure the Bank's operations would not be disrupted.

"

The Bank has delivered a resilient performance in the 2021 Financial Year ("FY2021"). HLB remains in a healthy state underpinned by our strong fundamentals and disciplined management of our asset quality, which enabled us to withstand the uncertainties this year and achieve net profit of RM2,861 million, with total assets now standing at RM237.1 billion.

Total assets

RM**237.1**

Billion

Chairman's Statement

Additionally, I am glad to report that HLB responded well to the demands of an unprecedented operating environment. Our consistent efforts to deliver practical, timely and innovative digital solutions created capabilities that consistently meet the evolving needs of our customers and employees.

With the economic recovery momentum of the Malaysian economy hampered in 2021 due to the resurgence in cases and the continuation of movement restrictions, HLB remains highly committed to helping customers and their businesses recover to ensure that they come out of this pandemic on a strong footing. We have provided various loan moratoriums since the onset of the pandemic, with the most recent one being the PEMULIH packages, and will continue to assess the situation to ensure that the help we provide remain appropriate for the circumstances in which we find ourselves. While there remains some downside risk to growth in the year ahead, we are hopeful that Malaysia will be able to sustain its high rate of inoculation which will lead to the eventual reopening of all sectors of the economy and people will be able to move about more freely, thus providing a boost to growth in 2022.

It gives me great honour to present to you the Annual Report and Financial Statements of the Bank for the financial year ended 30 June 2021.

ECONOMIC LANDSCAPE

The Malaysian economy has largely demonstrated its resilience despite the prolonged headwinds due to the continued resurgence of the pandemic in FY2021. The economy rebounded from the 3.4% contraction year-on-year ("y-o-y") seen in the final quarter of 2020, to register a 16.1% y-o-y expansion in the second quarter of 2021, which we should note was also augmented by the low base effect in the quarter for the same period last year. With the reopening of the economy after the Movement Control Order 2.0, there were sharp improvements in GDP with double-digit gains in April (+40.1%) and May (+19.8%), before containment measures kicked in again in May following a subsequent surge in COVID-19 cases.

The country has since been placed under Phase 1 of the National Recovery Plan beginning 1 June, which sees the ramping up of inoculation efforts and the extension of stringent movement restrictions as continuous efforts to contain the resurgence of cases from the more infectious virus variants. This has invariably derailed the trajectory of recovery, posing downside risks to overall growth prospects for 2021. With restricted production and economic activities curtailing the domestic economy, overall growth would be dependent on a more favourable external environment as major economies begin to open up but continue to face their own challenges with uneven recoveries.

Inflationary concerns have also emerged following improving demand and rising commodity prices although its real effect on the economy remains inconclusive at this juncture. The spike in prices is predominantly due to supply disruptions and a low-base effect, and appears to be transitory in nature. With growth outlook remaining fragile and uneven, central banks will not be in a rush to withdraw policy support and are likely to maintain an accommodative monetary policy stance until the world economy is back on its feet again.

DEMONSTRATING RESILIENCE UNDER PRESSURE

For the year under review, the Bank has once again prioritised its asset quality, as we erred on the side of caution by building up additional pre-emptive impairment buffers to be well prepared for what is likely to be an uncertain business environment. We have sought to understand our customers' needs better during the moratorium and where possible, helped them to improve their credit standing and delinquency status. Consequently, through a wide range of initiatives, the Bank's gross impaired loan ratio ("GIL") has improved to a new low at 0.46%. This is against the backdrop of our expanding gross loans and financing, which saw a healthy 6.8% y-o-y increase to RM155.8 billion in FY2021. The growth in loans and financing was largely due to our business customers signalling their optimism that a rebound in economic activity could be underway. Customer deposits in FY2021 grew by 5.6% y-o-y, to RM183.3 billion.

Following the improvements in these key metrics, the Bank's earnings per share ("EPS") for FY2021 is 139.7 sen, an increase of 17.8 sen or 14.6% y-o-y, while our return on equity ("ROE") stood at 10.1%.

Chairman's Statement

Total gross loans and financing maintained a healthy 6.8% y-o-y expansion to

RM155.8 Billion

Total customer deposit expanded 5.6% y-o-y to

RM183.3 Billion

Our share price performed resiliently and closed at RM18.72 for FY2021, with share price appreciation over five years outperforming both the FBM KLCI index and KLFIN index by 49.4% and 35.7%, respectively.

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

ISLAMIC BANKING PERFORMANCE

Malaysia has continued to demonstrate its pre-eminence as a global Islamic Finance player despite a volatile macro-economic environment due to the COVID-19 pandemic. Even with the headwinds present in 2020, total Islamic banking assets in Malaysia expanded by 10.1%, similar to the growth experienced the year before. Financing quality has stayed sound as Islamic banks have been prudently and pre-emptively fortifying their provisioning buffers. Notably, its liquidity ratio remains robust and the sector remained well capitalised against near-term credit stresses.

The Islamic Finance ecosystem has been able to grow steadily due to greater levels of acceptance of Islamic financial products and services domestically and around the world, further supported by the strong commitment from industry players, and conducive regulatory and operating frameworks.

As a recognised Islamic financial institution, Hong Leong Islamic Bank ("HLISB") has been focused on expanding its presence, driven by digital strategies that engage customers through a multitude of services and products that are delivered through simplified banking journeys. In the year under review, HLISB has produced a healthy financial performance, with profit before zakat and taxation recording a growth of 10.3% y-o-y to RM524 million. Gross Islamic financing assets increased to RM32.7 billion, a 9.0% expansion y-o-y while the contribution of HLISB's financing towards the Bank remains healthy at 21.0%.

HLISB is a trusted financial partner that grows together with our customers through innovative, seamless and personalised financial solutions while advancing our commitment to sustainability. Besides participating in sustainability practices driven by the Bank, HLISB is actively involved in advocating the Value-based Intermediation ("VBI") agenda which calls on us to produce value in a holistic way that truly considers how we impact our communities, the environment and the economy.

During this tumultuous year, HLISB played an active role in supporting the communities around us, prioritising the sustainability of those we serve by providing the necessary financial assistance to those impacted by the COVID-19 outbreak and the floods that inundated parts of Malaysia earlier in the year.

REGIONAL PERFORMANCE

While regional economies were affected by the pandemic, some countries were able to soften the impact on their growth or stage recoveries earlier through the effective containment of the virus which enabled economic activities to continue. However, it was still a challenging time as these countries went in and out of multiple lockdowns to contain the pandemic, which affected businesses and the livelihoods of their citizens. The Bank, whenever possible and wherever needed, extended assistance to our customers in countries that we are present, and remained focused on delivering results for our stakeholders.

The Bank's regional business responded resiliently within this challenging environment and continued to generate meaningful returns to HLB with a 23.3% contribution to the Bank's pre-tax profit in FY2021. Robust loan growth was seen in Singapore, Vietnam and Cambodia despite the challenging operating conditions prevailing throughout the region, while our operations in China contributed higher profits compared to the year before.

Our Singapore operation is represented by HL Bank Singapore ("HLBS") and is an important franchise for the Bank. In FY2021, total income recorded was RM166 million and gross loans grew by RM937 million to close at RM6.2 billion. The franchise's strategy to transform itself from a pure Private Banking outfit to a more holistic financial services provider

Chairman's Statement

Total profit contribution from international operations to the Bank's pre-tax profit is

23.3%

has started to bear fruit with the growth and expansion of the Private Wealth Management and Business and Corporate Banking businesses. HLBS has continued to strengthen its position in the Auto Finance business and expand into specific areas under Personal Financial Services by offering products built around the life cycle of the mass affluent segment. Going forward, HLBS will continue to develop its business to best align with customer preferences, with the use of digital technology that leverages on the Head Office's digital transformation roadmap, and to build the Hong Leong franchise by immersing ourselves in the communities we serve.

Hong Leong Bank Vietnam Ltd ("HLBVN"), meanwhile, maintained its strong loan growth momentum in FY2021 with loans growing by 30.5% y-o-y to RM1.2 billion and deposits improving by 35.2% y-o-y to RM1.1 billion. Its GIL ratio remains well under control as it improved to 0.13%. HLBVN has taken further concrete steps towards becoming a retail digital bank with the launch of a digital unsecured personal loan product and Electronic Know Your Customer ("eKYC") to enable digital customer onboarding.

In Cambodia, Hong Leong Bank (Cambodia) PLC ("HLBCAM") continued to chart strong growth with a 15.6% y-o-y increase in its loan portfolio to RM1.9 billion and 26.6% y-o-y growth in deposits to RM1.7 billion. This growth momentum, achieved despite the challenges of the pandemic, has propelled our total assets to RM2.8 billion as of end-June 2021, and represents a 6.2% y-o-y growth. We have deepened our transition to digital banking with ongoing enhancements to our mobile banking platform as well as embarking on introducing an online corporate banking platform and instant transfers across the local bank network.

Our associate in China, Bank of Chengdu ("BOCD"), a city commercial bank in Sichuan Province listed on the Shanghai Stock Exchange, maintained its above market average growth rate and contributed RM721 million to our bottom line; a 14.1% y-o-y improvement, representing 20.8% of the Bank's pre-tax profit and once again improving upon its previous year's contribution. The strong performance was largely due to the Sichuan province being relatively insulated from the disruptions of the pandemic as it only registered single-digit COVID-19 cases throughout the financial year, coupled with China's excellent management of the pandemic which subsequently led to a strong rebound in economic growth.

BEING RESILIENT IN THE FACE OF CHALLENGES

As a nation, we have been through an unprecedented year. Similarly, as a financial institution, we have been challenged like never before as the long drawn out pandemic marks its effects on the economy, society and livelihoods. Yet, despite the challenges, we have responded with strength and empathy. We draw inspiration from our experience in managing challenges across our deeply rooted history grounded by our core values and brand promise to help our people, customers and communities navigate the new normal that is becoming increasingly familiar.

Hong Leong Bank Singapore

Total income recorded was **RM166 million** and gross loans grew by **RM937 million** to close at RM6.2 billion

Hong Leong Bank Vietnam Ltd

Loan growth of **30.5% y-o-y** to **RM1.2 billion**

Hong Leong Bank (Cambodia) PLC

Loan growth of **15.6% y-o-y** to **RM1.9 billion**

Bank of Chengdu

Profit contribution of **RM721 million, 14.1% y-o-y** improvement

Chairman's Statement

With the prevailing COVID-19 pandemic still hindering any attempt to return to normalcy and challenging conventional ways of doing business, HLB responded – finding new innovative ways to provide customers with what they need, when they need it. We have been able to do this by fully exploiting our investments in digital capabilities, witnessing its full potential during this period. Our investments in building capabilities that allow us to continuously listen to the voice of our customers across all channels has helped ensure we stay connected with them and focus on the right priorities.

As a result, a new generation of digital offerings, calibrated to cater to customer wants and needs for the pandemic era, have been pushed out in FY2021, thus allowing us to maintain the delivery of a seamless and frictionless digital banking experience as evidenced by more than 90% of all banking transactions being conducted over digital channels.

It is therefore clear that investments made over the past few years to build on our 'Digital at the Core' strategy is producing positive results even during challenging times. Our resilient workforce was able to adapt rapidly to the new norm given the availability of the right digital infrastructure, enabling us to continually deliver a smooth banking experience our customers are accustomed to, even as they worked for large periods of the year remotely.

In supporting the broader community with initiatives that bring profound and positive change to society, we are proud to continue helping social enterprises in their endeavours that not only drive innovation but bring sustainability elements to the forefront of economic development. As a community bank, the aspirations of social enterprises resonate with the values we stand for, and we remain fully committed to identifying and boosting the growth of social enterprises that are making a positive difference to various communities.

With the increased attention given to sustainability and climate change by the general public and the investment community, the Bank took additional steps in the past year to ensure we fortify our actions around our Environment, Social and Governance ("ESG") Framework, including such requirements in our credit underwriting process and working with customers to meet these requirements. This move clearly underscores our intention to work closely with customers and stakeholders towards embracing ESG as part of their investments and financing, which is critical for transitioning to a low-carbon economy and creating a more sustainable future.

EMBEDDING GOOD GOVERNANCE

At HLB, we are committed to building an organisation with robust governance practices that are rigorous and conscientious, paired with an approach that is dynamic and able to cater to an ever-evolving operating landscape. In the year under review, the Bank implemented multiple initiatives aligned with this goal, while ensuring that a strong compliance culture prevails throughout the Bank.

Since the appointment of an Ethics and Integrity Officer ("EIO") in the previous year, the Bank further affirmed our zero-tolerance position for bribery and corruption with the creation of an Ethics and Integrity Unit. Led by the EIO, this unit coordinates and tracks the implementation of the anti-bribery and corruption framework. The unit rolled out continuous learning contents through multiple platforms to drive awareness and understanding throughout the organisation.

The Bank's dedication to build a culture of compliance is exemplified in the creation of the Compliance and Financial Crime Compliance Academy, a dedicated learning and development programme tailored for our employees. The programme is designed to equip its participants with wide and comprehensive knowledge of Compliance and Financial Crime Compliance to help them excel in their roles and drive the compliance culture across the Bank.

Chairman's Statement

Beyond the efforts to equip our employees with adequate knowledge to safeguard the Bank from being used as a conduit for financial crime proceeds, we have made significant progress in making the ecosystem safer through the launch of a new Anti-Money Laundering ("AML") system in January 2021. The system enhances our onboarding and screening capabilities for our customers, and processes were streamlined to enable us to serve our customers better. Further improvements will be made to the system in FY2022 with the integration of a module that will manage transaction monitoring.

HLB is keenly involved in supporting regulators that are responsible for overseeing the financial stability of the nation and by extension, the economy.

OUTLOOK

Although the world is slowly emerging from the recessions and strife caused by the pandemic, there continues to be uncertainties surrounding a sustained recovery given the new variants of COVID-19 that are posing some downside risks to growth in 2021. However, continued accommodative policy support and strong vaccination progress is expected to help the world economy rebound as populations with higher inoculation rates return to pre-pandemic activity levels.

In Malaysia, the economy is expected to register a modest recovery in 2021, as spikes in infection rates and the reintroduction of movement restrictions moderate what was expected to be a strong recovery this year. However, there is growing optimism that the acceleration in the vaccination roll-out and a more favourable external environment will help underpin a more sustained recovery in 2022.

The Bank is determined to support our customers through these uncertain times. We will keep on providing the necessary assistance to enable them to weather this storm, in tandem with ensuring that our products and services continue to meet their expectations. In looking ahead, we are confident that our prudent strategies and unrelenting digital focus have helped and will continue to help us manage the uncertainties and nuances related to the pandemic and the forthcoming post-pandemic era.

ACKNOWLEDGEMENTS

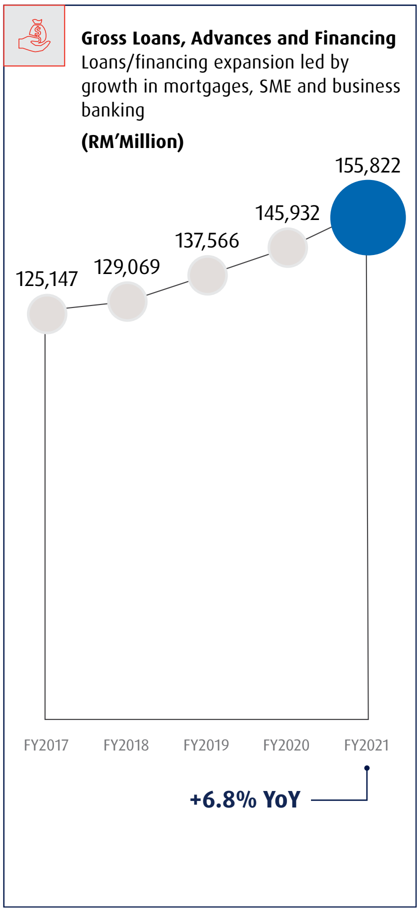
I would like to take this opportunity to thank my fellow Board members for their support, guidance and wisdom. To our customers, business partners and shareholders – your continued loyalty throughout the years has served as inspiration for us to deliver greater value by following through with the Bank's long-term goals. As we close a challenging chapter in our journey, I would like to highlight the determination and dedication of our employees who continued to perform exceptionally well within an unprecedented operating environment.

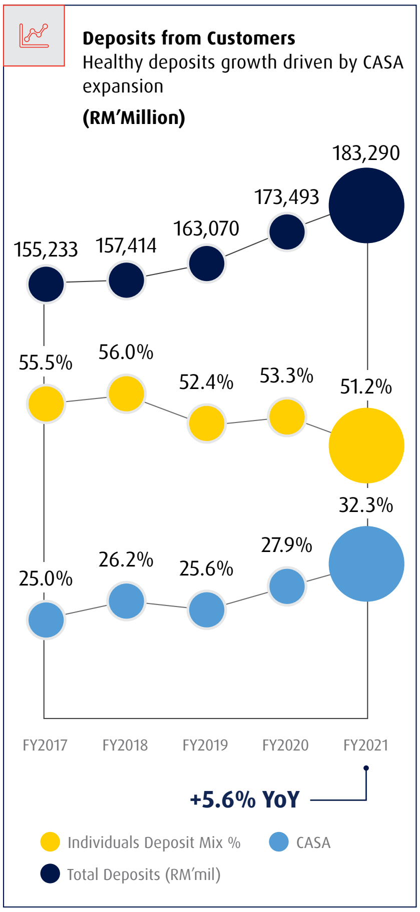
I would like to express my gratitude to Bank Negara Malaysia, the Ministry of Finance, government agencies and regulatory authorities for their continued assistance. Finally, my sincere appreciation goes out to the Bank's senior management team who have delivered commendable results, despite the trying and difficult year.

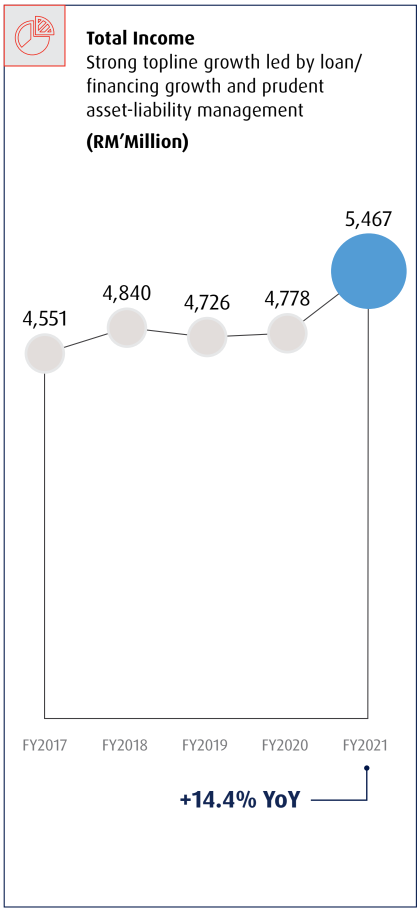
QUEK LENG CHAN
Chairman

14 September 2021

Five Year Group
Financial Highlights



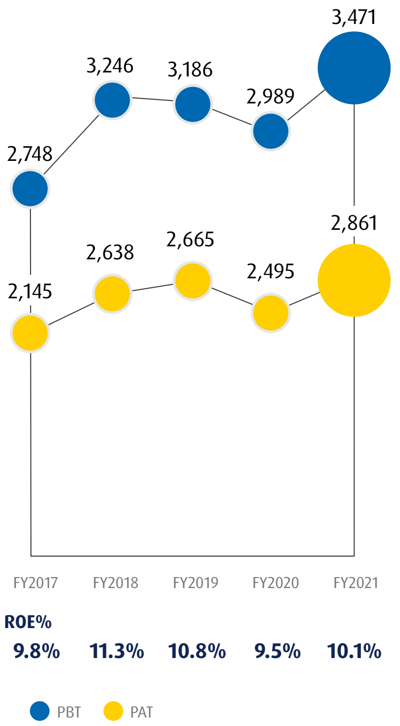




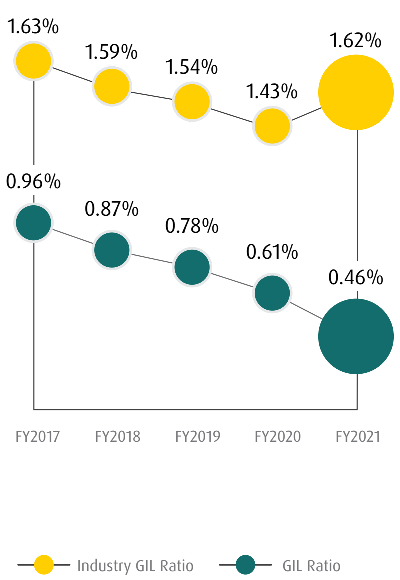
The Group	FY2017 RM'Million	FY2018 RM'Million	FY2019 RM'Million	FY2020 RM'Million	FY2021 RM'Million
Total Assets	195,553	202,891	207,369	221,278	**237,129**
Gross Loans, Advances and Financing	125,147	129,069	137,566	145,932	**155,822**
Customer Deposits	155,233	157,414	163,070	173,493	**183,290**
Shareholders' Fund	22,685	23,892	25,474	27,234	**29,459**
Profit Before Tax	2,748	3,246	3,186	2,989	**3,471**
Profit After Tax	2,145	2,638	2,665	2,495	**2,861**
Earnings per share (sen)	105	129	130	122	**140**
Net dividend per share (sen)	45.0	48.0	50.0	36.0	**50.0**
Dividend payout ratio	42.9%	37.2%	38.4%	29.5%	**35.8%**

Five Year Group Financial Highlights

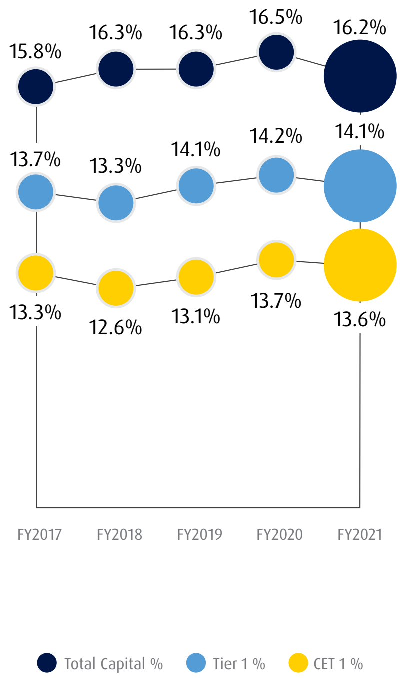
Profitability
Commendable performance given the business environment backdrop
(RM'Million)



Asset Quality
Solid asset quality with an adequate coverage whilst achieving record low GIL ratio



Capital Ratios
Robust capital positions; supporting business growth whilst delivering returns back to shareholders



The Bank	FY2017 RM'Million	FY2018 RM'Million	FY2019 RM'Million	FY2020 RM'Million	FY2021 RM'Million
Total Assets	164,817	169,111	169,461	177,707	**188,434**
Gross Loans, Advances and Financing	103,516	105,079	109,943	113,745	**120,402**
Customer Deposits	129,859	129,583	131,397	137,633	**144,357**
Shareholders' Fund	18,442	19,263	20,125	20,985	**21,999**
Profit Before Tax	2,347	2,518	2,386	2,075	**2,404**
Profit After Tax	1,744	1,972	1,927	1,654	**1,868**

Group Managing Director/ **Chief Executive Officer's Review**

Dear Shareholders, Customers and Business Partners,

The Bank has delivered a resilient set of results in FY2021, amidst a resurgent COVID-19 pandemic and the reimplementation of movement restrictions which were in effect for a large part of our financial year. Despite the challenging business environment, the Bank produced strong loan/financing growth, ensured its asset quality remained solid and recorded increased contributions from our associates. This was also the third consecutive year that the Bank recorded above market loans/financing growth while we maintained our strong capital and liquidity position to support future growth.

Throughout the year, we were resolute in our efforts to help customers through the effects of the pandemic. We remained focused and disciplined in managing our costs, and paid particular attention to asset quality as we sought to maintain a position of strength so that we can continue helping customers navigate through these challenging times. As the economic recovery remained patchy, and ongoing movement restrictions provide headwinds with regard to asset quality, we continued to proactively build up additional pre-emptive impairment buffers, resulting in an increased loan impairment coverage of 247%, among the best in the industry.

The uncertainties created by the resurgent pandemic and consequent movement restrictions, unfortunately dampened the strong economic recovery that we were experiencing in the first half of our financial year. Cognisant of the impact to businesses and livelihoods, the Bank has been steadfast in our commitment towards extending financial assistance to our customers who are struggling with their cashflows or experiencing income reductions.

Group Managing Director/ Chief Executive Officer's Review

As a customer-centric financial services organisation, we have been proud to play this role, and will continue to provide the help and assistance needed in the journey ahead to ensure that we aid the recovery of their businesses and personal finances.

Operationally, this year has been like no other in the convergence of digital and financial services, as the new realities created by the pandemic have put to the test HLB's long-standing desire to drive digital-first banking through our "Digital at the Core" ethos. I am pleased to report that we were well positioned to meet the rapid acceleration in digital adoption by our customers, not only with products and services that were digitised in prior years, but by delivering new, innovative products and services during the year, supported by our years of investments in digital and technology infrastructure and capabilities that have demonstrated their resilience, flexibility and agility under very different working conditions. Today, two out of three of our over two million online and mobile banking customers are monthly active users. In FY2021, the digitally enabled customer base grew by 11% and 22% respectively, with average monthly transactions increasing by 33% and 54% respectively. Our business customers have also made the shift as illustrated by the 13% year-on-year ("y-o-y") increase in the corporate internet banking customer base. In tandem, total transaction volume has increased by 22% y-o-y to 45.2 million while total transaction amount increased 49% y-o-y to RM159.9 billion.

For our employees, a second consecutive year of working from home and in remote sites has meant even greater use of cloud-based tools so that we can continue to provide uninterrupted services as well as help the teams communicate and collaborate more efficiently and effectively. During the year, we took the opportunity to migrate our email system to Google Workplace, bringing a seamless one stop platform that integrates email, web conferencing, social tooling, chat features and collaborative working tools. This has enabled our onsite and offsite workforce not only to operate effectively, but to stay connected with one another, which have been extremely important during this period of remote working and physical distancing. I am very proud of the team and what they have been able to deliver in a year like no other.

ECONOMIC LANDSCAPE

The COVID-19 pandemic has caused tremendous disruptions to the global economy in 2020, and its effects continue to be felt throughout the world well into 2021 as variants of the virus sparked new outbreaks. Simultaneous lockdowns in many parts of the world in 2020 were unprecedented, and led to global output plunging by 3.5% in 2020. With economic growth slowed, coupled with rising unemployment particularly in the services sector, governments had to step in to provide fiscal relief while central banks cut interest rates to record lows and initiated quantitative easing measures in many countries to protect economies and livelihoods.

Having said that, given the unique nature of this downturn which precipitated sharp declines, we are also witnessing equally fast economic rebounds as authorities began lifting pandemic restrictions in order to reopen affected sectors, in tandem with the rollout of vaccinations.

On the domestic front, Malaysia's GDP contracted 5.6% in 2020 as the government imposed a series of Movement Control Orders to curb the virus and in the process, have now injected a total of RM530 billion worth of fiscal stimulus into the economy since March 2020. The central bank, Bank Negara Malaysia, has also adjusted the key Overnight Policy Rate several times to the current all-time low of 1.75%, to ensure that monetary policy remains accommodative to support a recovery in the economy.

Malaysia started 2021 with good economic momentum, supported by the opening of the Malaysian economy as well as greater relaxation in other regional and global economies. However, whilst Malaysia begun rolling out its vaccination programme in the first quarter of 2021, the spread of the COVID-19 variant necessitated further containment measures, which curtailed the earlier growth momentum. We believe that a sustained economic recovery in Malaysia, and the world, is connected to how fast populations can be fully vaccinated. Better control of the pandemic and the containment of infection rates will lead to the eventual reopening of economic sectors and social activities, followed by cross border activities which will stimulate a more sustained economic recovery. When exactly the country and the world can progress towards a post-pandemic normal is still unknown but we are certainly prepared to continue helping our customers through these difficult times, so that when the time comes, together we can recover faster and with better resiliency.

It is my honour to present to you the Annual Report and Financial Statements of Hong Leong Bank Berhad for the financial year ended 30 June 2021.

Group Managing Director/ Chief Executive Officer's Review

OPERATING PERFORMANCE

Total income for the Bank for FY2021 reached a record RM5,467 million, rising by 14.4% y-o-y, while net profit after tax increased to a record RM2,861 million, which was 14.7% higher than the previous year. This achievement was underpinned by higher topline, effective cost management and robust contributions from our associates. The Business & Corporate Banking and Markets/Treasury businesses had a strong year, contributing more than half of the Bank's profit before tax for FY2021 whilst the Personal Financial Services business (including wealth management) underpinned our overall performance with a profit before tax contribution of 31%.

Net profit

RM2,861 Million

Net interest income was higher at 26.5% y-o-y to RM4,310 million, resulting in a 26 bps increase in net interest margin ("NIM") to 2.14% for FY2021. This is mainly attributed to our continuing efforts in optimising funding cost and loan/financing expansion, coupled with the absence of modification loss that was registered in the same period last year.

Non-interest income for FY2021 stood at RM1,157 million with the non-interest income ratio moderating to 21.2%. This was mostly due to card fees remaining subdued on the back of cautious retail customer spend amid the economic uncertainty, and the waiver of ATM interbank cash withdrawal fees. In addition, lower dividends arising from OPR cuts and lower quantum of wholesale fund had also impacted non-interest income. However, the impact was partially offset by strong contributions from wealth management activities.

Operating expenses were once again managed prudently, ending the year at RM2,078 million which was lower by 1.2% y-o-y attributable to continued focus in our digitisation efforts and strategic cost management initiatives. We achieved a commendable cost-to-income ratio of 38.0%, bettering the 44.0% achieved in FY2020. Consequently, operating profit before allowances for FY2021 was RM3,389 million, a 26.7% y-o-y increase compared to the same period last year.

Gross loans, advances and financing maintained its growth momentum, ending 6.8% higher y-o-y to RM155.8 billion, which was a slightly faster pace of growth compared to the 6.1% recorded in the previous year. Despite the cautious business and consumer sentiment, the Bank's loan portfolio saw healthy growth, predominantly led by expansion in our key segments of residential mortgages, and significant growth in the Small and Medium Enterprises ("SME") and Commercial Banking portfolios, as well as our international operations, as we continued to look for opportunities to fund business and personal activities of our clients.

Domestic loans/financing outpaced the industry once again in FY2021, recording growth of 6.1% y-o-y. Residential mortgages grew by 5.3% y-o-y to reach RM77.2 billion, while transport vehicle loans remained stable at RM16.8 billion. Domestic loans to business enterprises increased by 12.6% y-o-y to RM48.8 billion while the SME loan/financing portfolio grew 14.9% y-o-y to RM26.0 billion. The Bank's community banking initiative within the SME segment maintained its momentum, achieving 26.6% y-o-y growth, attributed to concerted efforts in improving customer experience, utilisation of available data to analyse customers' needs as well as the continued support in their recovery journey.

In times of uncertainty, fundamentals like strong liquidity and capital base are crucial, consequently, the Bank continued to maintain a strong funding and liquidity position with the loan-to-deposit ratio ("LDR") at 83.9% while the liquidity coverage ratio ("LCR") improved to 145.3% compared to 136.8% a year ago.

Customer deposits increased by 5.6% y-o-y in FY2021 to RM183.3 billion. Leveraging on the Bank's cash management solutions, CASA grew 22.5% y-o-y to RM59.2 billion, which improved the CASA ratio to 32.3% from 27.9% in FY2020. The Bank's funding base remained stable as supported by a sound individual deposit base which has an individual deposit mix of 51.2%.

The Bank remained resolutely focused on maintaining its strong asset quality positions, illustrated by the GIL ratio in FY2021 improving to a record low of 0.46%, compared to 0.61% the year before. In view of the uncertainties ahead, the Bank has continued to build up additional pre-emptive impairment buffers during the year, bringing the loan impairment coverage ("LIC") ratio to a solid 247%. Inclusive of the value of securities we hold on our GIL, the Bank's LIC ratio stood comfortably at 317%. The Bank's capital position remains healthy and is supportive of future growth with CET 1, Tier 1 and Total Capital ratios at 13.6%, 14.1% and 16.2% respectively.

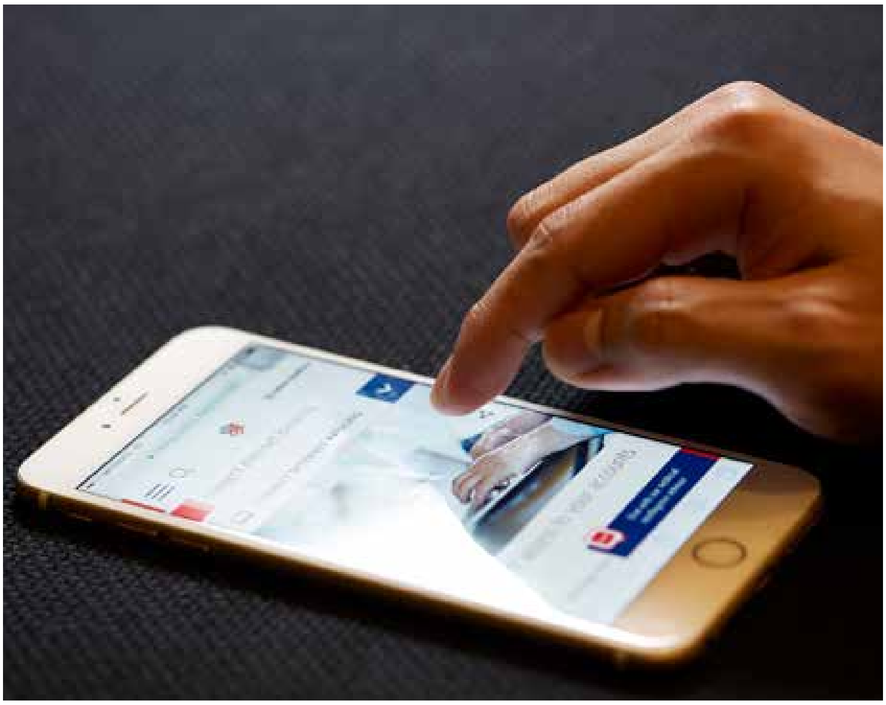
Group Managing Director/ Chief Executive Officer's Review

CENTERING OUR DIGITAL APPROACH AROUND CUSTOMERS

HLB creates better and more effective digital solutions for our customers through a collaborative, bottom-up approach that recognises the unique needs of every strata of society we serve. Our success in developing bespoke solutions has been the direct results of a deep understanding forged from working closely with existing and potential customers. We then bring our best minds together to turn ideas from inception into reality. Over the past year, we have transformed the insights from our customers into useful and practical applications, acknowledging their need to bank safely amid the COVID-19 pandemic while enjoying the same level of frictionless service that they have been accustomed to when banking physically with us.

Accomplishing this did not come overnight. Our sustained efforts in establishing a solid digital foundation are a result of our consistent focus on executing the strategic priorities that we set ourselves annually, and mobilising the appropriate investments in talent and technologies. This "Digital at the Core" approach has been crucial in helping us in meeting an evolving and rapidly changing market landscape, especially against the backdrop of the pandemic that has turned the conventional banking model on its head. This unprecedented situation has, in fact, offered us opportunities to accelerate our digitalisation journey in new and innovative ways.

In this context, we achieved a number of firsts in the year under review. For instance, HLB is the first bank in Malaysia to offer customers an end-to-end digital onboarding service for the opening of current and savings accounts via our Apply@HLB initiative in line with the central bank's new Electronic Know Your Customer ("e-KYC") policy. We are also the first bank to offer our banking products and services via an e-commerce platform, following our partnership with Shopee.



Innovation is the key to resilience where the focus on digitisation has been firmly entrenched in the Bank's operations and greatly weighs in our relationships with our customers. Efforts on this front have certainly paid off, and even more so during the COVID-19 pandemic where it helped us enhance and transform our customer experience with online and mobile access being shifted from a convenience to an absolute necessity to ensure our customers remain safe, yet have access to their banking and financial needs.

Beyond this, we have enhanced our flagship HLB Connect digital platform to become an integrated financial management tool, keeping in mind that our customers require support throughout the duration of various financial product lifecycles.

The navigational functions of this platform is made to be both intuitive and user-friendly, derived from countless hours of research and analysis of customer behaviour. We have further extended HLB Connect's functionality to the next generation by adding the HLB Pocket Connect platform for young savers to manage their own savings, thereby providing a sound foundation for responsible and healthy financial habits.

The efforts described above are just a sampling of the numerous digital-led initiatives we embarked on during the year in review. These efforts demonstrate that in everything that we do, we ensure that our digital solutions are built around our customers' behaviours, needs and wants.

Group Managing Director/ Chief Executive Officer's Review

This single-minded focus has earned us several accolades such as Malaysia's Best SME Bank and Best Digital Bank by international banking and finance industry publication, Asiamoney, which recognised our leadership position in providing holistic banking solutions powered by digital innovation, and our efforts to accelerate digital transformation and enable customers' digital engagement. Our contribution to the community and focus on employee development also earned us the Global Good Governance Award for Best Social Impact for our HLB Jumpstart program.

Our Islamic arm, Hong Leong Islamic Bank ("HLISB"), was recognised by the prestigious global Islamic Retail Banking Awards ("IRBA") for its efforts to innovate and help shape the Islamic digital retail banking landscape in Malaysia, and was awarded the IRBA Excellence Award 2020 for Islamic Digital Banking.

We are proud to be recognised as one of the top six banks in Asia, and the only bank from Malaysia, to receive the Excellence in Leadership in Asia 2020 award by the prestigious Euromoney Awards for Excellence 2020. This award recognised the Bank for its agility, swift response, proactiveness, and commitment to extend support to its business, SME and individual customers and communities at large during the COVID-19 health and economic crisis.

From a HR standpoint, the Bank was recognised at the Global Good Governance Awards for Human Resources Development and continued to receive accolades at the annual HR Excellence Awards, winning silver in the categories of HR Leader of the Year, Young HR Talent of the Year and Excellence in HR Innovation. While at the Employee Experience Awards 2021, the Bank won in the categories of Best Digital Transformation Strategy (Gold) for our efforts in reimagining HR through technology and Best Soft Skills Training Program (Silver) for providing our people with the best opportunities to realise their career aspirations.

STRATEGIC PRIORITIES

Our unwavering focus on creating excellent and meaningful customer experiences has continued to help us advance our mission of building a highly digital and innovative ASEAN financial services institution. The strategic priorities we have in place and our commitment to seeing it through, reinforced by our "Digital at the Core" ethos, provide a strong foundation from which we have delivered consistent and sustainable value creation for our stakeholders. During the pandemic, we directed our energies to deliver on what we learnt from our customer insights and cast it through the lens of the new normal to generate digital innovations that are relevant and sustainable both in Malaysia and in our regional businesses. Given the many months we worked in physical isolation, it was a top priority for us to engage and support our employees through these challenging times, which we did in various ways.

The key strategic priorities we relied on to deliver our brand promise of "Built Around You" are: building solutions around our customers' needs; delivering strong employee engagement amid the pandemic; Digital at the Core goes regional; and expanding the banking ecosystem through inclusion. Later in my message, I will be also discussing the Bank's maturing sustainability efforts, therefore including sustainability as HLB's fifth strategic priority. Sustainability or Environment, Social and Governance ("ESG") practices have pretty much been elevated to a key performance metric for any organisation, and it gives me great pride to say that HLB is performing well in this area with the introduction of a number of significant initiatives that are truly beginning to embed ESG into our daily operations. We believe that sustainability encapsulates our own practices as a corporate consumer, but as importantly, what we do to help customers and prospective clients in their sustainability journeys, whether it is through better environmental, labour or governance practices, as well as digitisation of their business models for improved business prospects in an increased digital world – we will be there to partner with customers as they embark on their own ESG journeys.

Key Strategic Priorities

01 BUILDING SOLUTIONS AROUND OUR CUSTOMERS' NEEDS

02 DELIVERING STRONG EMPLOYEE ENGAGEMENT AMID THE PANDEMIC

03 DIGITAL AT THE CORE GOES REGIONAL

04 EXPANDING THE BANKING ECOSYSTEM THROUGH INCLUSION

05 DEEPENING OUR SUSTAINABILITY JOURNEY

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01 BUILDING SOLUTIONS AROUND OUR CUSTOMERS' NEEDS

The pandemic has continued to disrupt everyday life well into 2021 as the resurgent variants of the COVID-19 virus dampened the strong recoveries that were expected to take hold in many countries, including Malaysia during the course of the year. For HLB, we continued to prioritise the needs of our customers during these trying times, offering them the financial support needed to navigate through the pandemic and its aftermath, as we are all in this together.

Other targeted relief assistance plans were also put in place a number of weeks before the auto-moratorium, as we saw the need to react quickly to the evolving health situation. During the auto-moratorium, we worked closely with borrowers to offer solutions in which they could use to improve their credit record, for those that had been in arrears before the auto-moratorium. Post the auto-moratorium period we had plans in place to provide payment flexibility to suit customers circumstances as not all were recovering in tandem, especially those in the B40, M40 and micro-SMEs categories. Leveraging on our digital ecosystems, we simplified the application processes, making it fuss-free, quick and as seamless as possible for them to obtain the assistance they needed.

For SMEs and corporate clients cumulatively, we have approved over RM6.9 billion of financing repayment assistance to more than 1,400 businesses. On the retail front, total applications for relief assistance approved were around 96,000 customers which amounted to RM15.4 billion. Over and above this, the Bank empathised with the difficulties faced by our customers and sought to help them by waiving fees, interest and late payment charges across a range of products as well as absorbing principal shortfalls from various initiatives such as our Car Surrender Programme.

In the year under review, some of our customers were afflicted with additional upheavals as major floods in various parts of Malaysia compounded the ongoing disruption from the pandemic. In response, HLB rapidly rolled out a Flood Relief Assistance programme which offered a six-month moratorium to all affected customers for all loan and financing facilities, including credit cards.

In addition to providing repayment relief on existing loans/financing, we extended new credit to borrowers that were looking for additional working capital or business expansion financing, resulting in the loan/financing growth mentioned earlier.

For further details on how HLB helped its customers, employees and communities navigate the COVID-19 pandemic, please refer to page 34.

MAKING BANKING 'SIMPLY SIMPLE' AS "DIGITAL AT THE CORE" GAINS MOMENTUM

A key development in the past year has been on how we accelerated the convergence of physical and digital channels when our customers bank with us, such as establishing the first-of-its-kind Shopee e-commerce store that enables customers to sign-up for a current or savings account anytime and anywhere, in circumstances like doing daily ecommerce activities. The blurring of lines, between the physical and digital banking experience is a natural evolution of our "Digital at the Core" ethos and representative of what has already happened in retail-based industries. In particular for banking, the injection of pace came about as a result of new norms that had to be adapted because of the pandemic, resulting in a 'phygital', or omnichannel experience which is now the expectations of many customers. This is an approach we have embraced wholeheartedly while striving to make banking 'simply simple', as we continue listening to our customers on how to create seamless and easier banking experiences for them.

We completed the rollout of our iPad-based In-Branch tablets across our branch network, an initiative we began in FY2020 to further improve sales and customer service efficiency. These tablets have enabled our frontliners to perform a multitude of value-added services such as new account opening, product application, account management and personalised cross-selling offers, delivering a clear reimagination of the customer experience by leveraging digital technology.

In tracking the product lifecycle further down the line, our customers indicated their preferences for greater transparency when applying for products like auto loans and mortgages. In response, we created an online loan tracker, providing customers the ability to monitor their loan applications status online. We are enhancing this portal with more features that will allow customers to do more as they remain in control of the process and firmly updated on the status of the application etc.

Our efforts thus far continue to exemplify our brand promise of "Built Around You",

Group Managing Director/ Chief Executive Officer's Review

01 BUILDING SOLUTIONS AROUND OUR CUSTOMERS' NEEDS

and have been producing meaningful results as seen in our financial metrics.

In the year under review, we launched our upgraded fit-for-purpose HLB Connect App that has been packed with new features including personalised interfaces, easy-access features like Quick and QR Pay, and real-time credit and debit card transaction status. It is also the first mobile banking app to offer three language selections (English, Bahasa Malaysia and Mandarin), illustrating our pledge in expanding financial inclusivity. Our efforts to improve our customers' digital experiences with the App have been met with praise as we achieved an 86% customer satisfaction score in FY2021, a result of listening to our customers and incorporating what they have always sought after in an App.

As an extension of the HLB Connect ecosystem, and to expand financial inclusion, we launched the HLB Pocket Connect App, the first-in-market digital banking platform for young digital natives. The HLB Pocket Connect App is available for our HLB 3-In-1 Junior Account customers and aims to instil good money habits through its proprietary Earn, Save and Spend interactive features, which essentially teaches financial literacy. In addition, we made it a point to embed elements of sustainability in this platform through our Earth Hero initiative that gamifies financial and environmental content, building financial and environmental literacy.

Apply@HLB, Malaysia's first full end-to-end digital onboarding and e-KYC for CASA, allows customers to open an account anytime, anywhere through their mobile phone. This has allowed us to leapfrog the rest of the industry and open up opportunities for its implementation in other areas such as product applications and services that would otherwise require face-to-face interactions. It also gives us the ability to reach customers in remote areas and enable financial inclusion across Malaysia.

To help our business customers that rely on daily cash transactions, such as market and hawker traders adapt to the rapid shift to contactless payments, we introduced the HLB Tap on Phone POS terminal, which helped them to embrace the new payment norms through a simple and secure low-cost payment solution through their mobile phones. We have also made it easier to conduct business transactions with the launch of the new Hong Leong ConnectFirst mobile app in March 2021 which is equipped with facial recognition biometric security. This new mobile app provides business customers functionalities such as the mobile eToken service, viewing of account balances and transaction authorisation. As at end-FY2021, the ConnectFirst Mobile app was downloaded over 40,000 times, achieving a satisfaction rating of 91%.

From Left to Right: Apply@HLB, HLB's Junior 3-in-1 app & ConnectFirst Mobile

Group Managing Director/ Chief Executive Officer's Review

02 DELIVERING STRONG EMPLOYEE ENGAGEMENT AMID THE PANDEMIC

As we are well into the second year of the pandemic, there is no doubt that the entire employee experience and the way we work have been reshaped, possibly forever, as many of our colleagues spent the majority of the year working remotely, whether it is from home or alternative sites. The initiatives we embarked on over the past few years, proved invaluable in the swift shift of work conditions and/or place of work. Expanding these capabilities was made easier by the infrastructure we had in place, consequently not only we were able to carry out essential operational work, we were able to strengthen our digital offerings in employees engagement and training, which in turn enabled our people to remain engaged, energised and highly productive, delivering exceptional performance despite the constraints of the new normal.

A key strategy during these unprecedented times that has helped our people perform at their best has been our efforts to safeguard the well-being of our employees, ensuring that although we may be socially distanced, we should never be socially isolated. Besides introducing PlusVibes, a mobile-first wellbeing platform that is available to all employees, we engaged more actively with our employees through wellness infographics, curated eLearning modules and virtual brown bags. The shift to working outside the office environment also necessitated a different management approach as we looked to ensuring employees had the tools and guidance required to maintain productivity, while calling on our people managers to employ a more empathetic and compassionate leadership approach.

Over the past 12 months, we have also made significant headway in strengthening our talent brand and pipeline, all while keeping our employees safe by consistently informing them of the latest developments on the COVID-19 front.

EXPANDING OUR TALENT BASE

Growing our talent base is an important part of ensuring the long-term sustainability of HLB, and as part of this, our talent branding strategy has always emphasised that we are here to help people perform at their highest levels so that they can achieve their career aspirations. Our values, which calls on our people to be agile and resilient, have been a crucial part of the Bank's success.

In the year under review, we have built and deepened our relationships with various academic institutions by highlighting the stories of how our people have grown and excelled with us, in a bid to drive higher recruitment for internship and graduate programmes, not only building pipeline for the Bank, but also providing training and employment opportunities for fresh graduates. Successful candidates from these programmes have been enlisted into our workforce upon their graduation, giving us a steady pipeline of talent who can rapidly assimilate and start contributing fairly much from the word go. For employees that have been with us for some time, suitable talents are identified for the HLB Leaders Programme, which ensures that the Bank will have a deep bench of potential future leaders to choose from.

OUR DIGITAL PLATFORMS CONTINUE TO MATURE

HLB's cloud-based people and performance solution, HLB@Workday, has been in place now for more than a year which saw more than 8,000 employees using it as their primary port of call when performing routine HR tasks, training and development, and performance management. The cloud-based platform has also empowered more than 1,200 people managers to not only on-board, recruit and develop their team members but to take ownership of compensation decisions. By leveraging on automation and decision-making driven by data in a seamless digital environment, we are able to help our people managers and the organisation achieve gains at greater heights in productivity and efficiency.

With the unpredictability of movement restrictions due to the pandemic, HLB has continued to add further functionalities and options to our learning and development programmes to ensure that learning continues anytime and anywhere. Our people have access to an ever-growing library of e-learning modules centred around the themes of productivity, business communication, growth mindset, wellbeing and more through HLB@Workday. To further maximise learning opportunities, up to 1,000 of our employees are now able to access Disprz, an e-learning platform with more than 50,000 learning modules.

You can read more about how we are helping our employees excel in their careers and making HLB the preferred employer in the Management Discussion & Analysis ("MD&A") section of this report.

Group Managing Director/ Chief Executive Officer's Review

03 DIGITAL AT THE CORE GOES REGIONAL

The Bank continues to enhance its digital offerings in tandem with the ever-changing needs of our customers through a relentless approach of going the extra mile to find out exactly what makes our customers tick. In doing so, we not only gain greater insights, but create the opportunity to build deeper relationships with our customers, which sustains a feedback loop that is crucial to the continued success of our digitalisation journey.

Our efforts to innovate solutions around our customer needs have been institutionalised at our Customer Experience and Usability Lab (CX Lab) in the Damansara City head office which provides a collaborative space for cross-functional business, operations and technology teams to work together with external parties such as FinTechs, startups and technology partners. In this space, we conduct customer co-creation sessions, design thinking, user experience design (UX) and user interface design (UI), rapid prototyping and agile developments. We also expanded these capabilities to our Jumpstart@65 facility at Jalan Tun H S Lee, in the city which offers our collaborators a co-working space, customer usability labs and a community centre that is equipped with state-of-the-art tools such as eye-tracking technology and 3D printing. Solutions are tested here through customer immersion sessions such as focus groups, ethnographic studies, customer-staff co-creation sessions as well as experiencing first-hand how customers behave and react to the solutions and offerings proposed.

In the year under review, we have once again employed this approach of collaborating with our customers, bolstered it with the design thinking process, and delivered new products and services that make banking easier for our customers in Malaysia. In what I see as an important and significant milestone for the Bank, we have started to scale what we have learnt domestically into our regional operations, therefore further unlocking the potential of our "Digital at the Core" in these markets, where we have a small physical presence.

With the knowledge obtained from our interactions with thousands of customers over the years, together with data insights from digital usage and adoption behaviours in Malaysia, we have curated a robust trove of information that forms the basis for delivering delightful digital experiences quickly and at scale. To ensure we are providing the ideal digital experiences that are "Built Around You" across our regional operations, we have invested substantial time and efforts to ensure that unique and local nuances are considered when creating our digital offerings in the overseas markets.

Much of what has been replicated from the Malaysian experience to our regional digital offerings is to essentially expand an ideal we live and breathe by, which is to deliver frictionless, seamless and effortless banking experiences. Thus, for example, in Vietnam, our new mobile personal loan application allows individuals to apply for personal loans via their mobile phones and also to receive the approval or rejection notification, all within minutes. In the time of the pandemic, this helps to eliminate unnecessary physical interactions, keeping the customer safe, and going forward, it would help to create wider access to finance which is important for our growth ambitions and the development of Vietnam's banking industry.

In Cambodia, we introduced the debit card to enable CASA account transactions for customers, and we have taken it a step further by enabling the creation of virtual debit cards which can be managed via the mobile application. The introduction of this functionality is a key growth initiative for our business in Cambodia, and allows customers to transact quickly while reducing the production of physical plastic cards. Meanwhile in Singapore, we have built further on the good reputation of our auto lending business by expanding the end-to-end digital straight-through experience to the used cars segment, from the new cars dealers only previously.

Overall, in FY2021, we saw our retail customers relying much more on digital channels, largely as a result of the pandemic and the various movement restrictions that were implemented throughout the year. There was massive growth in monthly transactions conducted online or digitally. Our upgraded HLB Connect Mobile App registered 33 million transactions (monetary and non-monetary) per month, which was 54% higher y-o-y, whereas the HLB Connect website recorded 28 million transactions per month, translating to a growth of 33% y-o-y. The adoption of digital business banking transactions also continues to be very encouraging, with an average of 3 million transactions performed monthly in FY2021.

Our efforts in delivering products and services on the digital space not only benefit our customers, but also the Bank, as we gain efficiencies as a result of quicker straight through processes that save time by removing or automating certain actions/steps. For instance, the Apply@HLB app has generated cost savings of 20% to date, as customers no longer need to go to a branch to open an account. Similarly, our In-Branch digital onboarding solution that speeds up the opening of business accounts and enhancements to the corporate website to enable faster online applications for certain products, have allowed us to reallocate and optimise our resources towards more value-added services. All these efficiencies and experiential improvements were achieved via process simplification, data re-engineering, straight through processing, data insights, as well as user experience and interface design enhancements.

In FY2021, we have also completed the significant milestone of digitalising finance and procurement processes across the entire Bank and in all locations that we operate in. All employees are now able to conduct payments and claims related functions through their mobile phones or notebooks, thus improving productivity and reducing the use of paper. As a result, the finance payment unit has achieved the highest productivity uplift amongst all other departments due to the implementation of centralised automated payment processing as part of this digital transformation. This transformation has also further strengthened our internal controls as the data collected is used for analytics-based decisioning.

Further details about our digital and innovation activities can be found in the Digital & Innovation section of the MD&A.

04 EXPANDING THE BANKING ECOSYSTEM THROUGH INCLUSION

The events of the past 18 months have greatly magnified the importance of good sustainability practices in every business, clearly demonstrating that corporations thrive when they are in harmony with their stakeholders, communities and the environment. This is why we remain dedicated to advancing a future that prioritises the ongoing developments of the banking ecosystem and all its stakeholders in order to drive long-term value creation. As part of this process, HLB has continued to expand our financial literacy and inclusion efforts, while supporting the growth of social enterprises and startups that positively impact society.

EXPANDING ACCESS TO FINANCIAL LITERACY AND DRIVING FINANCIAL INCLUSION

Increasing community financial literacy levels is a key component of our sustainability journey. We are keenly aware that this journey requires more attention from all industry stakeholders to ensure that no one is left behind. Strengthening literacy levels, we believe, will strengthen the overall foundation of the banking ecosystem which is critical for the wider development of communities and prosperity of the nation. In FY2021, we worked on expanding access to financial literacy through our financial sustainability programme, HLB DuitSmart, by adapting the programme for use by the visually impaired community.

By doing this, we have achieved our other objective of improving financial inclusion. We conducted pilot workshops on financial literacy and following its success, we will be rolling out more HLB DuitSmart online workshops to encompass higher education institutions, secondary and private primary schools, single mothers and Orang Asli communities.

In further driving the financial inclusion agenda for the visually impaired, we have also developed the first-of-its-kind 'talking ATM' that comes equipped with headphone jacks that allow the visually impaired to be guided by audio instructions when using the ATM machines.

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04 EXPANDING THE BANKING ECOSYSTEM THROUGH INCLUSION

Our commitment to bringing more communities into the fold and thus ensuring they have access to financial services does not stop here. We have continued to close the gap by leveraging our digital know-how as evidenced by our Apply@HLB App and presence on Shopee which are recently established initiatives that exhibit great potential in being accessible by everyone, not limiting financial services to those that live close to or have access to branches or ATM machines.

HELPING SOCIETY BY SUPPORTING SUSTAINABILITY-FOCUSED BUSINESSES

In our bid to positively impact society, it gives me great pride to note that despite the challenges presented by the pandemic, we have forged ahead by adding more social enterprises to our CSR platform, HLB Jumpstart. In the year under review, we have onboarded our fourth and fifth participants, The Asli Co and Benak Raya Enterprise, respectively, who now have access to specialists in the fields of finance, branding and advertising, design, and volunteerism to bring their enterprises to the next level.

The Asli Co is a social enterprise focusing on helping Orang Asli mothers to earn a sustainable living through making artisanal handicrafts and products from home. During the pandemic, The Asli Co pivoted their business to produce hand sanitisers and environmentally friendly reusable fabric face masks, which helped the Orang Asli communities in Kampung Orang Asli Serendah and Kampung Orang Asli Sungai Buloh to continue earning a steady income during the most trying of times.

Benak Raya, meanwhile, is a Sarawak-based social enterprise that aims to uplift the Iban community in Sri Aman by preserving the tradition of Simanggang rice farming and diversifying rice-based products into new and sustainable spin-offs such as using rice by-products to create, among others, drinking straws that can help reduce plastic straw consumption. HLB Jumpstart lends support in the form of helping to craft their go-to-market expansion strategy and building an e-commerce platform that comes with a seamless digital payment system and suitable logistic solutions.

Beyond the close support we give our social enterprise partners, HLB remains heavily involved in nurturing FinTechs and startups that are solving community pain points by bringing fresh and new solutions to the market. The HLB Launchpad, now in its third iteration and carrying the theme "Reboot: Thriving Together in the New Normal", chose three startups to mentor - Food Market Hub, Pay:Watch and ERTH (e-Waste Recycling Through Heroes) - that focus on food security, the gig economy and e-waste management respectively. These startups are creating significant value for society and resonate with our own core values of promoting entrepreneurship.

Group Managing Director/ Chief Executive Officer's Review

05 DEEPENING OUR SUSTAINABILITY JOURNEY

HLB's commitment to our external stakeholders is an important component of our sustainability journey, but beyond this, we are striving more than ever to accelerate the wider incorporation of ESG practices into our operations. Underscoring this urgency, in the year under review, we have taken significant steps to flesh out our Socially Responsible Business sustainability pillar through the introduction of various ESG frameworks for our borrowing customers and procurement practices. In addition, we continue to focus on financing the renewable energy sector, supporting sustainable business opportunities and advancing our own journey towards carbon neutrality. In pushing out our ESG-related strategies, the main message we are sharing to all our stakeholders is that ESG is here to stay and will be key to our shared prosperity and continued success.

The introduction of an ESG framework for our Business & Commercial Banking segment has given us the ability to assess a customer's Environment and Social (E&S) risk score. For example, for customers assessed as high risk, the Bank would assist and propose mitigation plans as part of the credit assessment process that would guide the customer towards adopting more sustainable and greener business practices. In this same context, HLB is committed in helping to shape a more sustainable property development ecosystem by prioritising low-ESG risk projects, cognisant of the large impact that property development has on communities and their surroundings.

Overall, these steps are expected to, over time, produce a ripple effect across our financing ecosystem, augmented by our inclusionary approach to support more of our customers in their journey towards embedding sustainable and greener business practices into their own operations. We have also begun to bring our retail wealth products into the ESG fold by affixing ESG ratings to the financial and investment products, thus enabling us to offer products with positive ESG ratings, and to spread the sustainability agenda towards the larger retail segment of the Bank.

The demand for green financing continues to be encouraging as illustrated by the robust opportunities present in the renewable energy space which has seen our initial commitment of RM500 million for renewable energy financing being met far earlier than expected. As of end-FY2021, we have recorded total approved renewable energy financing of RM1.4 billion. To add to the momentum, the Bank has gone to our SME customers with a solar energy financing product and has completed a socially sustainable securitisation exercise worth RM300 million to Cagamas Berhad, which signifies HLB's and HLISB's first sustainable asset-backed financing initiative.

For the wider market, we have taken a leadership role to spur the banking industry to engage and adopt sustainability practices through the launch of the 'Sustainability Roundtable', which held its inaugural session in February 2021 and June 2021 on the topic of plastic manufacturing and renewable energy respectively. The Roundtable aims to engage the industry, related associations, organisations and companies embarking on sustainability transformations across a variety of industries, to share how they have benefited from implementing sustainability practices in their organisations. In the near future, we will be hosting more of such roundtables as our continuous effort to raise awareness among our customers and the wider business community, and to inspire change among our clients when it comes to seizing opportunities in sustainability and ensuring ESG readiness.

Group Managing Director/ Chief Executive Officer's Review

05 DEEPENING OUR SUSTAINABILITY JOURNEY

As we create the mechanisms to advocate good sustainability practices in our external environment, it is equally important to look within and I am proud to say that we have and will continue to make improvements to our ability to better manage our environmental footprint. In the year under review, the major change involves the extension of our greenhouse gas ("GHG") emissions reporting disclosures to cover the Bank's entire Malaysian operations, while also expanding the range of our disclosures within the various scopes. Most importantly, our commitment to carbon neutrality is seen in the targets we have set for our GHG emissions reductions for our baseline year 2019, where we aim to achieve a 15-25% reduction by 2026 and a 40-50% reduction by 2031. To bolster our efforts, we will continue to explore and invest in carbon reduction initiatives to retrofit our facilities with energy efficient fixtures and fittings that will help to enhance the efficiency of our electricity usage. Furthermore, we have recently adopted 15 hectares of land in the Kuala Selangor Nature Park to plant mangrove trees which signifies the start of our journey towards incorporating offsetting measures against the Bank's carbon footprint. You will hear more on this in the years ahead.

In advancing our sustainability journey, we believe that our business partners should also be aligned with our values and aspirations, and in that spirit, we have refined our Procurement Policy by incorporating sustainability elements that guide our business partners towards upholding sustainable business practices. In the year under review, we have piloted this policy with selected vendors and are currently providing the assistance and necessary guidance for those who need it, to implement and improve their sustainability measures so that their business can continue to prosper.

With our sustained efforts, we continue to gain recognition across global indices and sustainability assessments. HLB improved its ESG score in the World Wide Fund's (WWF) Sustainable Banking Assessment (SUSBA) in 2020 and was also invited to participate in an assessment conducted by the Dow Jones Sustainability Index (DJSI) which assess the Bank based on 1,000 data points to derive a score, indicating the maturity of our sustainability journey. We were also rated 'Gold' by RAM sustainability in terms of overall ESG aspects, and remain as the top 25% in terms of ESG ratings amongst public listed companies assessed by FTSE Russell following our inclusion into the FTSE4Good Bursa Malaysia Index in June 2018.

For further information about our sustainability practices, please refer to the Sustainability Statement in this annual report on page 83. The statement summarises our Sustainability Report 2021 which details our strategies and achievements, guided by local and international standards such as the Bursa Malaysia Sustainability Reporting Guide and the United Nations Sustainable Development Goals.

Group Managing Director/ Chief Executive Officer's Review

FINAL REMARKS

As the world and domestic economies continue to experience uneven recoveries, downside risks persist because of the resurgence of infections due to new and highly contagious variants. We are optimistic however that the vaccination drive in Malaysia and globally are progressing well, which will help contain the infection rate and severity of infections. Given this backdrop where the new norm is likely to persist for some time, we will leverage on all our learnings from recent experiences to create better, relevant and innovative products and services for our customers.

Our journey to build a highly digital and innovative ASEAN financial services institution is thus evolving with the times and we remain highly committed to delivering product and service propositions that reflect our brand promise of "Built Around You". Until the threat of the pandemic diminishes, I would also like to reiterate and emphasise to our customers that we will continue to be '**Here For You**', through the various types of assistance that we are able to provide. In tandem, we will continue with our prudent and disciplined approach towards managing our cost and asset quality, which is an approach that has helped us protect and deliver value to our shareholders time after time.

In the year ahead, it is clear that the challenging business environment will persist but we remain well-positioned to address the challenges and take advantage of opportunities as they arise, especially through our "Digital at the Core" mindset and culture. Hand-in-hand with this, we will be focused on expanding our sustainability agenda to a much wider audience and sharpening our own efforts in embedding sustainability practices within more areas of the Bank, as we seek to better manage the inherent risks in the business that environmental, social and governance changing norms and expectations will bring.

OUTLOOK

The world economy is on track for a V-shaped recovery as it is expected to expand by 6.0% in 2021, coming off a low-base following the 3.5% contraction recorded in 2020. Growth will be spearheaded by recovery in both the advanced and emerging economies, at 5.6% and 6.3% respectively. Based on International Monetary Fund estimates, the US will lead the rebound in the Western sphere with 7.0% growth while China will continue to be the main driver in Asia, with an estimated 8.1% growth.

Malaysia is also expected to register moderate positive growth in 2021, in line with the recovery in the global economy backed by a more sustained resumption in manufacturing, trade, consumer spending and investment activities as we move towards the last quarter of 2021. The intermittent resurgence of COVID-19 cases will likely make the recovery path a bumpy one but is unlikely to derail an overall recovery, with growth underpinned by a favourable external environment and accommodative fiscal and monetary policies. Malaysia's rising vaccination rates is also expected to help better contain infections and severity of infections and hence inspire confidence, leading to the eventual opening of more economic sectors and social activities, followed by cross borders activities in the future. This recovery is expected to extend into 2022 as movement restrictions are eased, leading to a broader-based recovery as the services sector claws back lost ground and the labour market improves, driving up consumption.

ACKNOWLEDGEMENTS

Our ability to deliver results despite the unprecedented operating environment has been a direct result of the strong support we enjoy from all our stakeholders. Our customers continue to be the Bank's bedrock of trust and support, with their feedback and encouragement giving us the impetus to constantly improve our products and services. To our shareholders, we are ever committed to delivering long-term sustainable value to you, and we are grateful for your continued support. To the Board of Directors, once again, your leadership and wisdom has held the Bank in good stead, and I look forward to learning from your insights as we further our journey together.

I also extend my sincere appreciation to all employees of the Bank and my management team for your relentless dedication and commitment towards achieving our vision. It is a great honour for me to lead a team as devoted and passionate as you.

Our gratitude also goes out to Bank Negara Malaysia, the Ministry of Finance, related government agencies and regulatory authorities both here in Malaysia and abroad for their guidance during the year.

For further details on the Bank's performance in FY2021, please refer to the MD&A section.

DOMENIC FUDA
Group Managing Director/Chief Executive Officer

14 September 2021

HLB's COVID-19 **Response**

Key Highlights

Approved payment relief assistance totalling

RM22.3 billion

to more than

97,000

retail, SME and **corporate**

customers during the financial year

Approximately

98%

of retail loan account holders resumed normal instalments after the auto-moratorium ended on 30 September 2020

Approved payment relief assistance totalling

RM4.4 billion

which helped approximately

1,300 SME customers

Maintained below

60% of staff working on premise and introduced a mobile-first wellbeing platform to help our employees build personal resiliency and strength

Approved payment relief assistance totalling

RM2.0 billion

for the B40 group which helped more than

20,000

customers

Simplified processes and introduced

new digital innovations

to safeguard the wellbeing of our customers and speed up applications for payment assistance

HLB's COVID-19 Response

Overview

As we are well into the second year of the COVID-19 pandemic, it continues to cause wide-spread disruptions to lives and livelihoods globally, continuing to impede the efforts of governments and health professionals to protect communities and economies in seeking a return to normalcy. With a resurgence of the virus in many parts of the world, the inoculation of the majority of the population is seen as the only viable solution to effectively manage this health and economic crisis. Malaysia has made significant strides in successfully inoculating its population, pointing to opening up of economic sectors and activities as we go into the last few months of 2021.

While it remains a challenging period for the nation as economic recovery will take some time to gain traction and the pandemic continues to affect businesses and livelihoods, we have taken measures throughout the year to mitigate the effects of the pandemic on livelihoods and continue to innovate ways we can do more to serve customers, communities and employees. We continue to be a strong partner in extending assistance to customers who require financial help in navigating their recovery journey. We took proactive steps to ease application processes for relief assistance in recognition that with the expiry of the automatic moratorium, there would still be both retail and business customers who would need help to address cashflow disruptions as the rate of recovery would not be equal across the board.

In enabling customers to live and operate in the new normal seamlessly, the Bank innovated to provide relevant products and quality services which would assist customers to concentrate on the recovery of their businesses and personal finances as quickly as possible. Similarly, while the COVID-19 pandemic changed familiar routines for the majority of our workforce through the implementation of work from home arrangements, we continued to actively foster engagement and a sense of inclusion to ensure employee morale remained high and health wellbeing was cared for, while proactively engaging with health authorities to procure vaccines to expedite employees inoculation.

HLB's COVID-19 Response

Our COVID-19 respond to

Customers & Community

- Rolled out targeted payment relief assistance plans (PRAP) to help customers impacted by the pandemic for as long as they needed it in addition to working closely with clients that were not covered by the auto moratorium.
- In conjunction with the most recent lockdown that began 1 June 2020, we offered PEMERKASA+ relief assistance, which is a straight through moratorium application process for our SME customers who could not operate during the full lockdown.
- Introduced Apply@HLB, a fully digital account onboarding process leveraging eKYC technology.
- Offered banking products and services via an e-commerce platform in partnership with Shopee.
- Enabled mobile banking for business customers with everyday functionalities with **Hong Leong ConnectFirst**, bringing traditional internet banking functionalities to the mobile platform.
- Introduced '**Hong Leong Bank Tap on Phone**', a mobile-based contactless payment solution to turn Android mobile devices into a payment acceptance terminal improving COVID-19 safety for micro, small and medium enterprises.
- Eased the application process for B40, M40 and SME customers where applications could be submitted without the need for supporting documentation.
- In adapting the travel limitations due to movement restrictions, we digitalised the entire application process of payment relief assistance to eliminate the need for customers to visit a branch. Internally, we have also digitalised the processing of applications, and have processed more than 159,000 requests between August 2020 and June 2021, with an acceptance rate of 84%.
- On top of the Targeted Payment Relief Assistance Plans, we also roll out settlement plans to incentivize the financial distressed customer to come forward to renegotiate their debts and ease the process to them to get their finances back on track.
- Sought insights from customers in the severely affected sectors of Tourism, Aviation, Hotels, F&B and Retail, and also reached out to low-income customers to understand their needs and repayments assistance needed. This helped us tailor relief plans which best fit their needs to aid their recovery journey.
- Donated RM255,368.86 to Mercy Malaysia to aid their fight against the pandemic.
- Donated RM27,000 to the University of Malaysia Medical Centre to purchase much-needed High Flow Nasal Cannula Oxygen (HFNC) non-invasive ventilator units to help critical COVID-19 patients.
- The Bank waived various fees including interbank transfer fees, stamp duties, late payment charges, interest/profit reduction for customers who caught up on their late payments and absorbing principal shortfalls from various initiatives such as Car Surrender Programmes and lower interest rate to Credit Card customers who converted their balance outstanding to term loans – these various initiatives provided total savings to customers amounting to RM93.3 million.

HLB's COVID-19 Response

Our COVID-19 respond to

Employees

- Triggered split operations: maintained 60% or less of staff on our premises and for those that had to come to the office, encouraged employees to practice staggered work hours.
- Ensured strict adherence to the Bank's internal COVID-19 SOPs, aligned with Bank Negara Malaysia's latest updates and developments on MCO, CMCO and RMCO SOPs and the National Security Council's SOP for the Financial Sector.
- To ensure full understanding of the evolving requirements around the COVID-19 situation, reminders on all COVID-19 related matters were sent bank wide daily or weekly depending on developments. At the same time, the Bank ensured a sufficient and continual supply of personal protective equipment as well as sanitation materials and thermometers at all offices / branches nationwide for use by staff and clients.
- Transitioned the majority of our training into a blend of self-guided eLearning and virtual classroom formats, with no loss to the quality and relevance of training content and delivery, based on participants' feedback.
- Maintained the presence of a doctor specialising in Occupational Health & Safety stationed at our premises as an expert consultant to provide guidance and advice on ensuring the processes and policies that we have in place are sufficient and robust.
- Provided a declaration of vaccination status and registration of interest for vaccination on an opt-in basis via Workday to employees, in the event that the Bank is able to procure vaccines for employees to contribute to the acceleration of the National COVID-19 Immunisation Programme;
- Organised a vaccination drive via the MyMedic@Wilayah Vaccine Mobile Truck programme initiated by the Federal Territories Ministry for employees who were still pending appointments on their MySejahtera app, in support of the National Immunisation Programme. More than 800 people including business teams, building tenants and support staff were fully vaccinated by 15 August 2021.

Our COVID-19 respond to

Business Continuity

- Expanded alternate work sites to reduce concentration risk and ensure compliance to COVID-19 SOPs, almost doubling Operations work sites to 103 from 58 pre-pandemic and tripled Information Technology work sites from 4 to 12.
- Enhanced work-from-home capabilities by increasing VPN servers, licenses and bandwidth.
- Video Surveillance Systems will be implemented by September 2021 to enable more business and operations units to WFH without compromising on data security and enhancing customer data privacy protection.
- Implemented real-time monitoring of cash balances at branches and self-service terminals to ensure adequate cash holdings to meet customers' needs at all times.

Our COVID-19 respond to

Loan Portfolio Quality

- Roll-out targeted repayment assistance throughout 2021 in support of the government's PERMAI, PEMERKASA+ and PEMULIH stimulus packages to help SMEs and customers adversely affected by the Movement Control Order and pandemic.
- Continued to leverage on data analytics to review and analyse customers' behavior in the Retail and SMEs portfolios to proactively identify customers that need help by analysing their repayment behavior, and savings and spending activities. This would then enable us to reach out to the right customers, some of whom may not be aware of the various relief and assistance programmes that the Bank is currently offering.

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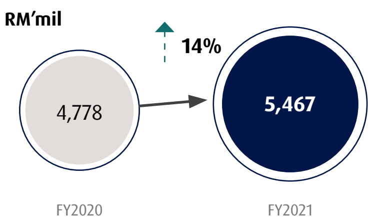
1. FINANCIAL HIGHLIGHTS

SUMMARY OF GROUP PERFORMANCE

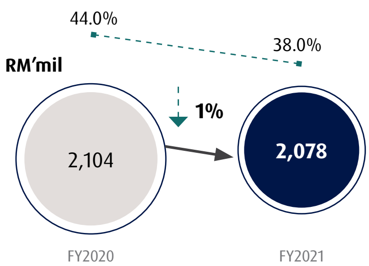
	FY2020	FY2021	Growth %
Profitability & Efficiency (RM'million)			
Total Income	4,778	**5,467**	14.4%
Operating Profit	2,675	**3,389**	26.7%
Profit Before Tax	2,989	**3,471**	16.1%
Profit After Tax	2,495	**2,861**	14.7%
Earnings Per Share (sen)	122	**140**	14.6%
Net Interest Margin	1.88%	**2.14%**	0.26%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

SELECTED KEY INDICATORS

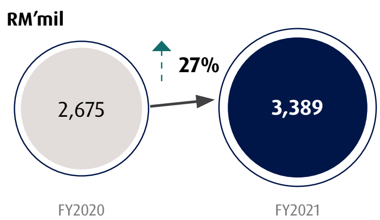
Total Income
Strong top-line growth led by loan/financing growth and prudent asset-liability management



Opex & CIR
Improved CIR from top line growth and concerted efforts in cost management



Operating Profit
Commendable performance given the business environment backdrop



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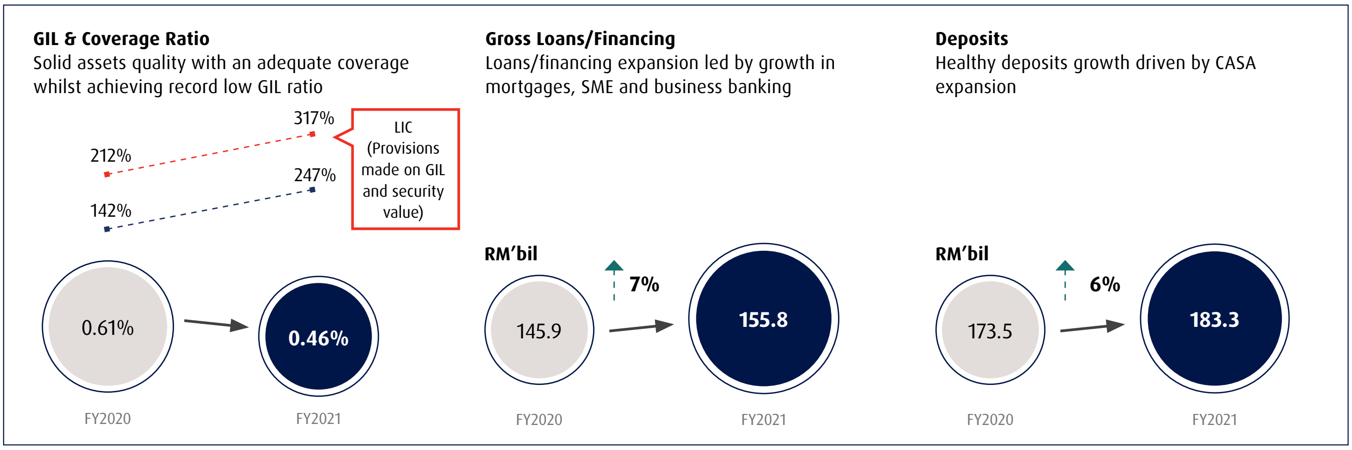

ENCOURAGING BUSINESS PERFORMANCE AMID CHALLENGING OPERATING ENVIRONMENT

The Bank sustained its solid performance across key operating metrics, outperforming the industry and making clear and consistent improvements across underlying business drivers. We have improved our asset quality, maintained strong loans growth momentum and improved net interest margin ("NIM"), attributed to our concerted efforts in prudent asset-liability management, optimising funding cost, and managing loans/financing expansion respectively.

Total income grew 14.4% y-o-y to RM5,467 million, on the back of loan/financing growth and higher net interest income. Net interest income for FY2021 was up 26.5% y-o-y to RM4,310 million, resulting in a 26bps increase in net interest margin for FY2021 to 2.14%. This is attributed to our continuing efforts in managing repricing of deposits and funding cost, loan/financing expansion and the absence of modification loss that was registered in the same period last year.

Non-interest income was lower as card fees remained subdued on the back of cautious retail customer spend due to the pandemic. The impact was however partially mitigated by robust contribution from wealth management activities.

Operating expenses ("OPEX") continues to be well managed at RM2,078 million, while cost-to-income ratio declined to 38.0%, which also signified a fifth consecutive quarter of positive JAWS. The improvement in CIR indicates that the Bank is capturing greater efficiencies from our digitisation efforts and strategic cost management initiatives.

Operating profit for FY2021 increased 26.7% y-o-y to RM3,389 million versus RM2,675 million in the same period last year. Correspondingly, the Bank concluded the financial year with profit before tax ("PBT") and profit after tax ("PAT") at RM3,471 million and RM2,861 million respectively.

Earnings per share ("EPS") was higher at 140 sen for FY2021. Despite the uncertain operating environment, the Bank achieved a healthy return on equity ("ROE") of 10.1% in FY2021.

HEALTHY BALANCE SHEET POSITIONS

In FY2021, we were able to sustain our gross loans, advances and financing momentum with a 6.8% y-o-y growth to RM155.8 billion, as we looked for opportunities to support customers in their personal and business endeavours. Meanwhile, our customer deposits for FY2021 increased 5.6% y-o-y to RM183.3 billion, demonstrating the Bank's strong retail franchise which boasts a solid individual deposit mix of 51.2%. As a result, the Bank's loan-to-deposit ratio ("LDR") remains prudent at 83.9% and liquidity coverage ratio ("LCR") at 145%, which are levels that are supportive of future business growth.

SOLID ASSET QUALITY; RECORD LOW GIL

Considering the uncertain business environment and our latest stress test, we have built additional pre-emptive impairment buffers while emphasising solid asset quality, ending the financial year with a record GIL ratio of 0.46%. Accordingly, the Bank's loan/financing impairment coverage ("LIC") ratio rose further to 247%, demonstrating that the Bank is well positioned to withstand unanticipated shocks in its loan/financing portfolio. Inclusive of the value of securities we hold on our GIL, the Bank's LIC ratio was strongly positioned at 317%.

ROBUST CAPITAL POSITION

The Bank continues to maintain a strong capital position with Common Equity Tier 1 ("CET 1"), Tier 1 and Total Capital Ratios at 13.6%, 14.1% and 16.2% respectively, providing support for future growth.

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2. KEY PERFORMANCE INDICATORS (KPIs)

FY2021 KPI ACHIEVEMENT

	Target FY2021		Achieved FY2021
Gross Loan Growth	~6%	✓	6.8%
Net Interest Margin	>2%	✓	2.14%
Cost-to-Income Ratio	~40%	✓	38.0%
Gross Impaired Loan Ratio	<1%	✓	0.46%
Net Credit Cost	~30 bps	✗	42 bps
Return on Equity	9.5% to 10%	✓	10.1%
CASA Mix	>26%	✓	32.3%

** Note: Excl. ECL buffer: 9 bps*

With solid fundamentals driving our business performance, we are pleased to have met the guidance we offered for how we would perform in FY2021.

- Loans growth of 6.8% y-o-y were predominantly led by growth in mortgages, SME, commercial banking and overseas operations, as we helped borrowers to shore up their cash flows.
- With the prudent management of our funding cost, NIM for FY2021 improved to 2.14%, above our guidance
- CIR came in better than our guidance at 38.0% as we continue to focus on driving efficiency and prudent cost management especially in such uncertain times.
- Asset quality indicators remain solid with record GIL ratio achieved, comfortably below our guidance.
- Given the prolonged lockdown and its impact to the economy, we have built up prudential buffers throughout the financial year (RM511 million or 33bps) which resulted in a 42bps credit cost for FY2021, thus falling short of our guidance, nevertheless, we saw this as a prudent measure to take.
- Despite the higher provisioning, our ROE for FY2021 came in above our guidance at 10.1%, underpinned by solid underlying performance and healthy contribution from our associates.
- CASA growth momentum continued with a 22.5% y-o-y expansion to RM59.2 billion, resulting in an improved CASA ratio of 32.3%.

FY2022 TARGETS

FY2021 Actual

Gross Loan Growth	Net Interest Margin	Cost-to-Income Ratio	Gross Impaired Loan Ratio	Net Credit Cost	Return on Equity	CASA Mix
6.8% y-o-y	2.14%	38.0%	0.46%	42 bps	10.1%	32.3%

Target FY2022

Gross Loan Growth	Net Interest Margin	Cost-to-Income Ratio	Gross Impaired Loan Ratio	Net Credit Cost	Return on Equity	CASA Mix
5% to 6%	>2.05%	≤40%	<0.8%	~20 bps	>10%	~30%

Moving forward, we believe that our strategic and tactical plans executed over the past year puts us in a position of strength, along with healthy loans growth momentum and solid asset quality, giving us confidence that we will be able to weather the storm and come out stronger in the forthcoming year.

For FY2022, the Bank has set targets for loan growth to be around 5% to 6% with a ROE above 10%. We are guiding NIM to be above 2.05% and CASA mix to be around 30%.

Management intends to continue our prudent approach towards managing expenses as well as upholding our strong asset quality. With that, CIR is likely to be maintained below 40% whilst the GIL ratio is expected to be below 0.8%.

3. INCOME STATEMENT ANALYSIS

INCOME STATEMENT SUMMARY

RM'mil	FY2020	FY2021	Change % (YoY)
Net interest income	3,406	**4,310**	26.5%
Non-interest income	1,373	**1,157**	-15.7%
Total Income	4,778	**5,467**	14.4%
Operating expenses	(2,104)	**(2,078)**	-1.2%
Operating profit before allowances	2,675	**3,389**	26.7%
Allowances for loan and other impairments	(327)	**(654)**	99.7%
Share of profits from associates	642	**736**	14.6%
Profit before tax	2,989	**3,471**	16.1%
Profit after tax	2,495	**2,861**	14.7%

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Total income for FY2021 increased 14.4% y-o-y to RM5,467 million, attributed to above industry loan/financing growth and optimised asset-liability management.

Operating expenses were tightly managed, declining by 1.2% y-o-y to RM2,078 million. Accordingly, CIR improved to 38.0%.

Consequently, operating profit before allowances increased 26.7% y-o-y to RM3,389 million.

During the year, loan and other impairment allowances recorded a charge of RM654 million which were predominantly pre-emptive impairment buffers amounting to RM511 million to mitigate unexpected credit risks ahead, given the ongoing pandemic and its impact on communities.

Robust profit contributions from our overseas associates, increasing 14.6% y-o-y to RM736 million, represented 21.2% of the Bank's pre-tax profit in FY2021.

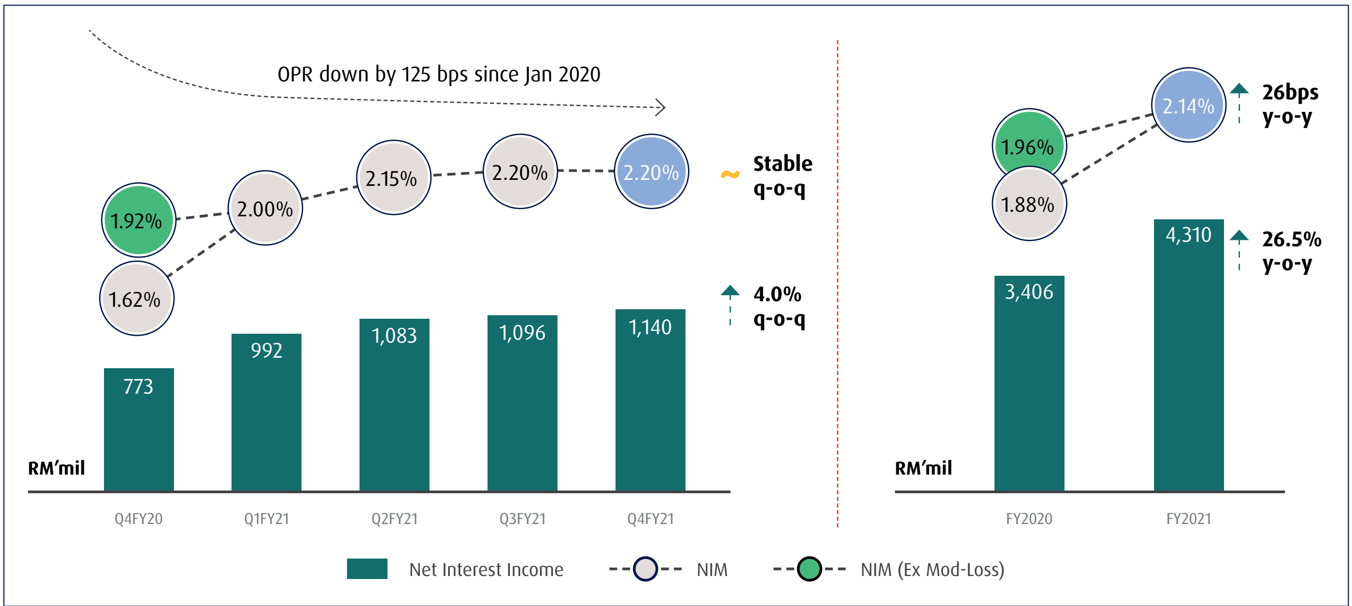
With this resilient performance, PBT and PAT for FY2021 was recorded at RM3,471 million and RM2,861 million respectively.

A) NET INTEREST INCOME

Net interest income for FY2021 improved 26.5% y-o-y to RM4,310 million driven by effective funding cost management, sustained loans/financing growth and absence of modification loss registered in the same period last year. As a result, FY2021 NIM was up 26bps y-o-y to 2.14%.

The repricing of loan assets from the cumulative 125bps OPR cuts since January 2020 has resulted in yields for FY2021 to drop by 75bps y-o-y while interest income declined 8.5% y-o-y or RM659 million to RM7,079 million.

Nevertheless, interest expense fell at a faster pace of 36.1% y-o-y or RM1,563 million to RM2,769 million as we tightly managed our cost of funds, which was lower by 97bps y-o-y mainly due to the repricing of fixed deposits and improved CASA mix.



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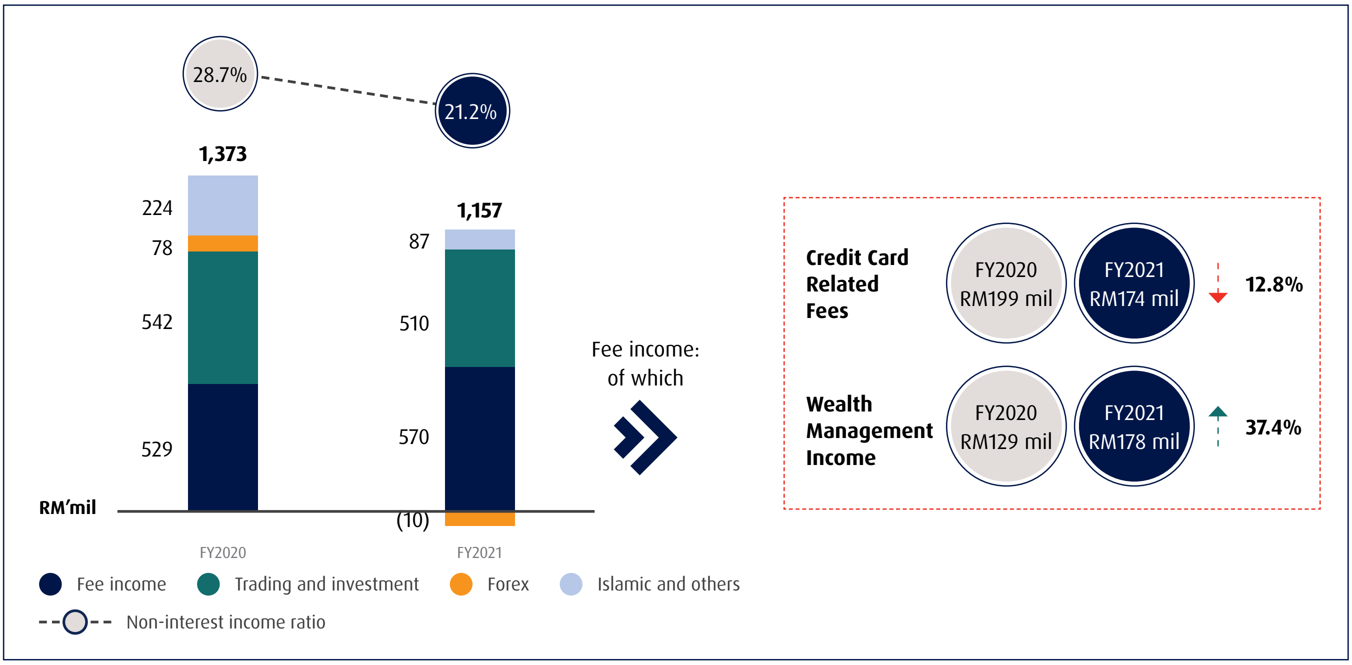
B) NON-INTEREST INCOME

Non-interest income for FY2021 was subdued, declining 15.7% y-o-y to RM1.16 billion. It was mainly driven by a one-off gain of RM126 million from the sale of Malaysian Government Investment Certificates ("MGIC").

Trading and investment gains moderated downwards in FY2021, decreasing 5.9% y-o-y to RM510 million. The decrease was primarily due to lower dividend income as our investment in wholesale funds posted lower returns due to OPR cuts, offset by higher investment gains primarily led by net gains in derivatives financial instruments and sale of financial investments.

Fee income contribution was encouraging and increased 7.9% y-o-y to RM570 million in FY2021 albeit credit card related fees fell due to lower retail spend during the periods of MCOs, however, this was mitigated by solid performance in our wealth management portfolio which grew 37.4% y-o-y.



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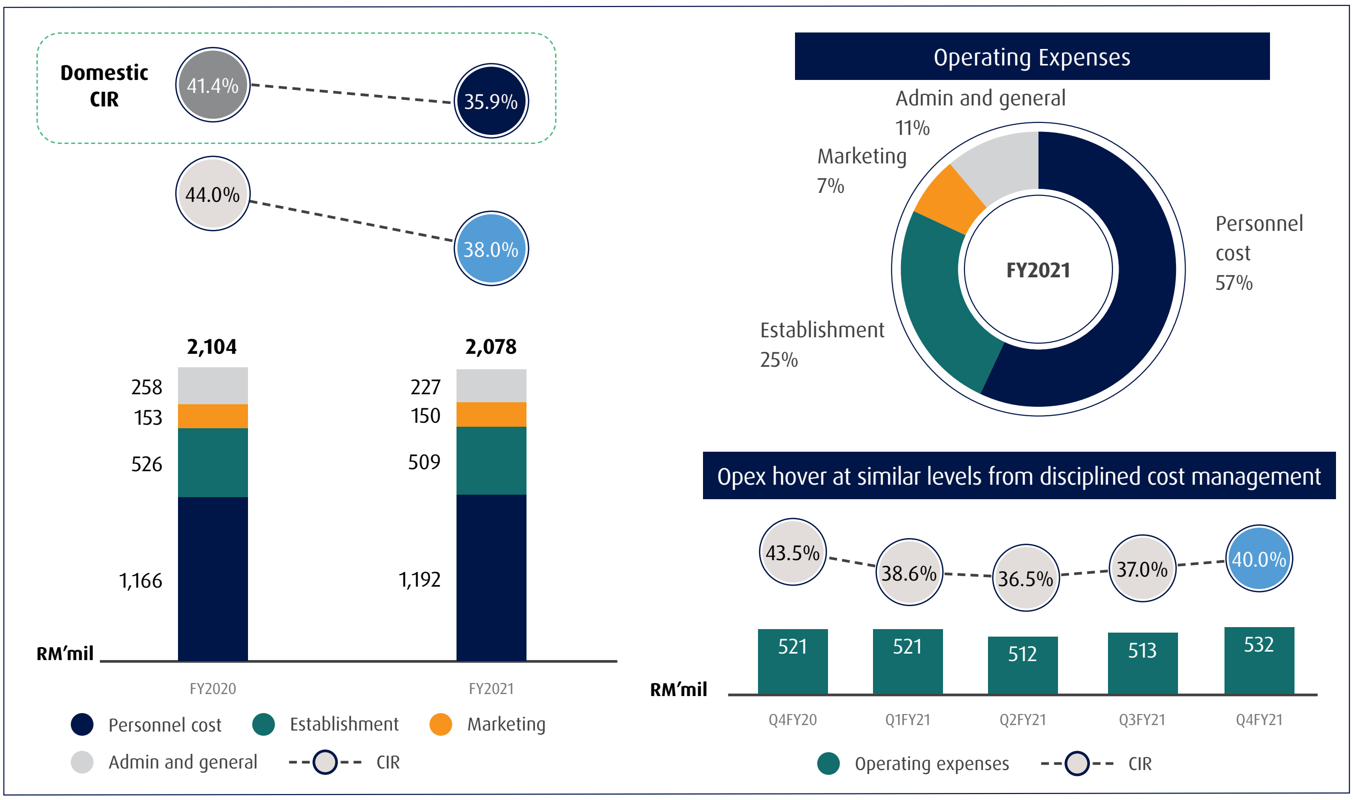
C) OPERATING EXPENSES

We continue to focus on our strategic cost management initiatives, maintaining expenses stable through our disciplined approach. With our fourth quarter operating expenses recording RM532 million, we achieved a fifth quarter of consecutive positive JAWS. Overall for FY2021, operating expenses was slightly lower y-o-y at RM2,078 million with an improved CIR of 38.0%.

Personnel costs, which accounted for 57% of total operating expenses, inched higher by 2.2% y-o-y to RM1.2 billion as a result of higher salaries and personnel related costs. Employee training expenses have reduced given the shift of classroom training to virtual platforms as the Bank strived to ensure we maintained sufficient learning and development (L&D) opportunities for employees.

Lower expenses were recorded y-o-y in establishment costs, marketing and administrative expenses. Administrative expenses recorded a decrease of 12.1% y-o-y due to lower professional fees, management fees and insurance paid while establishment costs decreased 3.3% y-o-y due to lower depreciation, and savings from security fees and utilities. Marketing expenses declined by 2.0% y-o-y due to decrease in travelling and entertainment expenses because of movement restrictions.



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4. GROSS LOANS, ADVANCES AND FINANCING

SUSTAINED GROWTH TRACTION, STRENGTHENING OUR PRESENCE IN THE DOMESTIC MARKET

	FY2020		FY2021		
Gross Loans, Advances and Financing by domicile	**RM'million**	**% Contribution**	**RM'million**	**% Contribution**	**Growth %**
Total Domestic Operations	138,163	95%	**146,587**	**94%**	6.1%
International Operations	7,769	5%	**9,235**	**6%**	18.9%
of which					
Singapore	5,250	4%	**6,187**	**4%**	17.8%
Hong Kong	-	-	**1**	**-**	-
Vietnam	909	0.6%	**1,187**	**0.8%**	30.5%
Cambodia	1,609	1.1%	**1,861**	**1.2%**	15.6%
Total Gross Loans, Advances and Financing	**145,932**	**100%**	**155,822**	**100%**	**6.8%**

Growth of gross loans, advances and financing continued its upward trajectory, expanding 6.8% y-o-y to RM155.8 billion, a commendable result attributed to our continuous financing support to our customers amidst the cautious consumer and business sentiment. The Bank's key segments of mortgages, SME and commercial banking remain the key drivers of loan/financing growth, complemented by a strong lending franchise expansion in Singapore, Vietnam and Cambodia.

In terms of geographical breakdown; domestic loans/financing, which represents 94% of the Bank's total loan/financing book, grew faster than the industry growth rate at 6.1% y-o-y to RM146.6 billion as at 30 June 2021. Overseas loans grew 18.9% y-o-y to RM9.2 billion, led by strong expansion in Singapore, Vietnam and Cambodia which experienced a 17.8% y-o-y, 30.5% y-o-y and 15.6% y-o-y growth to RM6.2 billion, RM1.2 billion and RM1.9 billion, respectively.

Gross Loans, Advances and	FY2020		FY2021			**Domestic**
Financing by Key Segments	**RM'million**	**% Contribution**	**RM'million**	**% Contribution**	**Growth %**	**Market Share %**
Residential Properties	73,336	50%	**77,191**	**50%**	5.3%	11%
Transport Vehicles	16,769	11%	**16,769**	**11%**	-	8%
SME	22,643	16%	**26,019**	**17%**	14.9%	9%

Our residential properties segment continued to grow at a healthy pace of 5.3% y-o-y to RM77.2 billion, backed by a healthy loan/financing pipeline. Transport vehicle loans growth was muted to close at RM16.8 billion given the challenges auto business faced during the MCO, such as closed showrooms and production plants.

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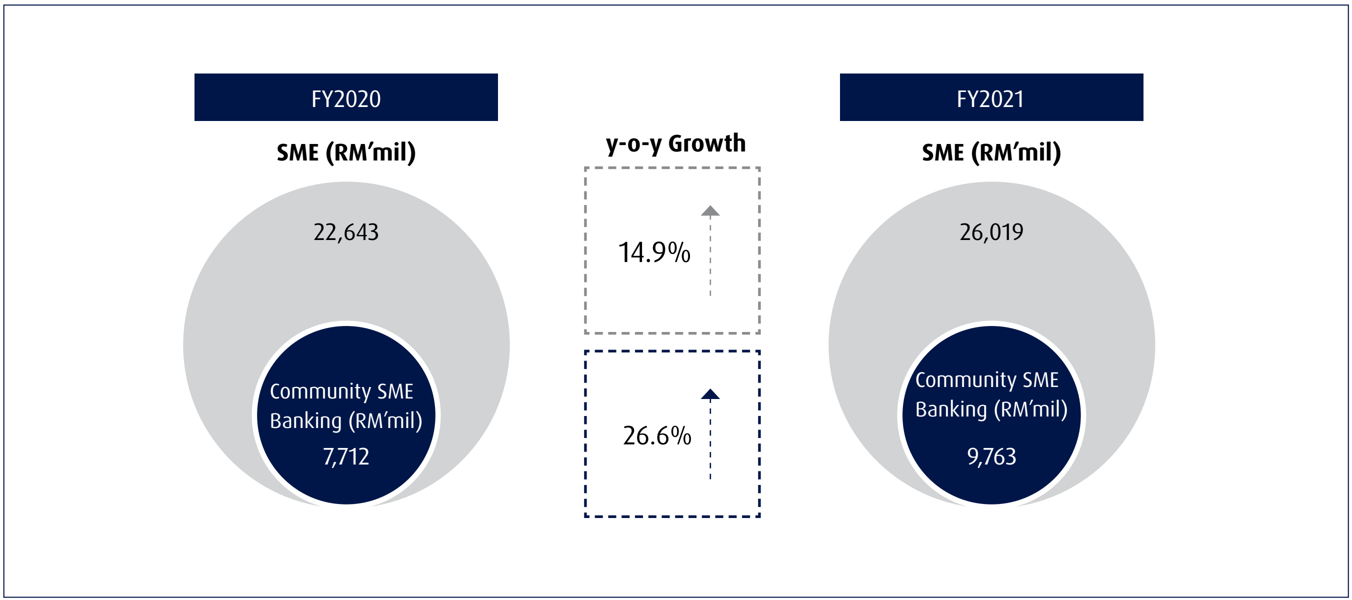


Reported SME loans growth was commendable with a 14.9% y-o-y increase to RM26 billion underpinned by continued growth in focus sectors, the roll out of financing aid for our pandemic-hit customers and the strong performance of the community banking segment. In FY2021, we supported our customers with financing totalling RM2.38 billion through the Bank's various relief assistance programmes and facilitating BNM's SRF disbursements, and other government guaranteed schemes.

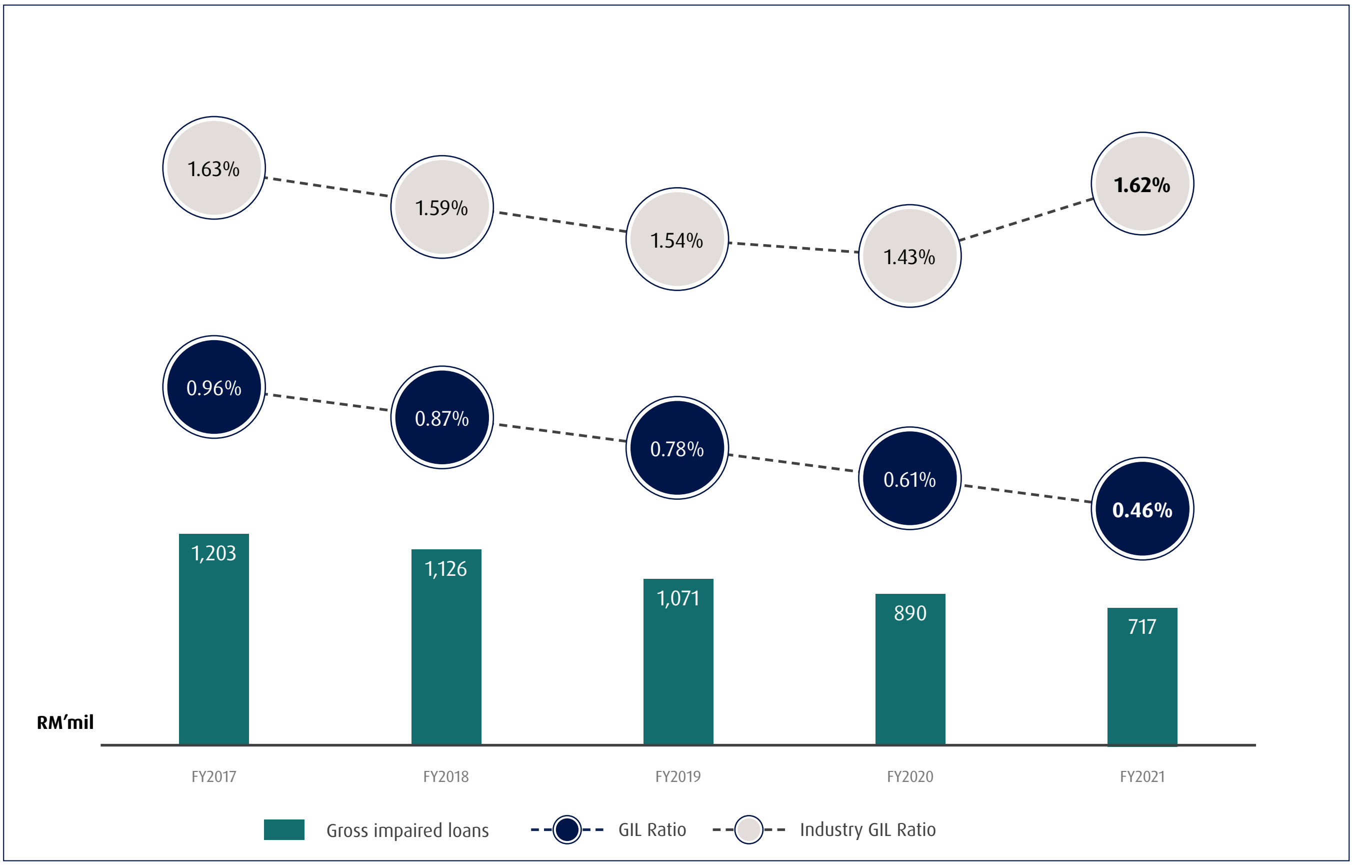
Growth in our focus sectors such as manufacturing, logistics and warehousing, healthcare, wholesale & retail trade was boosted by our wide range of targeted financing products and our new Loans Origination System that greatly improves the origination and evaluation turnaround time, as well as approval capacity. As a result, new to bank customers in FY2021 grew by 4,500 to 19,000 customers.

In addition, within this SME portfolio, the Bank's community banking initiative continues its solid performance with convincing growth of 26.6% y-o-y, as we enhanced loan-processing turnaround time, utilised data analytics to better understand customer needs and added more headcount to expand our coverage.

5. ASSET QUALITY

ROBUST ASSET QUALITY; PRESERVING OUR PRUDENT APPROACH TO MEET THE CHALLENGES OF AN UNCERTAIN BUSINESS ENVIRONMENT

Gross Impaired Loans/Financing (GIL)



Asset quality remains paramount during these times, and whilst we provide support to our stakeholders, we are also focused on effectively managing our portfolio to ensure that asset quality remains solid. The Bank recorded a GIL ratio of 0.46% as at 30 June 2021.

Asset Quality by Key Segments	FY2020	FY2021	Industry Average as at June 2021
Residential Properties	0.47%	**0.35%**	1.23%
Transport Vehicles	0.42%	**0.43%**	0.83%
SME	1.33%	**1.10%**	2.60%

Asset quality of our key segments continued to show improving GILs, achieving levels below industry average, with GIL ratios for residential properties and SME at 0.35% and 1.10% respectively. GIL ratio for transport vehicles edged upwards to 0.43%, nevertheless, the GIL ratios for transport vehicles are well below the industry average.

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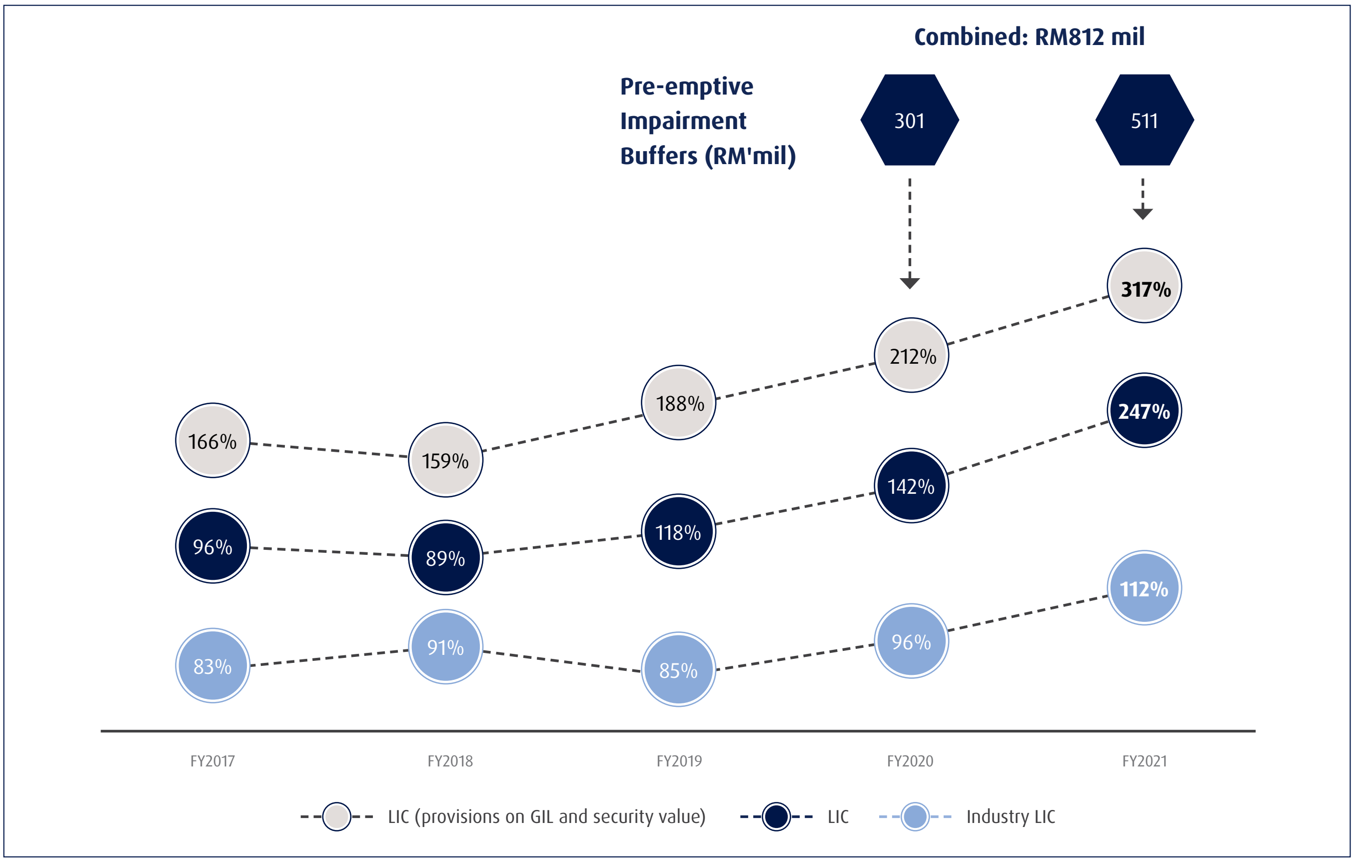
Loan/Financing Impairment Coverage (LIC)



In view of the developments of the pandemic which poses further uncertainties to the economy, we continue our prudent approach by building up additional pre-emptive impairment buffers. Throughout the financial year 2021, we have built pre-emptive impairment buffers amounted to RM511 million which brought the total amount to RM812 million as at the closing of FY2021.

Accordingly, the Bank's LIC ratio rose further to 247%, indicating that the Bank is well positioned to withstand unanticipated shocks in its loan portfolio. Inclusive of the value of securities we hold on our GIL, the Bank's LIC ratio was strongly positioned at 317%.

6. CUSTOMER DEPOSITS

HEALTHY GROWTH LED BY STRONG CASA EXPANSION

	FY2020		FY2021		
Customer Deposits by Domicile	**RM'million**	**% Contribution**	**RM'million**	**% Contribution**	**Growth %**
Total Domestic Operations	163,358	94%	**170,911**	**93%**	4.6%
International Operations	10,135	6%	**12,379**	**7%**	22.1%
of which					
Singapore	7,771	4%	**9,377**	**5%**	20.7%
Hong Kong	222	0.1%	**222**	**0.1%**	0.2%
Vietnam	789	0.5%	**1,067**	**0.6%**	35.2%
Cambodia	1,353	0.8%	**1,713**	**0.9%**	26.6%
Total Customer Deposits	**173,493**	**100%**	**183,290**	**100%**	**5.6%**

Total customer deposits increased 5.6% y-o-y to RM183.3 billion with CASA expanding 22.5% y-o-y to RM59.2 billion leading to an improved CASA ratio of 32.3%. The solid growth is attributable to the Bank's effective cross-selling efforts and cash management offerings.

Domestic customer deposits comprise 93% of the Bank's total deposit base and grew 4.6% y-o-y to RM170.9 billion. International operations customer deposits increased by 22.1% y-o-y.

	FY2020		FY2021			
Customer Deposits by Key Product and Customer Type	**RM'million**	**% Contribution**	**RM'million**	**% Contribution**	**Growth %**	**Domestic Market**
By key product type of deposits						
Demand and Savings Deposits (CASA)	48,358	28%	**59,232**	**32%**	22.5%	7%
Fixed Deposits	94,503	54%	**91,902**	**50%**	-2.8%	8%
Total Core Deposits	**142,861**	**82%**	**151,133**	**82%**	**5.8%**	**8%**
By key type of customers						
Individual	92,514	53%	**93,779**	**51%**	1.4%	11%
Business Enterprises	69,640	40%	**85,069**	**46%**	22.2%	8%
Total Customer Deposits	**173,493**	**100%**	**183,290**	**100%**	**5.6%**	**8%**

Core customer deposits comprising demand deposits, savings deposits and fixed deposits represents 82% of our total customer deposits base. Our core deposits expanded 5.8% y-o-y for a 8% market share. CASA, which are low cost deposits, grew strongly by 22.5% y-o-y to RM59.2 billion and comprised 32% of our total customer deposits. Fixed deposits fell 2.8% y-o-y to RM91.9 billion, representing a domestic market share of about 8%.

The Bank's stable funding base continues to be backed by a solid individual deposit base of RM93.8 billion, represented by an industry leading mix of 51.2%.

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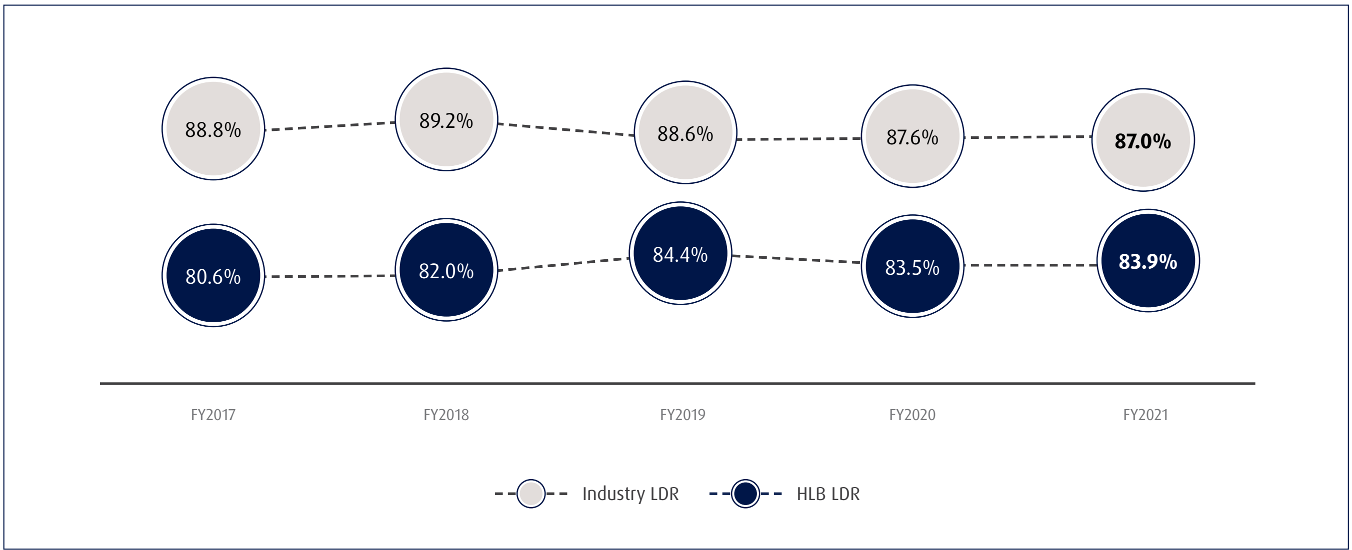
7. LIQUIDITY

ROBUST LIQUIDITY POSITIONS IN SUPPORTING BUSINESS GROWTH

Loan-to-Deposit Ratio (LDR)



With regards to our funding and liquidity, our position remains stable and prudent with LDR at 83.9%.

	FY2020	FY2021
Liquidity Coverage Ratio (LCR)	137%	**145%**
Loan to Funds Ratio (LTF)	87%	**85%**
Loan to Funds & Equity Ratio (LTFE)	75%	**74%**

As at 30 June 2021, the Bank's LCR position remained comfortable at 145%, exceeding the regulatory requirement. Loan-to-funds ("LTF") and loan-to-funds & equity ("LTFE") ratios are 85% and 74% respectively, well in line with industry numbers.

8. CREDIT RATINGS

Rating Agency Malaysia and Moody's Investors Services have reaffirmed our long-term and short-term ratings, anchored by our strong retail and SME franchises, conservative risk appetite as well as sound funding and liquidity positions.

Our consistent performance has translated to strong credit ratings by domestic and international credit rating agencies, as shown below:

Rating Agency	Date Accorded / Latest Update	Rating Classification
Rating Agency Malaysia Berhad	15-Jan-21	Long-Term Rating: AAA Short-Term Rating: P1 Subordinated Notes: AA1 Additional Tier 1 Capital Securities: A1
Moody's Investors Services Ltd	24-Feb-21	Long-Term Rating: A3 Short-Term Rating: P2

9. CAPITAL MANAGEMENT

INTRODUCTION

HLB's capital management framework comprises the policies and procedures required for the efficient and effective use of capital by the Bank and its principle subsidiaries, while also ensuring that sufficient capital levels are maintained.

The framework outlines the respective risk profiles, management targets and applicable regulatory standards or guidelines that each entity should adhere to.

The capital management framework aims to:

- Maintain capital ratios at levels above the regulatory minimum or internal capital thresholds.
- Support the Bank's strong credit ratings.
- Be flexible towards future strategic opportunities.
- Deploy capital efficiently to businesses and optimise return on capital.
- Be resilient during stressful economic and financial conditions.

CAPITAL MANAGEMENT FRAMEWORK

The Bank's approach to managing capital is detailed out in the Internal Capital Adequacy Assessment Process ("ICAAP"), which is approved by the Senior Management, Board Risk Management Committee ("BRMC") and the Board. As part of the ICAAP, the Bank's capital levels in expected and stressed economic environments are evaluated to determine adequate levels of capital that should be maintained.

I) COMPREHENSIVE RISK ASSESSMENT UNDER ICAAP

The Bank's capital management objectives are achieved through the ICAAP. The ICAAP comprehensively assesses all material risks that the Bank is exposed to and evaluates whether there is sufficient capital to support its business activities in relation to those risks.

As part of this process, a range of stress tests are applied to the Bank's base level of capital, derived from the Bank's annual budget, to determine if the level of capital is adequate to weather adverse economic situations or a rapid economic downturn.

Based on these assessments, the Bank will calibrate and set its internal capital targets accordingly. These targets are reviewed annually to ensure that capital levels are maintained above regulatory requirements and is sufficiently robust for the Bank to be resilient during difficult economic conditions.

II) CAPITAL PLAN

The Bank's Capital Plan is a three-year strategic capital plan featuring capital projections, requirements, levels of capital as well as its composition and aligns it to the Bank's business and strategic objectives. The plan also considers the concerns arising from regulatory, policy and stakeholder viewpoints, such as capital buffers, new accounting standards and expectations of investors, analysts and rating agencies.

CAPITAL INITIATIVES

The Bank is dedicated to ensuring its capital position meets the stringent Basel III capital requirements, expectations from stakeholders and its alignment with strategic business objectives.

Major initiatives undertaken over the years include:

I) EQUITY CAPITAL

As at June 2021, the Bank held 38.9 million treasury shares that had been bought back previously. These shares, which are available for sale, can further strengthen the Bank's CET 1.

II) DEBT CAPITAL

The Bank had established a RM10 billion Multi-Currency Additional Tier 1 Capital Securities ("AT1") and a RM10 billion Multi-Currency Tier 2 Subordinated Notes ("Sub Notes").

III) HEALTHY DIVIDEND PAYOUT

The Bank does not have a fixed dividend pay-out policy but takes into consideration a balance between growth and proactive capital management to ensure the long-term sustainability of dividends to its shareholders. The Board has declared a final dividend of 35.22 sen per share, bringing the total dividend to 50 sen for the FY2021.

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CAPITAL ADEQUACY RATIO

I) MINIMUM CAPITAL ADEQUACY REQUIREMENTS

Under BNM's Capital Adequacy Framework, banks are required to maintain a minimum CET 1 ratio of 4.5%, Tier 1 Capital Ratio of 6.0% and Total Capital Ratio of 8.0%.

II) CAPITAL BUFFER REQUIREMENTS

Furthermore, banks are also required to hold the following capital buffers over and above the minimum capital requirements:

- Capital Conservation Buffer ("CCB") of up to 2.5% to ensure banks build up capital buffers during normal times that can be drawn down during periods of stress.
- Counter-cyclical Capital Buffer ranging between 0% and 2.5% of total risk-weighted assets (excludes exposures to Sovereigns, Central Banks and Banking Institutions), which is intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive. This capital buffer is currently not required for credit exposures in Malaysia but may be enforced by BNM in the future.
- Higher Loss Absorbency ("HLA") requirement per Table 1 for FIs designated as Domestic Systemically Important Banking Institutions ("D-SIBs") by BNM:

Bucket	HLA requirement (as % of risk-weighted assets)
3 (empty*)	2.0
2	1.0
1	0.5

Note: *An empty bucket will be maintained above the current highest populated bucket (3) as a pre-emptive measure for D-SIBs with higher systemic importance in the future. If the empty bucket becomes populated in the future, an additional bucket with a higher HLA requirement shall be added.

- BNM will review the list of D-SIBs on an annual basis. However, they may also review the list as and when deemed necessary if there are major structural changes in the banking system, e.g. a merger or significant restructuring exercise by banks.
- D-SIBs are also required to maintain HLA and this shall apply to apex entities on a consolidated basis (this includes consolidation of all subsidiaries, except insurance and/or takaful subsidiaries). However, at its discretion, BNM may require financial institutions to also comply at the entity level.
- On 5 Feb 2020, BNM announced that three banking groups (MBB, CIMB and PBB) have been identified as D-SIBs based on 2018 data.

HEALTHY CAPITAL ADEQUACY RATIOS

The table below shows the capital adequacy ratios of the Bank, at both group and entity levels, presenting figures for financial years 2020 and 2021.

	HLB Group		HLB Entity		Regulatory Minimum with CCB*	
After proposed dividend	**FY2020**	**FY2021**	**FY2020**	**FY2021**	**2020**	**2021**
CET 1 Ratio	13.7%	**13.6 %**	13.4%	**13.3%**	7.00%	**7.00%**
Tier 1 Ratio	14.2%	**14.1%**	13.8%	**13.6%**	8.50%	**8.50%**
Total Capital Ratio	16.5%	**16.2%**	15.9%	**15.7%**	10.50%	**10.50%**

Note: * Inclusive of minimum capital adequacy requirements and Capital Conservation Buffer of up to 2.5%

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1. PERSONAL FINANCIAL SERVICES ("PFS")

OVERVIEW

Despite a financial year defined by movement restrictions and consequent disruptions to the economy due to a resurgence in the pandemic in Malaysia, the Bank's PFS business has demonstrated great resilience in withstanding the unprecedented headwinds. In FY2021, the PFS business contributed 48% and 31% of the Bank's revenue and pre-tax profits respectively, while navigating an uneven recovery across the full spectrum of the retail/consumer segments. For instance, although demand for property and car financing appeared to return to pre-pandemic levels post the first lockdown, as incentives from the government's economic stimulus packages took effect, our cards business experienced declines as tourism and travel remained shut.

Nevertheless, the Bank responded proactively to these disruptions and took it as an opportunity to reshape our capabilities especially in the distribution context in order to future-proof the business. We have also continued to help around 96,000 customers who have been affected through the Payment Relief Assistance Programme, recording approved applications valued at over RM15.4 billion and approval rates at almost 100%. From the business standpoint, the PFS loan book recorded 3% y-o-y growth.

The key to the Bank's resilience has been our ability to effectively manage our asset quality despite these challenging times, which has given us the latitude to support our customers with their credit needs, and also provide the payment relief or assistance they needed to weather the storm. We have remained prudent with our underwriting standards and undertook focused efforts to ensure asset quality remains solid and stable. As a result, over the course of the financial year, we were able to progressively reduce impaired loans by 14%, from RM483 million in June 2020 to RM413 million in June 2021. Our GIL ratio as of June 2021 was a low 0.39%, thus allowing us to go into FY2022 in a position of strength.

BUILDING OUT THE CONNECT BANK

There was a tectonic shift in the adoption of digital banking behaviours during this financial year as the prolonged movement restrictions rewrote the retail and consumer behaviour playbook. This shift has worked in our favour considering our "Digital at the Core" ethos which provided the foundation for this eventuality and was clearly put to the test as digital transactions rose for more than 44% from FY2020 to FY2021. The number of e-commerce payment transactions doubled, recording 99.4% growth. Basic transactions also saw greater digital adoption with a 21% increase in the number of customers transferring funds using Connect, corresponding to a 107% growth in the number of instant fund transfers.

With over two million Connect users, of which 1.2 million are active monthly, the Connect platform, which comprises mobile and internet banking, now accounts for 69% of the Bank's total financial transactions and 28% of the total financial value in FY2021 compared to 57% of the Bank's total financial transactions in FY2020 and 20% of total financial value respectively. When examined further, we have seen significant growth across various transaction types executed through Connect, where 90% of PFS transactions (both financial and non-financial transactions) are now conducted via Connect. The growth has been seen in telegraphic transfers (47%), fixed deposits (55%), personal loans (24%) and approved credit cards (10%). This has not only underscored the rapid pace of adoption, but also indicates the opportunities available to bring in more products and services to the platform in what is becoming the preferred banking tool for our customers. To ensure we continue to meet customer needs and expectations, we added further enhancements and functionalities throughout the year, including multi-currency accounts and subscription of Amanah Saham Nasional Berhad ("ASNB") products.

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DIGITAL DAY 2020

To kick off the financial year, we held our flagship HLB Digital Day on 7 July 2020 and in line with the growing momentum in digital adoption, we saw significant improvements in customer reach and overall views. The campaign is a special day that celebrates our existing and new customers by rewarding them with incredible deals for retail and banking products, giving the Bank an opportunity to showcase our digital capabilities and to test the relevance of our products and services amid an evolving market landscape.

When compared against the fourth quarter of FY2020, the campaign's one-month period generated 15% more TT transactions and 77% more e-FD transactions. Customer acquisition proved to be resilient despite the pandemic, with the value of personal loan applications rising 34% and number of credit card applications rising 132% over the same period. More investment account-i transactions were also fulfilled, with a 163% rise in transaction value.

Value of personal loan applications increased by

34%

Number of credit card applications increased by

132%

RE-IMAGINING CUSTOMER REACH AND ACQUISITION

Thinking of new ways to bring banking to our customers was a recurring theme in this financial year, and was as important as ensuring that the methods we employed would continue to be relevant in a post-pandemic landscape. With customers generally facing mobility challenges due to the various iterations of movement restrictions, it provided us a golden opportunity to speed up the revamping of our distribution model, to bring it in line with the new norms and evolving customer preferences.

The impetus for a change has long been on our radar as we observed a declining trend in branch walk-ins in tandem with rising digital adoption, where over the past three years, we have recorded 50% fewer customer walk-ins. In response, we have created the role of Mobile Deposit Specialists ("MDS") who are specialists equipped with tablets to help customers open new accounts from the convenience of their own premises. Besides bringing value to the communities in which we operate, it also complements our account opening initiatives at workplaces and schools. As of end-FY2021, the MDS have contributed to 49% of the Bank's new accounts.

Going down the route of greater specialisation, we have also transformed our generalist salesforce at the branches into product specialists to deliver our solutions, products and services directly and speedily to customers wherever they may be. These adaptations have allowed us to infuse our origination value chains with strong product and structuring expertise while elevating the customer experience through our proprietary InBranch tablet solution.

With the advancement of our digital transformation journey, we have digitised more and more customer touchpoints which is also in line with recent regulatory developments and the customer's preference to bank safely during the pandemic. A key example was the timely introduction of non-face-to-face onboarding approaches such as Apply@HLB, which makes us the first bank in Malaysia with e-KYC capabilities and enabled us to serve our customers more effectively. Coupled with other initiatives such as e-consent capabilities, e-acceptance for loans and hybrid processes for applications or submissions, HLB has indeed focused on reimagining the distribution of our products and services.

Beyond our efforts to reimagine the distribution journey, the Bank has also forged key partnerships with other businesses to expand our visibility in the marketplace, and to drive customer acquisition. Throughout the financial year, we formed collaborations with organisations such as Shopee, Shell, 7-Eleven, Sime Darby Motor Group and PropTech companies. With Shopee for example, PFS opened a store on this e-commerce platform that enables customers to open a savings or current account, and through this channel alone, we have obtained over 20,000 new CASA accounts.

PFS LOANS

The mortgage business recorded commendable loan/financing growth of 4.2% y-o-y, spurred by the government's Home Ownership Campaign that was extended as part of stimulus plans to revive the economy. Applications for certain sectors of property loans rose to multi-year highs as we continued to strengthen our market coverage and reach in the affordable segment as part of our commitment to supporting homebuyers. In FY2021, over 90% of approvals were granted to the non-investor segment where more than 45% of the approvals were for properties valued below RM500,000. The business will continue to improve its digital acquisition models to better serve all stakeholders within the property ecosystem, with collaborations

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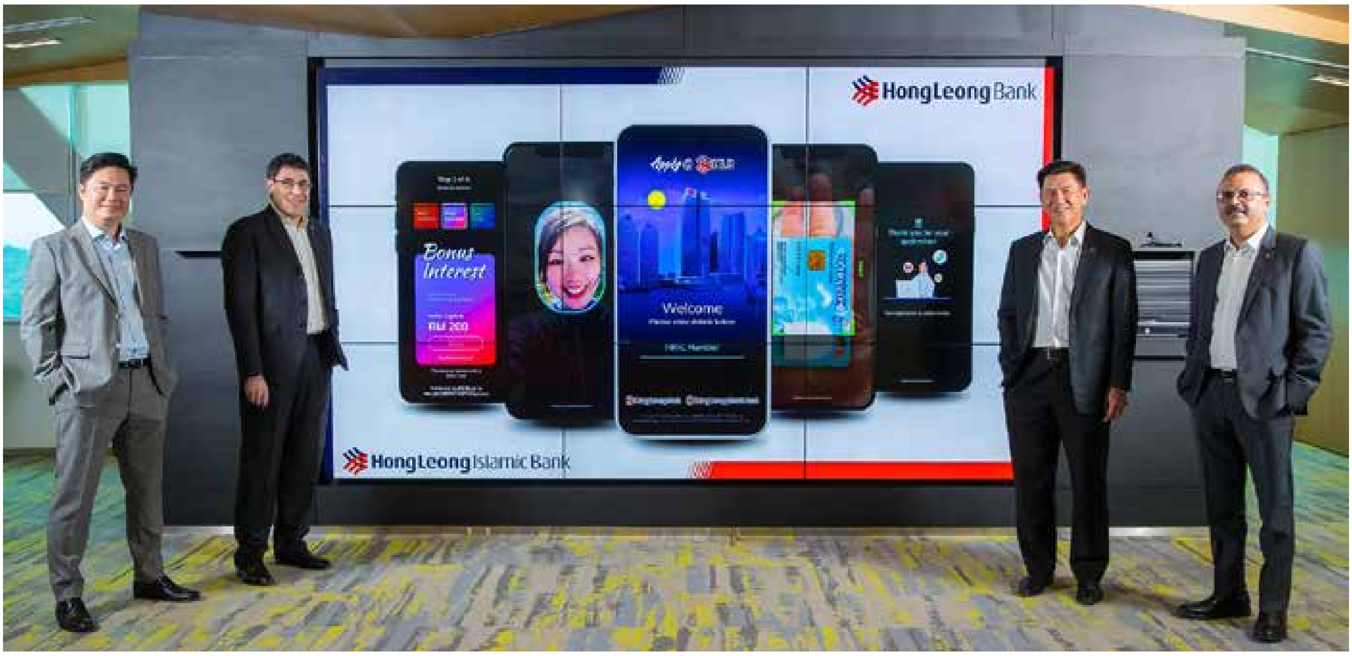

underway with several PropTech partners to enhance the property buying and financing journey for customers.

The auto loan/financing business, meanwhile, performed well against the backdrop of new model launches, sales tax exemptions and strong promotional offers by car manufacturers. During the year, we expanded our partnership with Sime Darby Motor Group to increase the number of marques and outlets under our coverage, as we sought to better serve our dealers. We also see good potential in increasing our exposure to the new car segment from just over half our portfolio now, especially in the new national car segment given its relative affordability and the large range of competitive models. Going forward, the business is committed to improving efficiency through further improvements to productivity, turnaround time, process simplification and digital customer experiences.

The Bank's personal loans/financing had a challenging year as new funding declined 21% y-o-y due to decline in incomes and relief initiatives such as withdrawals from the Employees Provident Fund through the *i-Sinar* programme and other stimulus-related aids which provide funding alternatives to customers. With a strong recovery not expected in the near-term, the Bank took this opportunity to review our productivity, improve our straight-through-processes to incorporate e-KYC and launched new microloan products.

PFS DEPOSITS

PFS remains a market leader in terms of individual deposit mix with CASA deposits growing 13% y-o-y, uplifting the CASA ratio to 36.9% from 33.7% previously and driving down the overall cost of deposits, thus enabling the PFS balance sheet to remain supportive of growth.

PFS has accelerated on the new CASA account opening with a deployment of 150 MDS across the branches nationwide, for door-to-door services with effect from July 2020. MDS has the flexibility to meet customers 7 days a week at their convenience.

In addition, PFS launched the Apply@ HLB, a new app for full digital account opening leveraging on BNM's eKYC guidelines in October 2020. HLB has pioneered the online account opening service by being the first bank in Malaysia to offer a truly digital onboarding experience for customers, without the need for physical presence to the branch.

HLB has embarked on its e-commerce journey by having an official store in Shopee Malaysia with effect from January 2021.

As a result, the number of new account openings increased by 38% y-o-y in FY2021, underlining the success of these channels in delivering sustainable growth during the pandemic.

Throughout the year, we continuously invest into driving segment growth with the launch of 3 key initiatives, all of which focuses in giving back to the community we operate in:

- The HLB@Work which is a payroll solutions package designed for salary earners leveraging on Pay&Save Account. It rewards employees with a range of financial product and service benefits.

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- The HLB@School helps to create a cashless school nationwide. It provides students a safe environment to learn about good money habits and experience cashless payments under supervision of teachers and parents.

- "Cashless Lagi Senang" enables hawkers, traders and micro-SMEs with cashless payment methods via DuitNow QR for the ease of their customers. Where the needs fits, customers can apply for an All-in-One point-of-sale ("POS") terminal which facilitates automatic settlement and daily transaction reporting features. This would benefit micro-SMEs by eliminating the need to have multiple physical QR codes and the need to hold large amounts of cash where they are required to make cash deposits at the Bank.

RETAIL WEALTH MANAGEMENT

The Retail Wealth Management Services business performed well in comparison to previous years as the search for yield amid a low-interest rate environment was paired with ample liquidity and robust market rallies culminating in strong growth across our key metrics. Fee income grew by 35% driven by strong unit trust sales while asset-under-management ("AUM") grew by over 40%. The rallies in the equity markets also saw our share margin financing loan base growing more than 90% in FY2021, with new sales acceptance increasing by more than 200%.

Throughout the year, we organised our business along four main thrusts to improve our customer engagement levels. We further integrated the wealth proposition for customers, enlarged the wealth distribution franchise and client coverage model by segmenting our customers according to Priority Banking and Mass groupings, enhanced our front office advisory capabilities, and conducted training all year round to upgrade the competencies of our advisors. Our efforts resulted in much higher traction with our customers as monthly average customer transactions between December 2020 to April 2021 doubled compared to pre-pandemic levels. In addition, our new flagship Priority Banking centre at Southkey, Johor Bahru was completed and will help us improve our presence in the Southern region and expand our nationwide reach.

Going into FY2022, the wealth business is now better positioned to provide well-balanced portfolio management solutions that incorporate investments, insurance, financing and deposits as we strive to optimise the portfolios of our customers according to their risk profiles, and advance our reputation as a trusted advisor. With a strengthened core boasting better advisory abilities to ensure we are delivering sustainable value, we are also entrenching ourselves further into the sustainability agenda with the introduction of ESG screening into our investment product assessment framework.

PAYMENTS BUSINESSES

FY2021 was a volatile year for the retail landscape, with credit card retail spend fluctuating in sync with the ebb and flow of the multiple movement restrictions and relaxations. The Bank consistently held its greater-than-7% share of that spend throughout this cycle as landscape shifts in payments continued to accelerate during the year, leading to a higher usage of debit cards and e-money payments. These factors helped to insulate PFS from the ongoing economic disruption and in fact, led to a rise in our market share of merchant sales over the financial year. Our "Everyday Spend" brand strategy at selected popular retail outlets also helped to sustain merchant sales during the MCO.

With the demand for new cards on a declining trend even before the MCO, we turned to the opportunities presented by rapidly changing consumer behaviour, by intensifying our focus on QR payments, driving usage from existing customers to grow the portfolio and promoting easy payment solutions. Merchant-acquiring efforts were focused on creating better onboarding experience, enabling new platform capabilities, extending multiple acceptance channels and exploring new consumer activation strategies. The outlook for the business remains positive given the acceleration in the volume of cashless and contactless payments amid the pandemic, as more customers opt for quicker and safer payment options.

MOVING FORWARD

We acknowledge that the path to normalcy still remains out of reach as we witness the resurgence of the pandemic and its new variants, bringing with it economic disruptions and unintended consequences as a result of the reactionary containment measures. However, we are optimistic given the country's steady vaccination progress, which should lead to the progressive reopening of economic sectors and eventual recovery of the economy and consumer incomes. Given this uncertain operating landscape, the Bank remains highly committed to helping our customers navigate the path ahead to rebuild their individual finances.

The structural changes we have made to our operating model are crucial to future-proofing the value of the PFS business and to elevate our business to the next level which have incorporated mechanisms to reduce the friction caused by the new norm. As such, while we double down on technology and strategic investments, we are mindful of the importance of human touch which we emphasised to our employees as we equip them with new tools, knowledge and skills to meet the evolving customer demands. In the coming financial year, we will continue growing our market share of core loan/financing products, drive fee income through the wealth and payments businesses, sustain our efficiency levels, revamp the branch franchise, elevate Connect as the preferred transactional channel, and build new business opportunities through cross-selling and new products.

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2. BUSINESS & CORPORATE BANKING ("BCB")

OVERVIEW

Amid an uncertain economic environment, BCB has continued to produce a good set of results in FY2021, as revenue and profits sustained its upward trend. Backed by strong loans/financing and deposits growth, and the results of our unrelenting focus on digitalising more of our products and services, BCB delivered revenue of RM1,365 million and PBT of RM956 million for the year, representing a 25% and 28% contribution to the Bank's total income and PBT. Our consistently solid performance was further demonstrated through BCB's key business metrics, which saw loans/financing expanded by an industry-leading 14% y-o-y, outpacing last year's growth performance once again.

The commercial and strategic SME client segments recorded impressive numbers, growing by a respective 9% and 26% y-o-y. Within the SME segment, BCB recorded significant loans/financing and deposits growth of 29% y-o-y and 10% y-o-y respectively, while total income improved by 11% y-o-y and operating profit increased by 14% y-o-y. The growth trend in our business was also extended to our current account balances as it continued to outperform the industry's demand deposit growth rate, registering a robust 30% y-o-y increase, which was also an improvement over last year's growth rate.

IMPROVING THE BANKING EXPERIENCE

Against the backdrop of the pandemic and ensuing movement restrictions, the Transaction Banking business has spent most of the year transitioning our products and services to digital-first or hybrid approaches to adapt to the new normal. We invested significant resources to digitalise large parts of the customer journey, and thereby removing the pain point of having to visit a branch to conduct transactions. While doing this, we also ensured that the Bank would still be able to deliver the level of customer service excellence that our customers have come to expect.

The first major feature we delivered in the year was the trade documentation upload feature via our HLB ConnectFirst platform to facilitate SMEs and corporate customers' trade financing requirements during the movement restrictions. This allowed customers to upload their trade documentation digitally for processing and thereafter obtain financing without having to visit our branches or designated trade centres. In addition to this, we rolled out our corporate digital onboarding solution where SMEs and corporates can sign-up for a business current account and access HLB ConnectFirst without visiting a branch. Customers can apply via the HLB webpage and are given the option to visit a branch to complete the onboarding process or to have our Relationship Manager visit them to complete the application remotely via designated iPads. This has significantly reduced the time taken for the onboarding journey to just 30 minutes, and our aim is to onboard 90% of customers in this manner going forward.

Later in the year, we have also rolled out HLB ConnectFirst Mobility which is a business mobile banking solution that enables customers to utilise their business current account via their mobile devices.

PBT

RM956

Million

SME Loans/Financing Growth

29%

y-o-y

Since its launch, 21% of our corporate online banking customers have signed up and utilised the HLB ConnectFirst mobile solution, which is an encouraging and positive result for BCB. In addition, because of all our digital efforts in FY2021, we have witnessed greater overall digital adoption as we recorded a 13% y-o-y increase in Corporate Internet Banking users.

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STRENGTHENING THE SME ECOSYSTEM

Throughout FY2021, BCB was squarely focused on helping our SME customers navigate the effects of the slowdown in economic growth due to the pandemic, as we facilitated the approval and disbursal of the Special Relief Funds ("SRF") and Targeted Relief and Recovery Facilities under the various government stimulus packages totalling RM1.79 billion. Together with the Bank's self-funded SRF and other types of financing specifically tailored for SMEs, we have disbursed a total of RM2.38 billion as at end of FY2021 to SMEs.

Beyond this, we have leveraged on the 180 Community Business Managers embedded in our branches nationwide to establish ourselves as the preferred financial solution provider for SMEs. We are offering more services beyond capital/trade financing and cash management to include Foreign Exchange ("FX") and hedging solutions, and have deployed relevant specialists to our branches to better serve the non-borrowing customer portfolio. To further assist our SME customers, we have also curated a strong line up of business partners who are able to offer digital solutions in areas such as HR and accounting, thus empowering our customers and enabling us to go beyond banking.

In terms of new financing products for our SME customers, we now offer floor stock financing to automobile dealers, and started our Dealer Financing Programme which offers even more financing options to selected dealers. We believe that these efforts will help us strengthen our relationships with existing dealers and create new opportunities within this segment of the automotive industry. In addition, we have launched the SME Grow Financing Programme, a digital microfinancing programme with straight through processing, to provide access to financing for underserved SMEs by utilising the data that we see through our current and merchant accounts. The loans are for businesses which are less than three years old and is guaranteed against the Credit Guarantee Corporation and Syarikat Jaminan Pembiayaan Perniagaan ("SJPP").

In line with our sustainability pillar of responsible financing, we have rolled out the SME Solar Financing Programme, where we will finance 100% of solar panel installation cost or RM1 million, whichever is lower. SMEs who are seeking for ways to be more cost-efficient from significant energy bill savings whilst maintaining optimum productivity can approach our list of panel service providers for a recommended solar energy solution that suits their needs.

TARGETED SECTORAL GROWTH STRATEGY

As BCB continues to grow its existing portfolios in the corporate and middle market segments, we are simultaneously surveying the market to identify new focus sectors that present good growth opportunities. This strategy is supported by the expansion of our industry specialist team, which allows us to provide structured financing solutions that better suit our customers' needs as well as provide advisory services to our clients. To date, we have onboarded in-house specialists for the renewable energy, logistics & warehousing, healthcare, MNC client coverage and corporate global markets solution.

MOVING FORWARD

To achieve our aspiration of becoming the 4th largest SME bank in Malaysia by 2024, we are committed to doubling our loan/financing portfolio through the sustained implementation of our digital transformation journey that will create faster and better customer onboarding experiences and enable greater efficiencies for the business. Some of our digital initiatives going forward that will help us do this include the roll out of a new Loan Origination System, full digital eKYB and a digital platform to onboard merchants.

HLB will also be expanding its Customer Care Unit coverage to engage with more of our 180,000 existing SME customers to cross sell and upsell loans/financing, deposits and FX, which will be aided by contextual marketing by using insights from our digital tools and analytics. In line with the challenging times we are in now, BCB will also continue lending assistance to our customers whenever needed as we strive to ensure they are able to successfully recover from the disruption to their businesses.

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3. GLOBAL MARKETS ("GM")

OVERVIEW

The GM business delivered yet another record year in terms of revenue and profits, underscoring its resilience amid the volatility in financial markets as a result of the pandemic. We recorded revenue and PBT of RM1,009 million and RM893 million respectively, representing a 18.5% contribution to the Bank's total income and 25.7% to the Bank's PBT for FY2021.

System liquidity was well managed by Bank Negara Malaysia, with effects of interest rate cuts being immediately passed on to borrowers in the form of lower borrowing rates. Key ratios such as the Industry Loan-to-Deposit ("LDR"), Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") remained stable during this period despite fears that loan/financing moratoriums would cause the ratios to deteriorate.

Revenue

RM**1,009**

Million

PBT

RM**893**

Million

PERFORMANCE REVIEW

Despite the challenges and uncertainty brought about by the pandemic, our teams operated seamlessly as they worked from home across our key locations in Malaysia, Singapore, Hong Kong, Vietnam and Cambodia. We continued with the efficient market making of our core products of Foreign Exchange, Fixed Income, Derivatives and Structured Products.

Our strong performance was partly due to the Bank's liquid asset portfolio benefitting strongly from the very low interest rate environment that prevailed throughout the year. This was in addition to the continued quantitative easing in major economies, which flooded Malaysia with large fund inflows in tandem with the substantial increase in offshore holdings of Malaysian bonds. This allowed GM to monetise gains in our Fair Value through Other Comprehensive Income ("FVOCI") investments.

With our institutional client base searching for yield, there was also strong demand in the MYR structured product and fixed income space, leading to revenue increase of 44% y-o-y. GM has also once again been recognised by leading publication, The Asset, as we won the Best Local Currency Bond Individuals in Research, Sales and Trading for 2021 and thereby affirming Hong Leong Bank's leading position in the local institutional space.

The Bank saw a strong uptick in FX volumes as movement restrictions eased in the second half of 2020. Our efforts to implement digital remittance capabilities has also paid off handsomely with digital remittance volumes exceeding our branch volumes by the end of FY2021, as we rode the wave of greater adoption of digital banking channels by our customers. Investments in this area will continue as we upgrade our digital capabilities to handle a wider variety of FX transactions to meet the needs of our customers.

INITIATIVES FOR THE PAST YEAR

In the year under review, GM has been working closely with our BCB partners in the SME segment to review its FX product delivery model, with the aim of doubling our revenues from this area over a period of three years. Thus, we have increased the resources invested into marketing and client servicing for FX products while enhancing the process flow at branches to make it easier for a SME client to submit their transactions.

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We have also been laying the groundwork for our entry into the equity business in FY2022, by making enhancements to our Murex trading system in tandem with staff recruitment and regulatory product approvals. We expect the equities business to be a key growth segment in the years ahead as we build from a zero base and gain market share.

MOVING FORWARD

A strong recovery in Malaysia's economy continues to be held back due to the disruptive impact of a protracted pandemic that now has new and more virulent variants. In the face of limited fiscal manoeuvrability following multiple economic stimulus packages, any upside to growth will depend on how quickly majority of the population can be vaccinated coupled with a significant drop in the number of daily cases, in order for economic activity to return to normalcy.

As such, we expect interest rates to remain at the current low levels in all of the countries we operate in for FY2022, and for central banks to remain cautious. The yield curve will therefore continue to remain steep and we expect our fixed income investment book to continue performing strongly.

However, with offshore holdings of MYR bonds hitting new highs, we are cautiously monitoring the level of foreign flows that could be reversed if the Federal Reserve begins an early tapering of its quantitative easing. We expect this gap to be well supported by local banks as industry loans growth remains muted while consumer deposits grow as a result of EPF savings withdrawals which were enabled by the government's stimulus packages.

The recovery in global trade flows should also be positive for FX volumes and our profitability, as we expect our SME, commercial and retail customers to be more active in FY2022. GM will also be looking to increase our share of wallet in the Islamic Wealth Management space via more product offerings.

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4. ISLAMIC BANKING

OVERVIEW

The financial year ended on a positive note for HLISB as we delivered a strong set of results with Profit before Zakat and Taxation increasing by 10% y-o-y to RM524 million, driven by growth in operating profit and total income of 12% and 9% respectively. The Bank rode on a steadily recovering market in FY2021, as our key retail, commercial and treasury business segments recorded strong growth momentum, which aided the expansion of our assets by 10% to RM44.9 billion and fuelled an increase of total financing of HLISB by 9%. Our CIR also continued to strengthen, seeing an improvement to 25.8% (FY2020: 27.9%) in the financial year.

PBT

RM524

Million

Total Assets

RM44.9

Billion

10% y-o-y increase

ISLAMIC FINANCE - GEARING UP FOR SUSTAINABLE GROWTH

As the pandemic has brought new challenges and opportunities to how we conduct our business now and in the future, HLISB remains steadfast in playing its role as a responsible financial partner to help our customers navigate the present economic volatility driven by our “Digital at the Core” ethos and brand promise of delivering services that are built around our customers’ needs.

True to this calling, as the uncertainty of the prolonged pandemic persists, we have continued to offer relief assistance to our individual and SME customers including those registered as B40, M40 and microenterprises via the HLISB PRAP. To ensure no one falls through the gaps, we have been working closely with affected retail and corporate clients, and engaging those who are most vulnerable by providing flexibility for their repayments across all key products.

With the strong digital foundation laid over the past few years, we continue improving on our digital journey by availing innovative and relevant offerings for all our customers. For instance, under our Digital Islamic Financial Lifestyle projects, we have completed building out

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a comprehensive suite of basic products that are representative of the four key cycles of Islamic wealth management, namely wealth accumulation, wealth protection, wealth distribution and wealth purification. Beyond this, we seek to expand our wealth management services to appeal to a broader market and to explore products with greater sophistication to adapt to the varying risk preferences of our customers.

This year, to help onboard our customers in a more efficient manner that is both simple and convenient, HLISB, is now offering a truly digital onboarding experience via our Apply@HLB mobile application. We also rolled out the Bank's award-winning ASNB services onto our Connect banking platform, thereby giving our customers the ability to monitor their investments on a real-time basis and to obtain additional subscriptions at their leisure. In efforts of boosting the functionalities of Connect further, users now have the option of contributing to six state zakat bodies via our e-Zakat service. We have also onboarded e-Sadaqah and e-Waqaf services into the Connect platform, thereby enabling our customers to make voluntary contributions to selected charitable institutions, and underscoring our support of the Value-Based Intermediation ("VBI") agenda.

For our Business and Corporate Banking Islamic segment ("BCB-i"), we have made good progress in improving delivery and turnaround time of our services. One such example is the enhancement to our trade finance services which now allows trade documents to be processed via the Hong Leong ConnectFirst platform, thereby providing a seamless and hassle-free experience for our customers even during MCO restrictions. The SME sector also remains a focal point, and we have continued to strengthen our partnerships with SME Corporation via the Shariah-Compliant SME Financing Scheme 3.0 ("SSFS 3.0") Programme, SJPP and Unit Peneraju Agenda Bumiputera ("TERAJU") to help businesses in the Halal sector and high-potential Bumiputera companies to raise financing for their capital needs especially during the pandemic. We also launched targeted and specific campaigns for our SME customers such as the stamp duty rebate campaign and the Transaction Banking Campaign to encourage utilisation.

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

We continue to position Shariah as a key business enabler to unlock the true potential of Islamic finance as a medium for positive change. For the year under review, we progressed our initiatives to nurture and cement Shariah compliance culture within our organisation in line with the central bank's Policy Document on Shariah Governance ("SGPD") through knowledge sharing programmes, updating our Shariah knowledge bank to be aligned with SGPD expectations, and engagement in business-focused research activities. We also carried on with the annual Shariah Compliance Month targeting HLISB and its stakeholders, and leveraged on digital channels to ensure our scheduled programmes were not disrupted due to movement restrictions.

At HLISB, we are committed to the Group-wide sustainability agenda and the VBI thrusts. Our business initiatives are motivated by the people we seek to serve, collective prosperity of the community and the impacts of our actions to the environment and planet as a whole. We are committed to pursue our VBI initiatives particularly in supporting the 3 identified key areas namely People, Prosperity and Planet. Amongst others, our continued support to the SME and Halal industry, financial inclusion initiatives through our services such as e-Waqaf and e-Zakat, and enhancement of workforce via our Shariah Capacity Building programmes.

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5. INTERNATIONAL

Profit contribution from BOCD

RM721

Million

14.1% y-o-y increase

HLBS loans growth of

17.8%

y-o-y

HLBVN loans growth of

30.5%

y-o-y

HLBCAM loans growth of

15.6%

y-o-y

A) BANK OF CHENGDU ("BOCD")

BOCD has delivered a strong profit contribution to the Bank once again, contributing 20.8% of the Bank's PBT or RM721 million, which is a 14.1% improvement from previous year, signifying an above average growth as it was only minimally affected by the COVID-19 pandemic. Going forward, BOCD's strategy is to continue to grow cautiously in its current selected business segments while optimising asset quality and returns amidst a contracting net interest margin environment.

B) HONG LEONG BANK SINGAPORE ("HLBS")

HLBS recorded better y-o-y performance with operating profit of RM62.7 million in FY2021 (FY2020: RM31.4 million) against total income of RM166.0 million (FY2020: RM130.1 million), while its loan book grew by RM937 million to RM6.2 billion.

Growth continues to be driven by the branch's ongoing transformation from a pure Private Banking outfit to a more holistic financial services provider which has enabled greater coverage in niche segments and more business opportunities. The branch has matured and successfully grown and expanded its Private Wealth Management ("PWM") and BCB businesses, and continues to gain ground in the Auto Finance sector while expanding into specific areas under PFS.

PWM is set on becoming a "one-stop" hub for Asian millionaires through high quality services and a robust digital platform, with a particular focus on second generation millennial wealth, wealthy entrepreneurs and high net worth businessmen. In the first half of 2021, PWM updated its wealth platform to enable a consolidated view of client portfolios and will also be enhancing the platform by enabling mobile banking functionalities. For PFS, we have implemented straight through processing of auto loans for our dealer network, following the implementation of this system for our distributor network. We are also targeting millennials with the launching of a debit card with savings account in the second half of 2021.

For BCB, we are focused on growing our loan book via medium enterprise businesses in sectors such as manufacturing, construction, food, wholesale trade and financial services and investment holding companies. Our value proposition in the MME context is to support their growth via simple and reliable solutions, while improving market connectivity through digital platforms for cash management and trade financing. To add further value, we will be launching a corporate interbank banking platform in late 2021.

C) HONG LEONG BANK VIETNAM ("HLBVN")

Vietnam's economic performance bucked the regional trend, registering growth of 2.9% in 2020 with the positive momentum carrying into the first half of 2021 as it successfully contained the COVID-19 pandemic until May 2021. This has helped HLBVN sustain a strong performance throughout FY2021, as we registered loan growth of 30.5% and deposit growth of 35.2% y-o-y. The GIL ratio continued to improve, hitting 0.13% which represents a y-o-y reduction of 0.07%. While total income decreased

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5.9% y-o-y due to a significant reduction in money market yields, operating expenses dropped by a larger quantum of 10.4% due to cost containment measurements leading to a y-o-y CIR improvement of 4.5%. Further positive indicators for the business included second half loan growth of 38% and income growth of 21% over the first half.

The franchise continued to generate good returns in the PFS and BCB segments via its "Strengthen Existing Operations" strategy, with PFS recording y-o-y loan growth of 25% and deposit growth of 17%, while BCB reported loan growth of 41% and deposit growth of 54%. In parallel, HLBVN's second strategic prong of "Create a Retail Digital Bank", gained further momentum in FY2021 amid the fast moving and growing Vietnamese market. After introducing a new mobile app and digital debit cards in the last financial year, HLBVN achieved a significant milestone with the launch of its digital unsecured personal loan and eKYC in June 2021, with further efforts underway to improve the functionality of the mobile app to enhance customer acquisition, engagement and experience.

D) HONG LEONG BANK CAMBODIA ("HLBCAM")

HLBCAM produced another record profit year, raking in RM34.7 million in PBT (FY2020: RM20.4 million) while increasing revenue to RM69.5 million or a 13% y-o-y growth despite the economic headwinds caused by the pandemic. Our asset quality also ranks among the best in the industry as we maintained a consistently low GIL of around 0.18%.

In FY2021, we undertook several major initiatives to secure the long-term sustainability of the business, including enhancements to our mobile banking capabilities for both retail and corporate customers, and operational improvements, as well as explore bancassurance partnerships. HLBCAM was also there for its customers when it mattered most as we supported customers who were struggling during the pandemic with RM93.6 million worth of restructured loans.

Looking ahead, we aim to grow our loan portfolio in Cambodia to RM5.3 billion by 2025 which will position us strongly in the industry. To achieve this, we will be introducing the universal branch manager model and setting up a new SME banking team while adding more resources to our mortgage and auto loan teams. The focus on digital and creating seamless customer experiences also remains, as we plan to launch our corporate internet banking platform and instant transfers and QR code payments for our retail customers in late 2021/early 2022. The introduction of our very first debit card and a new all-in-one account with attractive tiered interest rates will also serve to increase our customer base.

E) HONG LEONG BANK HONG KONG ("HLBHK")

The Hong Kong economy has recovered steadily in the first quarter of year 2021 since bottoming out in 2020 as it was severely affected by the pandemic. Economic recovery has however remained uneven with overall economic activity still depressed as the pandemic, social distancing requirements and travel restrictions continue to weigh on certain economic segments.

With the persistent uncertainty associated with the pandemic, HLBHK will be prudent in its business approach as we adopt a cautious approach to growing our SME portfolio by acquiring sound assets while maintaining strong liquidity levels in our global market operations. Our global markets team will also work in tandem with BCB to expand the treasury sales business, and we will strive to maintain a strong risk and compliance culture throughout the organisation. Looking ahead, besides monitoring the opportunities present in the government's planned development of the Greater Bay Area, the government's interest in central bank digital currencies such as the e-HKD and e-CNY also potentially offers exciting prospects for HLBHK.

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6. INFORMATION TECHNOLOGY

In FY2021, the technology unit continued its involvement in meeting the demands of the rapidly evolving banking landscape which required new and unique solutions across the entire value chain. We continued to optimise our participation in the opportunities created by the disruption of the economy due to the COVID-19 pandemic. As a key enabler of businesses and creator of digital innovations for the Bank, the solutions developed focused on two important stakeholders: (i) our external customers who transacted more towards online banking and (ii) our employees whose workplace, operational and personal needs were changing in tandem with movement restrictions and changing expectations of our customers.

Throughout this time, we stayed true to our ethos of being “Digital at the Core” to build personalised solutions that echo our brand promise of being “Built Around You” as we saw greater digital adoption across all spectrums of stakeholders. We were able to accelerate conceptualisation, develop cost effective and expedient solutions where the overriding objective was to deliver solutions that would be relevant during a pandemic and beyond. This echoed our commitment to developing solutions that would provide seamless customer experience and provide safe, personalised, relevant and fair banking across our channels.

TAKING CARE OF OUR CUSTOMERS

One of the most important missions that the technology team was tasked to fulfil in the year under review was to enable our customers to seamlessly and conveniently access payment relief programs. This was opened to all individuals, SMEs and Microenterprise who experienced difficulty in making loan and financial payments due to the financial challenges caused by the COVID-19 pandemic. We needed to respond quickly to ensure our customers gained access to financial assistance as soon as possible during a period where the economy had come to a standstill due to the Restricted Movement Control Order which impacted activities, consumption and delivery of goods and services.

Fortunately, due to the Bank’s relentless focus on digital transformation and past investments in strengthening infrastructure and resources, we were able to quickly introduce an online, self-help portal for customers to apply for financial assistance in a matter of a couple of weeks. The portal enabled our customers to select plans which met their needs. This online application allowed customers to complete the request anytime, anywhere and is reflective of our ability to deliver a truly end to end digital experience. In line with our brand promise of “Built Around You”, we analysed the customer data on spend and payment behaviours to identify accounts that were likely to experience financial distress. Due to our efforts, the Bank was able to assist customers in managing their liquidity positions whilst averting serious issues with their credit rating, which would impact their future track record and hence their ability to access further credit once the economy improves.

STRENGTHENING THE BANK’S DIGITAL OFFERINGS

While ensuring we fulfilled our top priority of helping our customers who were most in need, the team also maintained a strong delivery of new and innovative products throughout the year. We implemented 44 major projects and completed 1,537 system enhancements. Our in-house development teams (‘Centre Of Excellence or COE’) continued delivering cost sustainable digital enablers in Malaysia and around the region. Creating this team has clearly allowed us to respond with greater agility and reduce our reliance on third party service providers.

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Within the Malaysian context, the team enabled and launched the first-to-market end-to-end digital CASA account opening solution "Apply@HLB", which also made us the first bank to offer e-KYC onboarding services. This solution enables stakeholders to access banking services anytime, anywhere through their mobile phone via advanced biometric facial recognition and optical character recognition ("OCR") technologies.

From the branch perspective, we enhanced our processes with technology that enabled our sales staff to meet customers at a place and time of their choosing to complete the opening of an account via an iPad. This functionality was also extended to our SME customers. In addition to the launching of a Corporate Internet Banking mobile app, we also launched a new mobile-based contactless payment solution 'Hong Leong Bank Tap on Phone' where all businesses are able to transform their Android smartphones into payment terminals for credit and debit card transactions.

For our retail customers, we launched a newly redesigned retail banking app, that was created in-house, with a significant amount of time spent garnering feedback from customers themselves. The solution was built on cost sustainable technologies leveraging open stack frameworks, and is also the first banking mobile interface in Malaysia to offer the three language selections of English, Bahasa and Mandarin. We continued to focus on human centered design thinking by ensuring our customers are able to fulfil their needs simply by using a device at their fingertips. We worked closely with our customer-facing teams to identify areas of friction for our customers and develop solutions to improve our service delivery.

Aside from our transactional digital banking interfaces, the "Built Around You" journey also took us down the path of providing an online loan application tracking facility. This allowed our customers the ability to track their loan applications online, removing the need for them to call and enquire on the status of their applications. The Bank also released the first-to-market child saver application, "Pocket Connect", which is designed with the first-time account holder in mind, and provides parents with a tool to teach their children how to collect and save money. In line with our commitment to ESG, elements of sustainability have been embedded in the application to encourage children to save which, in return, will see the Bank planting trees on their behalf.

There were several other important initiatives rolled out in Malaysia to improve the delivery of services offered to our customers:

- Introduction of WhatsApp for Business for customer interaction;
- Completed the setup and opening of a Hong Leong digital flagship branch in Johor;
- Multi-Currency capabilities for customers to transact in a currency of their choice;
- Credit Card application capabilities on the branch iPad;
- A digital remittance solution utilising APIs
- Enabled in-application notifications within the Hong Leong Bank Mobile App;
- Enabled card-less ATM withdrawal via the use of the Hong Leong Bank mobile App;
- Enabled a further 168 Branches with the Hong Leong In/Out branch iPad solution;
- Enabled QR payment and presentment capabilities for payments;

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We have also utilised our knowledge, skills and resources to increase the transaction capabilities of our regional operating markets. In Cambodia, we deployed an enhanced version of the Bank's mobile application while at the same time, enabling them to provide debit cards. In Singapore, the team launched a debit card solution, a revised UI/UX web banking solution and straight through e-KYC enabled auto loan capabilities. For its Private Wealth customers, we completed work on introducing a private wealth banking system which supported their growth ambitions. In Vietnam, we launched an e-KYC solution for customer onboarding and a new digital personal loan product that allows customers to apply at their convenience anywhere, anytime.

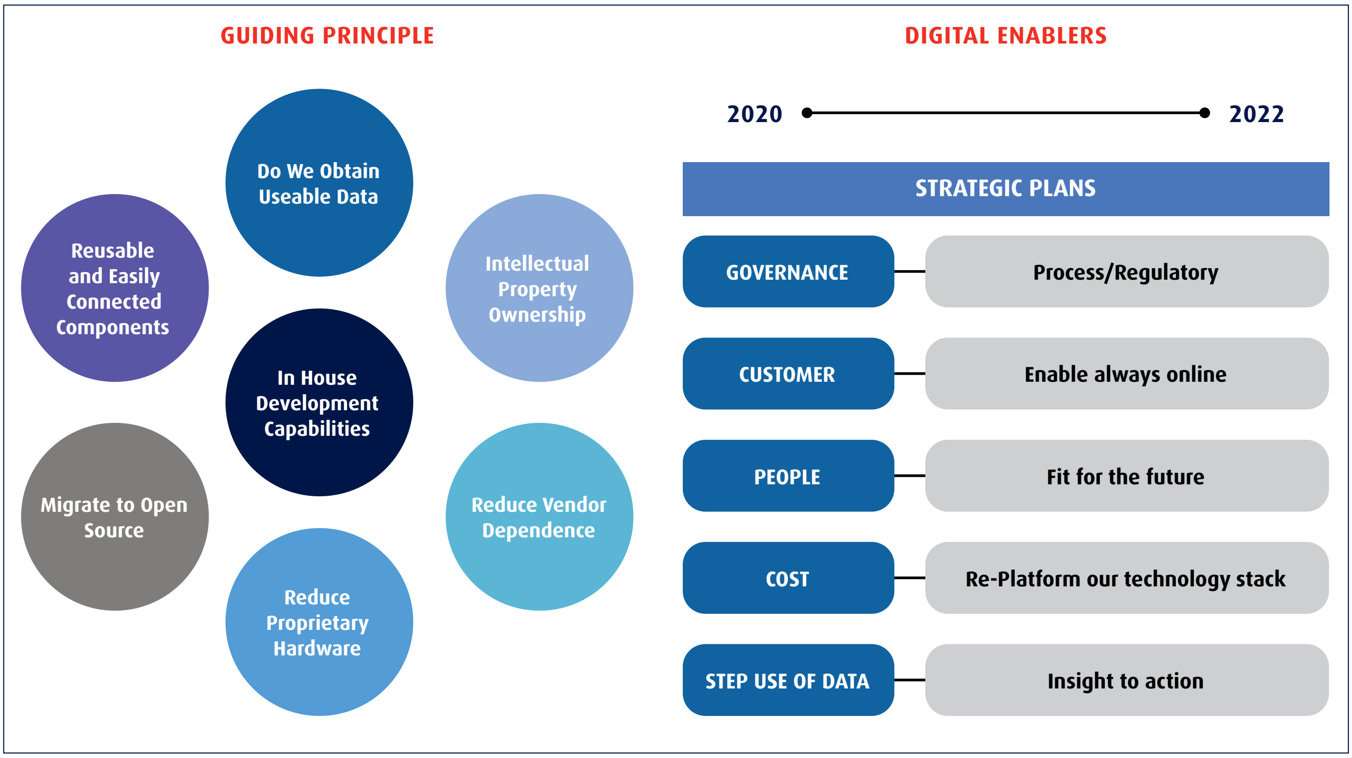
HELPING OUR INTERNAL STAKEHOLDERS BE MORE PRODUCTIVE

The technology team also kept pace with providing our internal stakeholders the capabilities and solutions that would enable them to be more efficient, effective and productive. One of the major changes for the team and the franchise as a whole was a gradual transition to a more cloud-based "Software as a Service" solution for internal support systems. The key initiative that took place in the year under review was the migration of the traditional on-premise, expensive and restrictive email system to Google Workplace. This transition brought with it challenges and opportunities as it required a bank wide organisational change. The partnership with Google brought a seamless one stop, single sign-on for all internal stakeholders, integrating email, web conferencing, social tooling, chat features, and collaborative working tools. It also brings other services and features that will enhance the Bank's services over the long term. The toolkit Google provided will also enhance the Bank's footprint in the Google ecosystem, especially in the context of branch information and our presence on Google Maps. In addition, we are also collaborating with Google on customer segmentation and products using analytical algorithms.

While there is a strong emphasis on growing the ecosystem and increasing the internal digital capabilities of the Bank, we will continue to build and strengthen our technology infrastructure to minimise disruption to our system availability. We continued to see a significant reduction in system downtime compared to the previous financial year. These improvements are a result of enhancements to our monitoring sensors and graphing for early problem early warning and the use of active-active hardware techniques.

From an overall perspective, the team has increased our position in the hardware and software ecosystem by almost 40% to enable 90% of the franchise transactions to take place online. More importantly, we were able to achieve this with minimal cost as we utilised innovative and cost-effective technologies, and in-house resources whenever possible.

LOOKING AHEAD



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LOOKING AHEAD

DIGITAL FOCUS AREAS

ATTRACT
- Provide attractive online products and services to attract customers to the brand
- Increased digital branding and reach

ACQUIRE
- Leverage digital technologies to onboard customers
- Accelerate and lower cost of acquisition.

TRANSACT
- Allow customers to transact anywhere instantly and digitally
- Customer centric process
- Lower cost to transact

ENGAGE
- Drive 'sticky' customer behaviours
- Increase income through contextual marketing cross sell
- Lower cost to serve

There are a number of important initiatives which will see us improving our overall contribution in supporting the businesses to attain their growth aspiration.

1) Moving to a new state of the art smart Data Center which will allow us to continue improving our ability to collect and analyse data, real time, when required, so that insights can lead to better customer offers, support and business processes internally.

2) Implementing a new data warehouse and data science system as we seek to utilise structured and non-structured data to gain more tangible information which will facilitate the creation of better products and cost efficiencies for our stakeholders. We will also be exploring and enabling the use of the newly formed Google partnership to explore creative ways to use their cloud-based capabilities.

3) Enhancing our Wealth Management and Loan Origination system capabilities.

4) Enhance our Corporate Internet Banking to better serve our business banking customers.

5) Focus on the "Future of Working" to support remote or work from home arrangements which are secure and sustainable.

6) Growing the digital ecosystem to provide better digital services and products for all our franchises, here in Malaysia and regionally.

CYBERSECURITY AND DATA PRIVACY

Cybersecurity practices continue to evolve as the internet and digitally dependent operations develop and change - the advancements made in IoT ("internet of things") and explosion of data continue to expose the environment to cyber risks. The pandemic has forced more individuals to embrace digital technology in their everyday lives. This has also accelerated our plans and strategies on enhancing our security as we are continually exposed to threats, risk and vulnerabilities.

REMOTE WORKING CYBERSECURITY RISKS

The COVID-19 pandemic forced most organisations to shift their workforces to multiple locations, including working from home which is likely to continue, given the concerns around the virus infectivity and impact on resourcing and delivery of services across our channels. Working from home poses new cybersecurity risks and is one of the most talked-about new trends in cyber security. Home offices are often less protected than centralised offices, which tend to have more secure firewalls, routers, and access management run by IT security teams.

Many employees are using their personal devices for two-factor authentication, and they may have mobile app versions of instant messaging clients, such as Google Workspace, Microsoft Teams and Zoom. These blurred lines between personal and professional life increase the risk that sensitive information could fall into the wrong hands.

We will continue to focus on the security challenges of distributed workforces. This means identifying and mitigating new security vulnerabilities, improving systems, implementing security controls, and ensuring proper monitoring and documentation.

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THE RISE OF RANSOMWARE

The accelerated digitisation of many organisations, coupled with remote working have created new targets for ransomware which resulted in the increase in both the volume of attacks and the size of demands. It is estimated that there are now over 120 separate families of ransomware, and hackers have become very adept at hiding malicious codes. Ransomware is a relatively easy way for hackers to gain financial rewards, which is partly the reason behind its rise.

Extortion attacks involve criminals stealing an organisation's data and then encrypting it so they can't access it. The cybercriminals then blackmail the organisation, threatening to release its private data unless a ransom is paid. The burden of this cyber threat is significant given the sensitive data at stake as well as the economic impact of paying the ransom and the negative reputation from such incidences.

Ransomware attackers are becoming more sophisticated in their phishing exploits through machine learning and with more coordinated sharing on the dark web. Hackers typically demand payment in crypto currencies which are difficult to trace. We expect to see more ransomware attacks on organisations that are not cyber secure in the near term.

SOCIAL ENGINEERING ATTACKS GETTING SMARTER

Social engineering attacks such as phishing, are not new threats but have become more troubling amid the widespread remote workforce. Attackers target individuals connecting to their employer's network from home because they make easier targets. As for traditional phishing attacks on employees, there has also been an uptick in whaling attacks targeting executive organisational leadership.

Organisations are increasing their protection against phishing, but cyber criminals are always looking for new ways to stay ahead. This includes sophisticated phishing kits which target victims differently depending on their location.

The Bank has made continued efforts to enhance its security and compliance programs, which protects both customer and employee data. These initiatives include:

1) All existing employees undergo mandatory training on Cyber Security, PDPA and FSA/IFSA annually. In addition, they must view the Customer Data Secrecy Videos that we developed to demonstrate the different instances of possible breaches and the importance of protecting the confidentiality and security of personal data.

2) Our personnel are regularly reminded through our internal IT systems to be vigilant and on the lookout for possible threats. This is accomplished through our internal awareness platforms, with regularly refreshed content relevant to current threats as well via email – IT Security Awareness on a monthly basis.

3) We also run experiential learning exercises such as phishing simulations to identify areas of improvement as well as providing staff a controlled learning environment while simulating actual threats that occur worldwide.

4) Improving the Bank's infrastructure resilience by ensuring our security practices are on par with industry benchmarks (NIST). These include:

    - Technologies refresh to regularly update key elements of Bank's IT infrastructure to maximise system performance and to detect and protect critical systems efficiently.
    - Implementation of Endpoint Detection and Response ("EDR") which is a cyber-technology that continually monitors and responds to mitigate cyber threats with its advanced algorithm mechanism without the need of traditional definition database.
    - Implementation of multi-factor authentication for all Virtual Private Network to ensure higher security controls for remote workers to have a safe and secure connectivity into the corporate network from anywhere.
    - Moving away from phone-based Short Messaging System ("SMS") and turn towards application-based Multi Factor Authentication ("MFA") such as HLB Connect and Connect First in-app authentication to address this issue.
    - Enhancing the skill and competency levels of our security teams.
    - Subscribing to cyber intelligence to keep abreast of developments in cyber security.

7. DIGITAL & INNOVATION OFFICE ("DIO")

Our push towards becoming a highly Digital and Innovative Financial Services Company in ASEAN continues in earnest, having in fact gained even more momentum due to the disruptions created by the pandemic. Our digital-first mindset, embedded through our ethos of "Digital at the Core" and paired with the brand promise "Built Around You", has enabled us to bridge the gaps in the transition towards seamless and frictionless digital customer experiences with little difficulty. We have built a strong foundation for creation and ideation, and continue to be driven by the belief that a collaborative culture with our customers and stakeholders will foster an ecosystem where innovation thrives.

The significant rate at which customers are adopting digital channels are a testament to the success of the journey thus far. Over 2.0 million of our total retail customers have registered for Hong Leong Connect, which is a 11% increase y-o-y. Of that, 1.6 million are registered for the Hong Leong Connect mobile banking app, which is a 22% increase y-o-y. In terms of our business customers, there are now more than 87,000 users on our digital platforms, a 13% y-o-y increase. Overall, two-thirds of our customers that are registered for online and mobile banking are active users, with some logging in multiple times a week to conduct their banking activities.

Our online and mobile banking channels are also well received by customers as evidenced by the high Customer Satisfaction Score ("CSAT") for the financial year. For our mobile banking platform, our customers have rated us 4.32 out of a 5-point scale and 86% Top-2-Box score (i.e. the percentage of customers who rated us 4 or 5 for our mobile banking app); while our internet banking garnered 4.26 and 85% Top-2-Box score.

Having achieved all this, it is equally important that we sustain our performance and ensure that our foundational enablers remain strong. Thus, we have established three pillars within our digital ecosystem foundation - (1) Infrastructure (2) Strategic Programmes and (3) Customer Obsessed Culture - all with the ultimate goal to bring insights to life by creating and enhancing products and services that are "Built Around You" i.e. our customers.

Illustration 1: The Three Pillars of Hong Leong Bank's Digital Ecosystem

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PILLAR 1 - INFRASTRUCTURE

ENABLING INNOVATION WITH THE RIGHT FACILITIES AND TOOLS

We now have two dedicated facilities that provide a conducive environment to inspire creative thinking, idea generation and prototyping while fostering greater collaboration between teams, both within and outside the Bank. These are our Customer Experience ("CX") Innovation Lab in Hong Leong Tower (launched in 2018) and our Jumpstart@65 Community Center (launched in 2020) on Jalan Tun H.S. Lee, Kuala Lumpur.

Our CX Innovation Lab and Jumpstart@65 have been actively hosting and facilitating various activities that include design thinking workshops, customer co-creation sessions, user experience ("UX") & user interface ("UI") research, rapid prototyping and usability testing sessions. During the Work-from-Home period, we utilised a suite of virtual collaboration and communication platforms to create hybrid 'Phygital' sessions where our on-site teams could collaborate with our remote teams effectively and without slowing the pace of our digital and innovation initiatives.

Another core purpose of these facilities is to enable us to be closer to our customers to better understand their rapidly evolving behaviours, wants and needs which can then be quickly translated into practical results. Over the past year and despite the pandemic, HLB has connected with over 3,000 customers and non-customers to identify opportunities that will make banking more delightful throughout their various life moments.

We garner insights via various methods such as quantitative research, ethnographic and qualitative research, A/B testing, gaze tracking, UI/UX usability tests, and more. For example, prototypes which are created during the co-creation sessions are independently evaluated by customers using tools like our state-of-the-art eye tracking technology. This captures the way customers interact with our digital assets and prototypes - from visual fixation, visual patterns to tap/click paths. These findings are then used to refine the experience to ensure that the final outcome is aligned with the customers' behavioural norms. Once it goes live, we continue to measure customer interactions to enhance and evolve the experience.

Through this approach, we are able to iteratively ideate, design, prototype, and validate to deliver a highly customer centric experience. In FY2021, we ran over 44 customer research projects, over 24 UI/UX review sessions, 12 usability testing sessions and 14 post launch evaluation initiatives.

PILLAR 2 - STRATEGIC PROGRAMMES

TAPPING THE ECOSYSTEM FOR EXTERNAL INNOVATION

At HLB, we recognise that innovative ideas are not limited to just our own capacities as we intuitively understand that innovation happens everywhere. Tapping into this notion, we actively crowdsource innovative ideas from outside the Bank and identify startups and individuals we can collaborate with to build more innovations. One of the key approaches we use are Hackathons and Datathons, which helps us stay abreast of the latest and greatest technological developments permeating the digital world. The hackathons also provide an excellent platform for individuals to showcase their skills and creative thinking, thus giving us an ideal setting to identify the brightest data/digital talents available in the market, to aid us in the building of a future ready workforce.

In the year under review, one of our core focus areas was to hire talent with strong data science backgrounds to boost the strength of our own departments. To accomplish this, we organised the "Can You Hack It Datathon", together with our partners, Google Cloud, which pitted both teams and individuals to solve data-related problem statements taken from across the Bank's business. More than 120 participants who were data scientists and data analysts, as well as enthusiasts who are interested in solving data problems participated in the programme. Participants presented data models and data insights, and demonstrated innovative and creative solutions by using external data to supplement what was already provided to make their case. The event was a great success for the Bank as it led to the hiring of some of these talented individuals.

HLB also continues to support and engage the vibrant ecosystem within the FinTech and Startup community as we remain committed to cultivating and nurturing the entrepreneurial spirit within which the Bank was founded and to generate new and sustainable opportunities. For the fourth year running, the Bank continues to be the primary sponsor of the Malaysian Business Angels Network ("MBAN") which is the official trade association and governing body for angel investors and angel clubs that supports the development and growth of fledgling startups and SMEs in the country.

In addition, we ran the third instalment of our HLB LaunchPad programme - a mentorship programme in collaboration with ecosystem partners, such as MBAN, Malaysia Digital Economy Corporation, Cradle, Malaysian Global Innovation and Creativity Centre, and pitchIN to nurture young startups/Fintechs. This year, we have picked three high potential startups – Food Market Hub, PayWatch, and ERTH – to collaborate with, to build a vibrant community and a sustainable environment that will positively impact all Malaysians.

PILLAR 3 - CUSTOMER OBSESSED CULTURE

DRIVING CUSTOMER CENTRICITY THROUGH HUMAN EXPERIENCE ACADEMY & DESIGN THINKING

Driving the cultural and mindset shift to embrace customer centricity is an on-going journey in HLB and one we are committed to entrenching into our DNA. This year, we introduced our Human Experience Academy ("HXA") to empower our employees to acquire the right knowledge, find the right solutions and create customer centric products and services based on real customer challenges.

The HXA is a combination of immersion training as well as the development and on-going sharing of customer insights bankwide. On a daily basis, the HXA publishes daily easy-to-read, bite-sized content that helps our employees better understand and address customers' needs and expectations. These include the most up-to-date user research, usability testing approaches as well as interactive online classroom settings that allow employees to digitally upskill themselves under the guidance of our in-house facilitators. So far, more than 2,000 bank employees have enrolled for these classes to gain deeper insights into our customer behaviours and how these insights can be applied in improving the customer experience in their day to day roles.

As part of the HXA, Design Thinking is the primary approach to provide form and structure to the chaotic creative process. It is a customer-centred problem-solving approach that has helped the Bank produce better products, services and internal processes as it brings all the elements of customer needs, technology, and business requirements into the design process. By making the customer the focal point throughout the design process, from ideating, designing, prototyping and testing, we are able to deliver new digital customer journeys and experiences that are also relevant. This approach also ensures we continuously challenge conventional methods and legacy beliefs to create products and services that are "Built Around You".

The Bank now has nine in-house Design Thinking facilitators and all training are conducted in-house with over 2,100 employees trained to date. To date, the Design Thinking approach has been responsible for some of the Bank's most innovative products and services. In FY2021, this trend continued as the team produced innovations such as the new HLB Connect Mobile Banking app, HLB Pocket Connect app, eKYC@HLB, loan application tracker, remote business customer onboarding solution and our HLB ConnectFirst mobile application.

Creating a customer-obsessed culture with our 'Voice of Customers'

At Hong Leong Bank, we are strong believers in listening, understanding and catering to the needs of our customers to continue being relevant in an ever-changing financial services market. As our customer expectations continue to evolve, we have also been moving in tandem by creating a context-rich, real-time customer feedback mechanism to obtain timely and actionable insights to improve our customer experience.

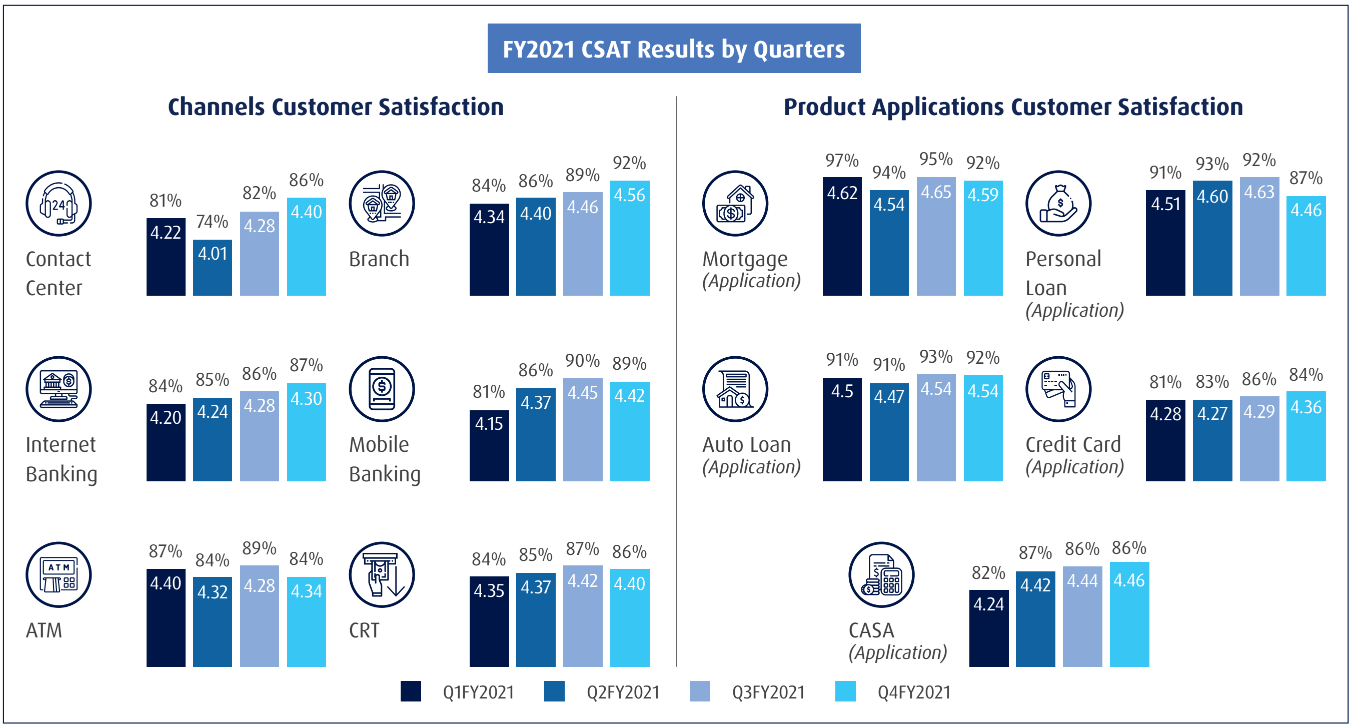

Illustration 2: Hong Leong Bank's Customer Satisfaction Results by Channels and Products

Note: Percentages represent the Top 2 Box ("T2B") scores, with T2B referring to the percentage of customers who rated us 4 or 5 out of the 5-point scale - satisfied or very satisfied customers. The number scores represent the average customer rating score out of the 5-point scale.

Management Discussion & Analysis
Business Operation Review

The real-time voice of customer ("VOC") platform is at the heart of our feedback gathering efforts as it caters to obtaining customer feedback based on their experiences with our contact centre, branches, self-service terminals and digital banking channels as well as their thoughts about product journeys like mortgage, auto-loan, credit card, personal loan and CASA. Over the past 12 months, we have received feedback from over 420,000 customers which have been collated and communicated to the respective business teams for their further action. To ensure we are responding to potentially urgent situations in a timely manner, we have introduced 'red' alerts via our internal chat platform to notify frontline staff in real-time the moment we receive any adverse customer feedback to enable swift problem resolution and recovery.

We also maintain a strong social media presence on platforms such as Facebook, Twitter, Forums and Google Maps (Google My Business) to actively listen and engage with our customers and to share their feedback with the entire Bank on a daily basis. The Bank has also taken an 'outside-in' ideation approach with the launch of 'Designed by You', an exclusive community platform for HLB customers to share ideas and help build the future Hong Leong Bank that customers want to see. On this platform, we are able to engage in meaningful two-way virtual discussions and crowdsource ideas to improve our banking experience for our customers, truly underscoring our customer-obsessed approach. As of June 2021, we have over 5,000 registered customers with more than 9,000 customer engagements and customer ideas posted on the platform.

Collectively, these platforms help us stay close to our customers, understand their needs and help us focus on opportunities to continuously provide the best customer experience for our customers when banking with us.

8. HUMAN RESOURCES ("HR")

INTRODUCTION

The Bank's human resource initiatives continue to evolve with the growth of the organisation as we constantly seek better ways to improve all areas of our human capital value chain while embedding our "Digital at the Core" and "Built Around You" ethos across the employee journey. In the year under review, we have amplified our employee branding and strengthened our relationships with key stakeholders to drive recruitment, while paying close attention to the development and performance of existing employees to drive a high-performance culture. During these particularly challenging times, we have also taken great care to safeguard the well-being of our employees as we continue to enforce split operations in line with government directives. In this section, we are pleased to share some of the key milestones that have been achieved in the employee journey this year.

HLB AS THE EMPLOYER OF CHOICE

We continue to broaden our efforts to ensure our Employer Value Proposition reaches the intended target audience as we seek to attract, engage and recruit the best talents out there by sharing our culture, the way we work and the opportunities available to them. This year, the spotlight was set squarely on our people and their stories of growth and development. Using all touchpoints available to us, we broadcasted inspiring stories of what our people have learnt or accomplished, to motivate and engage our own workforce and to turn them into talent brand champions for HLB. In addition, we have also highlighted the diverse range of opportunities that go beyond established banking jobs that are available across the Bank, such as digital and analytics related roles.

To ensure that the Bank is able to sustain its high-performance culture, we strive to hire and retain potential candidates that possess the right qualities and attitude, such as the agility to learn and unlearn, being resilient and agile to rise to challenges. We have also used every engagement opportunity to communicate to candidates and employees that our HLB values guide the way we operate and interact with all stakeholders. The values – Here for the Long Term, Collaborate To Win, Decisiveness, Innovation and Have Fun! – are key to helping the Bank reach its aspirations.

Photo 1: Profiling our people and opportunities on Graduan.com

Photo 2: Showcasing the results of the MA/ GT Program on YouTube.com

Management Discussion & Analysis
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In FY2021, our LinkedIn follower base continued its growth trend with a y-o-y uplift of 32%, or 13,544 new followers added to a total of 56,053 followers as at June 2021. Additionally, our efforts to showcase the work-life opportunities present at HLB were acknowledged by LinkedIn when HLB was announced as one of the 15 best workplaces for career growth in Malaysia.

Photos 3 & 4: LinkedIn announces HLB as one of the 15 best places for candidates to grow their career in Malaysia; Profiling our Group Scholarship Award recipients on LinkedIn

Our university outreach activities continued to gather momentum as we sought to establish deeper relationships with key academic institutions within Malaysia to build a sustainable talent pipeline for the Bank. Between November 2020 and April 2021, we hosted six virtual chats where our senior management and business unit heads discussed the Bank's internship and graduate programmes and the diverse career pathways within the Bank with undergraduates from UCSI University, INTI International University, SEGi University and Monash University. We intend to continue driving the virtual chat sessions with other academic institutions, in tandem with increased participation in internship and career fairs.

Photos 5 & 6: University posters for virtual coffee sessions with our senior management

At the industry level, our HR initiatives in growing our own talent and digital transformation continue to lead at the annual HR Excellence Awards. In the 2020 edition, the Bank was awarded Silver accolades in the categories of HR Leader of the Year, Young HR Talent of the Year and Excellence in HR Innovation. HLB is now a three-time winner of Excellence in HR Innovation (2018 - 2020) and a two-time winner of HR Leader & Young HR Talent of the Year (2019-2020), reinforcing the fact that we are an organisation that is driven by digital and powered by people. At the Employee Experience Awards 2021, the Bank received accolades in the categories of Best Digital Transformation Strategy (Gold) for our efforts in reimagining HR through technology and Best Soft Skills Training Programme (Silver) for providing our people with the best opportunities to realise their career aspirations.

Management Discussion & Analysis
Business Operation Review

Photo 7: HLB at the HR Excellence Awards 2020 ceremony

BUILDING OUR PIPELINE OF TALENT

Key to supporting the Bank's business and organisational objectives lies in our ability to build a sustainable pipeline of talent and the mechanisms to retain these talents. In the year under review, we have added a new talent development initiative to strengthen bench strength, expanded our internal recruitment efforts to offer varied career opportunities to our employees and continued to teach our people managers how to have meaningful development and retention conversations with their teams to build upon our positive work culture.

The Bank is now harvesting the results of its Management Associate and Graduate Trainee Programmes over the last five years where the Bank has pipelined 273 graduates through these two programmes. As of FY2021, 172 of these graduates now hold permanent roles across the Bank, a sustainable addition to our overall talent strength.

To augment our efforts in building future leaders, we launched the HLB Leaders Programme in April 2021. The program consists of three key pillars to develop talent: an Individual Development Plan discussion between the talent, HR and line manager to ascertain goals and development needs; developmental offerings customised to the talent's requirements and opportunities for cross-functional networking and collaboration. Participants were selected by division heads and the Group Managing Director, and the talent's continued participation in the programme following an initial one-year duration will be evaluated by their line manager and division head. At the initial stage of the programme, talents took part in a developmental offering carried out in collaboration with INSEAD that covered management, leadership and business topics that are essential for those in leadership positions.

Photos 8 & 9: Participants prepare for the launch of the HLB Leaders Programme on 12th April 2021; Notebooks provided a physical item for participants to record their thoughts and highlights throughout the Programme

We continue to encourage our employees to experience multiple careers within our organisation and to take advantage of the varied opportunities on offer at the Bank to develop their skills. In FY2021, almost a quarter of our vacancies were filled with our own employees in tandem with the reduction in external hiring y-o-y, by enabling our people to have first pick of opportunities within the Bank through the jobs portal on Workday and thus creating positive experiences for our employees. As a result of our efforts, almost 10% of the Bank's employees comprising Management Associates, Graduate Trainees, participants of the HLB Leaders Programme and those who pursued internal transfers, have taken advantage of the diverse opportunities available at HLB to further their careers.

Management Discussion & Analysis
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Going hand-in-hand with this effort to reduce hiring costs are our retention initiatives to safeguard our institutional knowledge. In the past year, we have continued to make headway in our efforts to coach our people managers on how to retain key talent through having meaningful retention conversations with their teams. Four key components drive these retention conversations: the value add of the line manager to the employee's experience (Leadership); available career growth and learning opportunities (Talent & Development); rewarding outcomes (Rewards & Recognition); and aligning the way we work (Organisational Culture). Since 2018 through the Driving the People Agenda workshops, training has been given to new managers on how to conduct these conversations successfully and the outcomes of these conversations are captured as part of the performance management process on Workday for every employee within the Bank. With these efforts, we have observed a declining trend in the attrition rate of employees leaving within the first year, which has almost halved to 10.6% of total hires in FY2021 from 18.9% in FY2016.

The Bank has evolved the role of human resources from being perceived and acted upon as 'HR division-only' activities to ensuring that all managers and employees bankwide are able to perform key HR functions through our HLB@Workday platform. Since its launch in early 2020, more than 8,000 employees now use the platform on a daily basis to perform routine HR processes, training and development and performance management. The platform also empowered more than 1,200 people managers with the ability to onboard, recruit and develop their team members and take ownership of compensation decisions. By leveraging on automation and decision-making driven by data in a seamless digital environment, we are able to help our people managers and the organisation achieve greater gains in productivity and efficiency.

PROFESSIONALISING OUR PEOPLE

Upholding professional standards and competencies and a strong commitment to enacting robust compliance and governance practices is critical in a highly regulated environment like banking. HLB has put in place comprehensive policies to ensure excellence in all that we do and to deliver value to our stakeholders, including the communities that we operate in and our customers.

Employees are required to fulfil a minimum of 40 hours of training per financial year. From this, one training day must consist of a digital topic such as mobile, cloud, data science or design thinking that can be fulfilled from our learning platforms, external courses or eLearning self-sourced by employees. To ensure that employees are equipped with knowledge on topics that are of importance to the Bank, it is also compulsory for employees to complete mandatory e-learning modules that are launched bankwide on a quarterly basis via the HLB@Workday platform. Examples of topics include Anti-Bribery & Corruption, Code of Conduct & Ethics, Cyber Security & Cyber Risk Management and Data Protection & Customer Secrecy.

Employees are also able to access the ever-growing library of curated online learning topics available within Workday where new topics are added weekly. These include topics such as UX/UI practices, wellbeing, productivity and inculcating a growth mindset. In line with the diverse learning needs of the organisation, we have integrated an e-learning content library named Disprz to supplement existing content on Workday which is accessible by up to 1,000 of our employees. With more than 50,000 courses available on both the PC and mobile, Disprz was made available in October 2020 and offers a wide range of business communication and soft skills best practice modules as well as role specific training such as sales and negotiation and customer service excellence masterclasses.

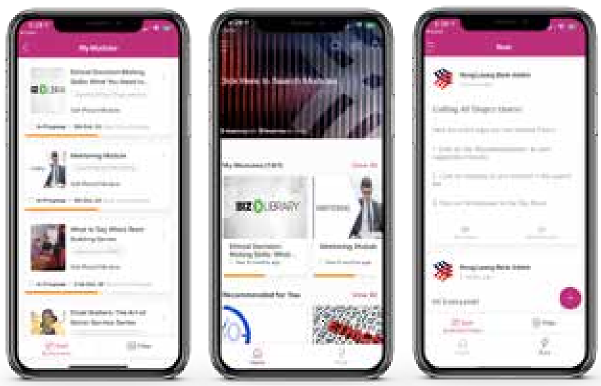

Photo 10: The Disprz elearning platform provides more than 50,000 courses to employees on a first come, first served basis

Management Discussion & Analysis
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For new employees, we have prepared an onboarding programme that they must complete within 60 days from their date of commencement with HLB. The programme includes a blend of pre-read materials, self-guided e-learning and virtual classrooms on fundamental banking topics. Newly promoted people managers are required to attend three key programmes that are intended to help them excel in their new roles. This includes the Coaching for Performance workshop to encourage the use of coaching as a leadership tool and the Driving the People Agenda with People Managers workshops to equip them with the tools to align, manage and build better teams. For senior managers, we offer the Assimilation Programme which is designed to provide a forum for new managers to develop a deeper understanding of the Bank's respective operating styles, communication patterns and business priorities so that they can effectively address critical business needs and issues.

Certifications and role-specific trainings also continue to be key drivers in professionalising our people. For certifications in critical divisions and roles such as Audit, Compliance, Credit and Risk, 48% of the 1,253 employees identified are currently pursuing certifications whereas 32% of them have completed their respective courses.

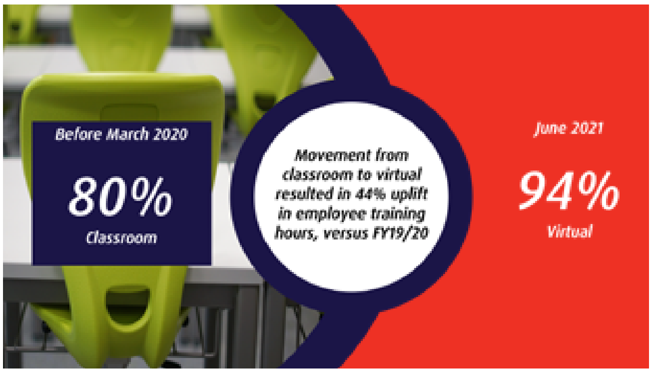


Photo 11: Even prior to the onset of the pandemic, we had already begun to transition classroom training into a virtual format. Today 96% of our training carried out virtually with no loss to the quality and relevance of training content and delivery based on participants' evaluation

POLICIES, PROCESSES, CULTURE

Our policies and processes aim to promote a culture of high performance underpinned by the Bank's values, and striking a balance between prudent risk-taking and reward. Employees are guided by these values, which seek to ensure that everything we do is sustainable and adds value to the communities we operate in (Here For The Long Term); we treat people with respect and seek win-win solutions for all parties (Collaborate To Win); we take ownership and make things happen (Decisiveness). At the same time, employees are encouraged to embrace change and not be afraid to do things differently (Innovation) and celebrate new learning opportunities (Have Fun).

These values are supported by four key policies – the HLBG Code of Conduct & Ethics, Talent Management Board Policy, Remuneration Board Policy and the Learning & Development Management Policy. All of our policies are reviewed on an annual basis to ensure that they remain relevant in the face of changing landscape and are aligned to the corporate governance standards expected by regulators.

The policies are designed to create and cultivate a highly engaged workforce, focused on delivering strategic goals. This highly engaged workforce is expected to maintain high standards of responsibility, professional conduct and behaviour, thus enabling them to be role models to other employees and industry peers.

The Bank also invests heavily in ensuring that our employees are well-informed and well-trained to safeguard the interests of our customers from a compliance perspective, as we seek to nurture a strong bankwide compliance culture. Employees are provided with training and development at organisational, team and individual levels that are practical and can be applied in every day scenarios.

For example, we responded to the amendment to Section 17A of the MACC Act 2009 and the subsequent implementation of the Board Policy on Anti-Bribery & Corruption with the establishment of an Anti-Bribery & Corruption Framework. The framework mirrors the five Principles set out in the Ministerial Guidelines and procedures around ensuring ongoing compliance and to safeguard the Bank from corrupt practices. To date, 2,246 employees have completed training to understand the contents and implications of Section 17A of MACC Act 2009 and this training has been extended to our third-party contractors through Workday and our financial and procurement system, PTOP.

Over and above the bankwide training provided, selected employees will be assigned additional role-based compliance courses. For example, role-specific trainings such as 'No Training, No Sales' for SME banking employees and 'No Certification, No Sales' for PFS/PFS-I employees ensure that our employees are knowledgeable in product, compliance and customer service skills, and thus able to provide a superior customer experience. More than 1,723 customer-facing employees have completed customised role-based compliance training this year. To test for effectiveness and knowledge retention, an assessment requiring a 70% pass score will be triggered 30 days after the training. Employees that do not pass this assessment after five attempts will be required to re-attend the training.

SUSTAINABILITY TRAINING

The Bank is committed to delivering long lasting and ESG and VBI solutions that contribute to a better future for all. To ensure that this can be sustained for the long term, we have begun to drive training for our employees, both bankwide and role based, on sustainability topics.

Our bankwide sustainability training has covered more than 5,000 employees for monthly thematic huddles in 2020 and over 6,000 employees in 2021. Sustainability is now a key topic in our onboarding sessions for new hires and effective since February 2021, we have trained 279 new employees on Sustainability. Additionally, we have conducted two Virtual Brown Bag Lunch & Learn Sessions attended by 143 employees.

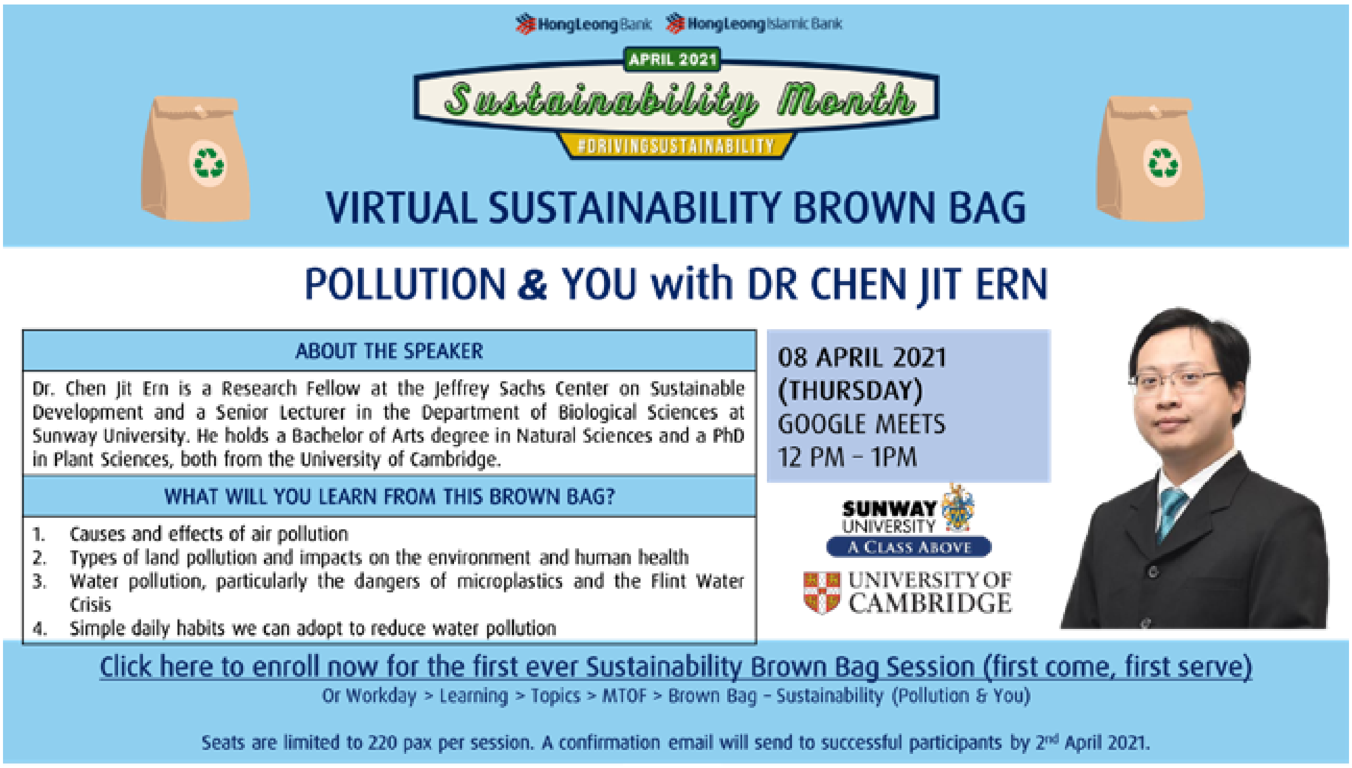


Photo 12: Virtual Brown Bag on Sustainability

For role-based training, our first target group were senior management and the Board of Directors. An in-house session was conducted for the Directors and Senior Management on 30th July 2020.

Secondly, our BCB division worked closely with the Jeffrey Sachs Center on Sustainable Development at Sunway University to develop and roll-out a robust training module for client coverage and credit risk teams, aligning with BCB's ESG Policy & Assessment Framework.

Management Discussion & Analysis
Business Operation Review

Topics covered in the training included impact of climate change to business and consumers, Economic & Social themes such as waste management, people practices, examples of incorporating sustainable practices in a company and a walk-through of BCB's ESG Policy & Assessment Framework, and the customer assessment process. Twelve capacity building sessions were conducted from June to October 2020, covering approximately 400 BCB frontliners and credit risk managers.

In 2021, we conducted ESG refreshers every two months for Account Relationship Managers to ensure they are familiar when performing client level ESG due diligence. Additionally, a briefing session on BCB's ESG Policy & Assessment Framework was incorporated into onboarding training for newly recruited relationship managers.

CELEBRATING OUR PEOPLE

Creating a conducive work environment that genuinely takes into account the needs of our employees is key to our ambition to build a conducive workplace for all. We constantly review and develop policies to create a working environment for our people that is both supportive and encouraging in order to foster higher levels of productivity and promote a greater sense of belonging and shared purpose.

Towards this end, we carried out an online survey in June, so that we could better understand their current sentiments regarding work, and to evaluate different work arrangements that could be deployed in the post-pandemic era. 3,417 employees responded, outlining that while there were advantages to the flexibility in time and space amid a hybrid working space, the office environment was still important to employees as they faced various challenges by working at home.

Throughout the year, we continued to provide relevant, meaningful and positive employee experiences for every stage of our employees' professional lives through our three pillars of Engagement, Appreciation and Wellness. Due to the pandemic, a majority of these engagement initiatives were conducted virtually. Key employee engagement activities included International Women's Day celebrations, hosting virtual games such as the Among Us mobile game and Virtual Escape Rooms. Through the Appreciation pillar, we continued to emphasise the importance of recognising colleagues that have gone above and beyond their duty by sending them an appreciation message through the e-Touch platform on the internal eknowledge portal. The eTouch campaign is centered around Appreciation Day for employees, in which our Group Managing Director, on behalf of the senior management team shares a message of appreciation together with a small gift bankwide to thank employees for their efforts.

Photo 13: IWD @ HLB, March 2021

Photo 14: Winners of our Virtual Game, Among Us, February to April 2021

Management Discussion & Analysis
Business Operation Review

We have evolved and broadened our efforts in Wellness to meet the changing needs of our people as the majority of our employees remain in split operations. Physical, emotional and mental wellbeing continued to be a key focus of our wellness activities. The Bank organised a virtual run, virtual exercise sessions, hosted virtual brown bag sessions and developed special health-themed infographics.

In April 2021, we introduced PlusVibes, a mobile-first wellbeing platform to help our employees build personal resiliency and strength in both body and mind as part of our belief that being socially distanced does not mean being socially isolated. All employees have access to this mobile-first content and articles on topics such as Financials, Family, Leadership, Self-Development and Relationship enable them to enhance various aspects of their lives. The Wheel of Life provides a visual assessment to determine aspects of their lives that may require more attention and to administer self-care where required. Should an employee decide that a conversation or further assistance is required, they will be connected to a qualified counsellor through the mobile app. They also have the option of browsing through a list of relevant associations and decide if they wish to reach out to any of them.

Photo 15: Poster for Virtual Exercise – Yoga – May 2021

Photos 16 & 17 – The PlusVibes all-in-one wellbeing app includes a visual representation of user's life areas (Wheel of Life), the ability to speak to someone through messaging, relaxation activities and inspirational content

Sustainability **Statement**

OVERVIEW

The Hong Leong Bank 2021 Sustainability Statement provides an overview of the Bank's sustainability strategy, encompassing the activities of Hong Leong Bank ("HLB") and its subsidiaries (collectively, "the Bank"), including Hong Leong Islamic Bank ("HLISB") in Malaysia for the financial year 1 July 2020 - 30 June 2021. Developed in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Sustainability Statement details the bank's approach towards managing environmental, social and governance ("ESG") risks as part of our business operations. Detailed disclosure of our sustainability practices is presented in HLB's standalone Sustainability Report 2021.

Sustainability Themes

HLB Corporate Vision

To be a highly digital and innovative ASEAN financial services company

HLB Mission

To help clients succeed through simple, relevant, personal and fair banking;
To provide our people with the best opportunities to realise their potential;
To create stakeholders value

HLB Sustainability Themes	Digital at the Core	Workforce Readiness	Socially Responsible Business	Environmental Management	Community Investment
Our Material Topics	• Digital Banking • Cyber Security and Data Privacy • Customer Experience	• Talent Attraction, Development and Retention • Employee Well-being, Health and Safety • Diverse and Inclusive Workforce	• Responsible Financing • Fair Banking • Sustainable Supply Chain • Financial Inclusion • Good Governance	• Addressing Climate Impact • Managing Our Environmental Footprint	• Building Communities • Financial Literacy

Sustainability Risk Management

Sustainability Statement

OUR SUSTAINABILITY STRATEGY AND APPROACH

Our core principle "Here for the Long Term" exemplifies the Bank's commitment to integrating ESG issues into our business activities. We are focused on developing long-term ESG solutions that contribute to a brighter future for the communities in which we operate and the stakeholders we serve. Our core principles serve as a guide, allowing us to remain resilient in delivering value to our clients during the worldwide pandemic.

To ensure that we provide meaningful outcomes to individuals who are most impacted by our operations, we make a deliberate effort to develop thoughtful approaches based on extensive consultations with our different stakeholder groups. These engagement sessions allow the Bank to accurately prioritise our list of ESG concerns and identify our most material sustainability topics.

To learn more about our materiality assessment and descriptions, please refer to page 15 of our 2021 Sustainability Report

We conducted an in-depth materiality assessment in FY2021 which enables us to identify a set of 15 topics that are considered important by our stakeholders, highlighting their shifting priorities during the pandemic. Key concerns include cyber security and data privacy in the face of rising digital banking adoption, employee welfare in a pandemic, and the urgency of financial literacy to help the community weather the economic challenges. In addition, good governance and climate action are topics that always remain relevant.

Digital at the Core	Workforce Readiness	Socially Responsible Business	Environmental Management	Community Investment
Cyber Security and Data Privacy is one of the top 3 material topics as we experience a rapid adoption of digital banking brought about by the improved digital connectivity in Malaysia and accelerated by the pandemic.	Employee Well-being, Health and Safety received bigger weightage among the Workforce Readiness material topics, in line with the social risks due to the pandemic.	Good Governance and Fair Banking are two of the top 3 material topics for FY2021, which reiterates the need to conduct our business at the highest standards of ethics and integrity, while ensuring our customers are treated fairly.	Although social material topics increased in priority due to the pandemic, the materiality assessment confirmed that our environmental topics remained relevant. In our 2021 Sustainability Report, we continue the disclosure of our efforts in operating responsibly and addressing climate impact.	Financial Literacy is the top-priority topic within the Community Investment theme. Studies have shown the increased need for financial education among Malaysians. With the ongoing pandemic, there is a greater need to educate the community on financial management to help them weather these challenging times.

The 2021 materiality assessment will enable us to focus our sustainability strategy based on areas deemed important to the Bank's stakeholders. The materiality matrix will also serve as a guideline in defining our goals and ambitions and help us identify short, medium and long-term priorities.

GOOD BUSINESS CONDUCT

MATERIAL TOPICS

Good Governance

SDG IN FOCUS

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

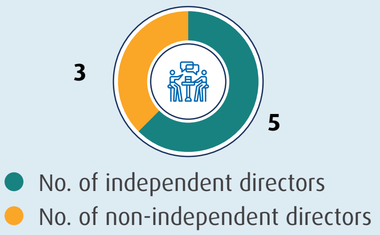
OUR KEY GOVERNANCE PERFORMANCE IN FY2021

Number and rate of women in Board	Frequency of sustainability meetings	New Anti-Money Laundering ("AML") technology
3 women **37.5**% in Board	**18** meetings	Siron Embargo, Siron KYC and Siron ACM

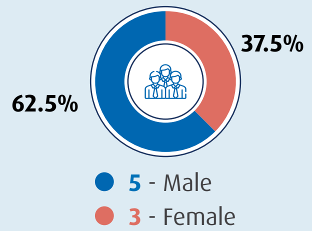
BOARD DIVERSITY

The Bank is committed to creating an inclusive workforce, as we believe that diversity creates value for the organisation at large. The Board, comprising mostly independent directors, upholds this belief by championing diversity in its membership composition. In addition, all directors are nominated and appointed on a level playing field, with no distinctions made based on gender, race and religion. In FY2021, we have three female directors, accounting for 37.5 percent of the Board.

Membership composition



Proportion of male and female directors



PREVENTION OF FINANCIAL CRIME

In FY2021, the Bank made significant progress in the defense against financial crime by making the ecosystem safer through the launch of a new Anti-Money Laundering "AML" system in January 2021. The system enhances our screening capabilities for onboarding and monitoring of our customers, and streamlines processes enabling us to serve customers better.

List of modules in new AML automated tool	Total no. of employees attended SIRON-related training	Total no. of training hours
• Siron Embargo launched in December 2020 • Siron KYC launched in January 2021 • Siron ACM launched in January 2021	1,223	2,170

Sustainability Statement

GOOD BUSINESS CONDUCT (CONTINUED)

SUSTAINABILITY GOVERNANCE

Our Board of Directors leads the organisation's approach to sustainability, overseeing the Bank's strategic initiatives to manage ESG risks and opportunities, which include climate change-related policies and activities. This scope of the Board of Directors and the BRMC's purview also includes making sure that all sustainability programmes and policies are aligned with business objectives and principles of the Bank.

Governing Body	Roles/Responsibilities	Frequency of Sustainability Meetings in FY2021
BOARD OF DIRECTORS	Responsible for the establishment of sound sustainability governance structure and frameworks and its effective implementation to ensure sustainability practices are embedded in business operations.	Two meetings per year - annual strategy and budget review and one meeting for Annual Sustainability Report review and approval
BOARD RISK MANAGEMENT COMMITTEE BOARD AUDIT & RISK MANAGEMENT COMMITTEE	Supports the Board to oversee the management of the Bank's sustainability strategy and ESG risks.	Eight meetings (where sustainability is on the agenda)
SUSTAINABILITY COMMITTEE	Constituted of senior management and act as the main enabler of the Bank's sustainability and Value-Based Intermediation ("VBI") strategies and initiatives.	Five meetings
SUSTAINABILITY WORKING COMMITTEE	Constituted of managers / senior officers from Business Units and Support Units who will execute Sustainability / VBI related policies, procedures and practices at operational level.	Three meetings & monthly progress update

Total frequency of sustainability-related meetings in FY2021 **18**

SUSTAINABILITY RISK MANAGEMENT

As business values evolve, there is a growing awareness of sustainability ideals and their role in ensuring the long-term viability of businesses. As part of that evolution, it is critically important that we, now and going forward undertake business activities in a sustainable manner having due regard to the impact those activities have on people, communities and planet.

Our commitment to deliver long-term value to our stakeholders drives us to move forward in tandem with these developments and aspirations. The Bank's dedication and efforts in promoting sustainability both in our business operations as well as to our customers, would provide us with the basis to fulfil our obligations with regard to ESG, and in doing so, align with investor and regulatory expectations.

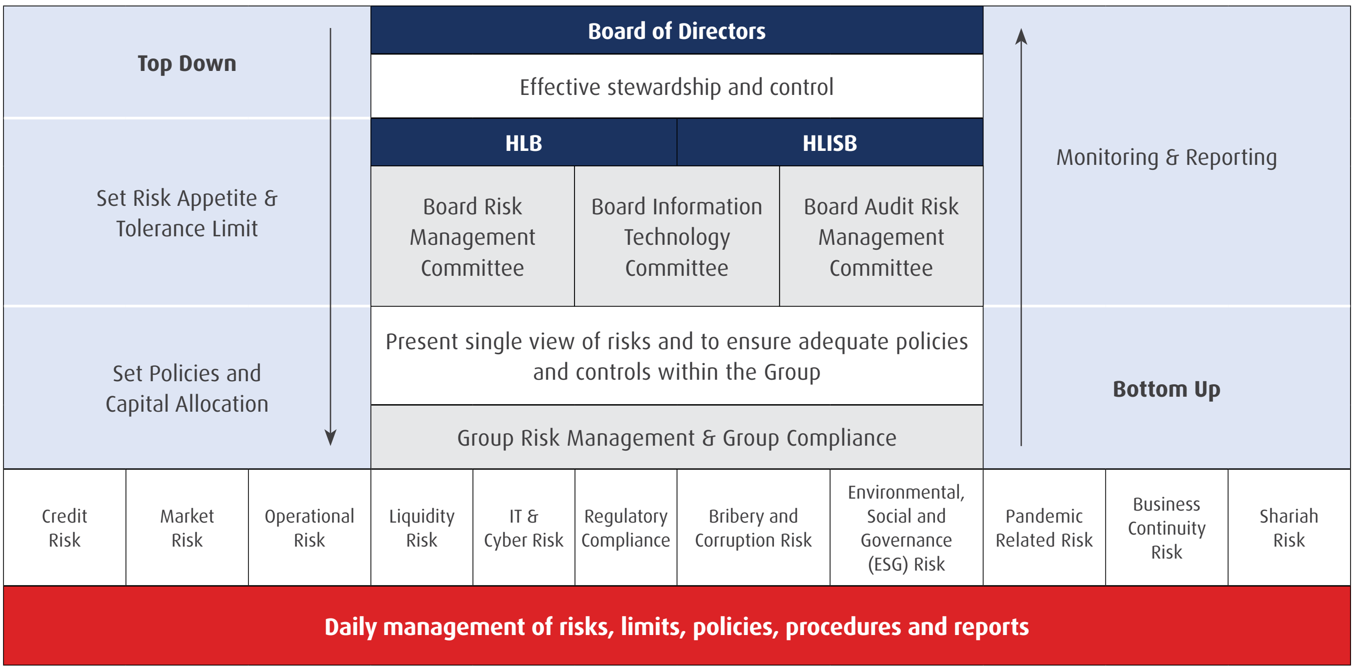
The Bank's Sustainability Risk Governance Framework was developed to address Environmental, Social and Governance ("ESG") risks that may arise as we implement our business strategies, policies and initiatives. The Bank is guided by the Framework in taking pragmatic steps to ensure it delivers sustainable value to our stakeholders whilst creating a positive impact to the communities and environments we operate in.

The framework discussed herein provides a structured approach towards identifying, evaluating, quantifying, monitoring, mitigating and reporting of ESG risks. We hope to improve transparency in our practices and policies, and in improving dialogue with our various stakeholders as we go forward.

Since 2019, ESG risks have already been incorporated into our overall Risk Management Framework, as depicted in the diagram below, where an enterprise view of all the risks that are material to the Bank is taken and acted on by Management of the Bank, with oversight provided by the Board of Directors and the delegated Board Committees of the Bank. We are aware that our business decisions impact the environment, whether it is a direct consequence of the Bank's actions, or the result of decisions undertaken by our customers, business partners and associates.

As a result, the Bank has taken steps to ensure that these risks are factored into our business operations and policies, reflecting our commitment towards creating a sustainable business and financial ecosystem.

Enterprise view and management of risks

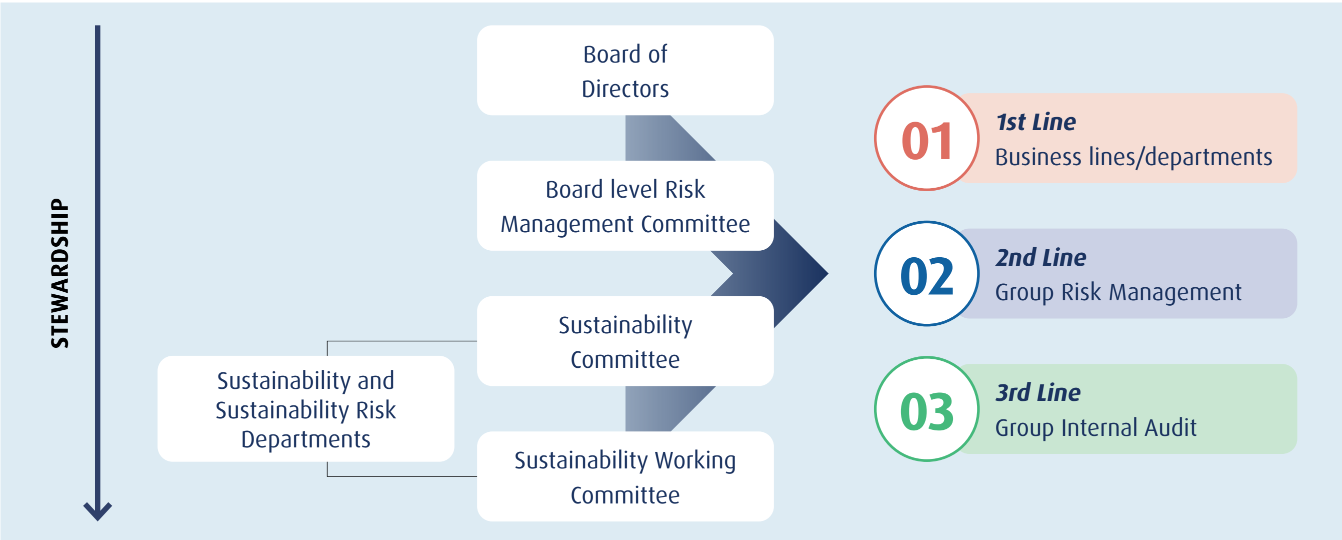


Sustainability Statement

GOOD BUSINESS CONDUCT (CONTINUED)

As the framework evolved, we have further enhanced the governance structure in relation to sustainability via the transition of the Sustainability Project Steering Committee to a continuing management level Sustainability Committee approved by the Board of Directors that will oversee the programmes and initiatives of the Bank in relation to Sustainability. This further integrates with the existing 'Three lines of defense' internal controls and risk management model of the Bank, as depicted in the diagram below.

SUSTAINABILITY RISK GOVERNANCE STRUCTURE

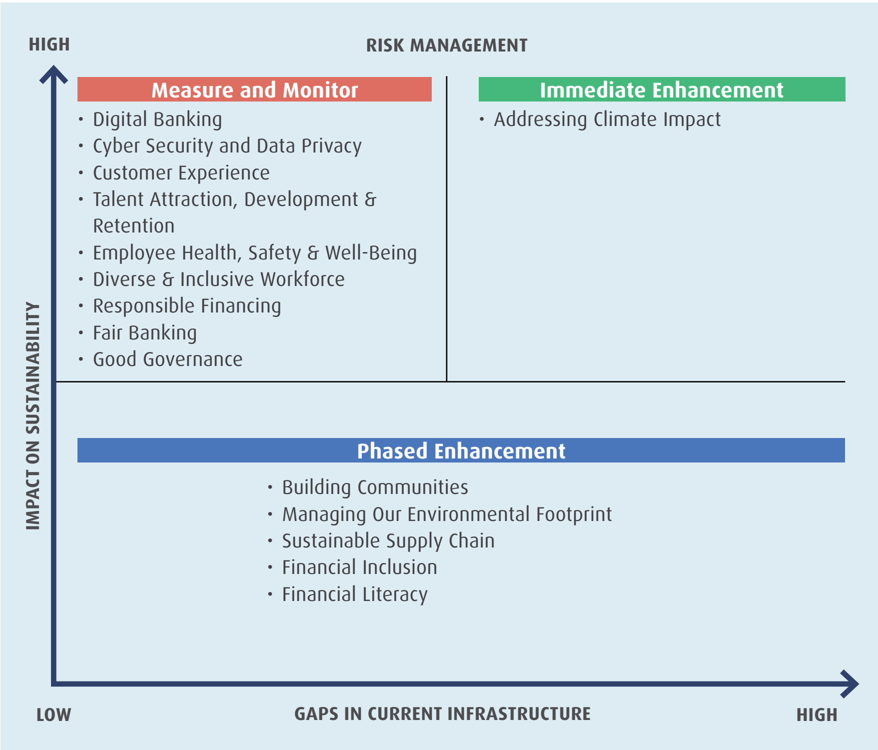


Our sustainability strategic priorities are set by the Board of Directors, which is responsible for ensuring sound governance and effective oversight of the Bank's Sustainability Strategy. The Board of Directors delegates the review of management's implementation of the Bank's Sustainability strategy to the Board Risk Management Committee ("BRMC").

The Sustainability Committee and Sustainability Working Committee are responsible for implementing the Sustainability strategies, and in managing and mitigating identified ESG risks which includes physical and transition risks. Management provides periodic reporting to the BRMC on execution statuses as well as the results attained. This is coordinated and monitored by the Sustainability department and the Sustainability Risk department.

RISK IDENTIFICATION AND PRIORITISATION

As part of HLB's and HLISB's sustainability risk management activity, we have mapped our material topics into a risk matrix, which helps us to assess the severity of these risks and understand the degree of risk mitigation required. The resulting matrix analysis is based on our sustainability themes that contains 15 material topics, as depicted below.



There are three resultant groupings in the risk matrix:

Measure and Monitor

This section indicates topics that have low gaps in current infrastructure and a high impact on sustainability. These topics would be continuously measured, monitored and reported on periodically. Risk thresholds may be applied where appropriate.

Immediate Enhancement

This section indicates topics that have some gaps in current infrastructure and a high impact on sustainability. Areas of improvement are required to be identified and immediate actions taken.

Phased Enhancement

This section indicates topics that have gaps in current infrastructure and a low to medium impact on sustainability. Areas of improvement need to be identified for these topics. It is important for the Bank to "build for the future".

Based on the matrix analysis as described above, the Bank has identified "**Addressing Climate Impact**" as the priority and immediate improvement area.

For more details on our governance and sustainability risk management, please refer to the Good Business Conduct chapter on page 23 of our 2021 Sustainability Report

Sustainability Statement

DIGITAL AT THE CORE

MATERIAL TOPICS

Digital Banking

Cyber Security and Data Privacy

Customer Experience

SDG IN FOCUS

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

KEY HIGHLIGHTS IN FY2021

11%
increase in internet banking users

42.4%
increase in the total number of digital transactions

13%
growth in Corporate Banking digital users

22%
increase in the number of transactions on HLB ConnectFirst

HLB Connect App is used by
1,597,787
customers

HLB has always understood the importance of robust digitisation strategies as part of our efforts to provide a more comprehensive, tailored experience for our customers. This belief was instrumental in our efforts to provide a hassle-free, intuitive, and comprehensive digital banking experience for our clients as part of our efforts to keep our stakeholders safe throughout the pandemic. Over the course of the COVID-19 pandemic, we were able to achieve several milestones in developing industry-leading digital solutions

Our FY2021 Digital Milestones

Apply@HLB

Industry pioneer in introducing digital onboarding experience for banking clients in Malaysia, eliminating the need for physical visits to a branch.

4,500 new accounts have been opened since its inception.

HLB's Official Store on Shopee

First bank in Malaysia to establish an e-commerce presence via Shopee.

Since our launch, we have recorded over a total of 68,600 followers for our online store which has also garnered thousands of account opening applications.

HLB Pocket Connect for Junior Savers

A first-in-market digital platform that promotes both financial and environmental literacy to children.

Through the "Earth Hero" initiative, we have partnered in a reforestation project in Borneo with a target to plant 2,500 trees.

HLB believes in leveraging technology as a forward-looking means of improving the customer experience, and has made several efforts to create a seamless experience for our customers via our existing digital platforms. In line with our goals, we recently upgraded our HLB Connect and the HLB ConnectFirst platforms, offering more convenient and multi-functional platforms for our retail, corporate and SME customers to complete different banking transactions with ease.

As part of our goal to leverage our knowledge and digital expertise to champion contactless transactions in our drive to create a cashless society, we launched several initiatives targeted at merchants throughout FY2021:

HLB Tap on Phone

- Launched a contactless mobile payment acceptance service for Android mobile devices
- Enabled the feature for 37 merchants and 834 devices as of July 2021.

Cashless Lagi Senang

- Onboarded merchants at over 20 public marketplaces across Penang and collaborated with Paynet to incentivise merchants on Redang Island to sign up as a HLB merchant
- 50% of on boarded merchants are actively using the terminals, with e-wallet acceptances accounting 78% of the overall transactions on average.

Pay Safe Lah Campaign

- Provided merchants with care packages and point-of-sale material as well as minimal or zero transaction charges
- Resulted in a 25% increase in year-over-year sales

We continue to invest in our cybersecurity infrastructure and our capacity to combat new digital threats so that we can safeguard our customers' data privacy and deliver innovative, efficient solutions. We have proactively bolstered our digital risk management strategy through building robust internal policies and systems to detect and attack cyber threats while instilling awareness and knowledge on cybersecurity among our employees and customers. We documented a total of 54 incidents linked to phone scams in FY2021.

For more information on our Cyber Security and Data Privacy measures, please refer to page 48 of our 2021 Sustainability Report

CUSTOMER EXPERIENCE

For our digitisation initiatives to be effective, they must be designed in a way that improves and adds value to our customers' banking experiences. We use emerging technologies such as AI and machine learning in our CX lab to enable us to understand our customers' banking needs.

HLB is dedicated to providing excellent service to all of our clients. To do this, we conducted role-specific training and leveraged our Disprz e-learning platform to train our employees and build their skills to provide exceptional customer service in all of their interactions.

85%

of our customers report they are satisfied with the experience offered by our mobile banking and internet banking platforms.

We were rated

4.32 out of 5

on average by our mobile banking users and

4.26 out of 5

by our internet banking users.

DIGITAL BRANCHES

Our Digital Branches have served as a blueprint for the future of brick-and-mortar banking, using new technologies to increase productivity and improve customer experience. We now have three digital branches, with our Southkey Branch in Johor being the most recent to open in FY2021.

Selected digital solutions that were introduced at our Digital Branches, such as our InBranch tablet-based teller services, have now been rolled out across the Bank's Malaysian branch network. Our FY2021 targets were met by deploying InBranch services to a total of 224 branches. InBranch is utilised for 88% of transactions at our top 174 locations.

186,399 accounts

opened through our InBranch Tablets in FY2021

WORKFORCE READINESS

MATERIAL TOPICS

Talent Attraction, Development and Retention

Employee Well-being, Health and Safety

Diverse and Inclusive Workforce

SDG IN FOCUS

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

OUR KEY HIGHLIGHTS FY2021

Total no. of employees

7,803

Male - 37.4%

Female - 62.6%

Increase in Average training hours per employee

31.5 hours to **69.4** hours

Workforce diversity

Chinese - 58.1%
Malay - 31.1%
Indian - 7.7%
Others - 3.1%

Learning & Development

94% of training is now conducted in a virtual format including new hire onboarding, role-based compliance training and people manager workshops

Addressing employee well-being with the launch of PlusVibes, an all-in-one mobile platform for physical, mental and emotional health

Driven by the Bank's overall value of being "Here for The Long Term", we have progressively fostered a sustainable work environment. We believe that adding value to our employee experience enables them to have long, meaningful, and productive careers with us.

We take a comprehensive approach to caring for our employees and their families, providing support for the mental health, personal safety, and financial stability of all 7,800 of our employees. This holistic focus is in line with our goal to nurture our people into a healthy and supportive workforce.

During the pandemic, we made concerted efforts to safeguard our employees' health and introduced a multi-pronged pandemic management strategy at our workplace. We also rolled out carefully designed initiatives to enable a seamless transition for our employees to adapt to the new normal. Digital platforms were implemented to provide easy access to a wide range of learning and development opportunities. We introduced our PlusVibes mobile-first platform to help our employees build personal resilience and strength. These efforts have enabled our workforce to be resilient in the face of pandemic while ensuring our business continuity to maintain the Bank's strong and steady performance.

For more details on how we care for our employees, please refer to the Workforce Readiness chapter on page 52 of our 2021 Sustainability Report

SOCIALLY RESPONSIBLE BUSINESS

MATERIAL TOPICS

Responsible Financing

Addressing Climate Impact

Fair Banking

Sustainable Supply Chain

SDG IN FOCUS

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

OUR KEY HIGHLIGHTS FY2021

Developed and approved our **ESG Policy and Assessment Framework**

Conducted **Two Sustainability Roundtables** with our customers

Over **400 BCB Account Relationship Managers (ARMs)** participated in our ESG capacity building workshops.

4,215 training hours completed for the mandatory e-learning course on Fair Treatment of Financial Consumers

Developed our **Sustainable Procurement Framework** and conducted a pilot assessment on selected vendors

HLB prides itself on being a socially responsible financial services provider that balances our business objectives against a broader set of obligations to conduct business in a sustainable manner. We adhere to business models that factor long-term environmental and socio-economic implications into our business decisions. To that end, we integrate ESG and VBI considerations to guide our financing and lending activities.

Our BCB ESG Policy and Assessment Framework which aligns with the Socially Responsible Business theme adopts an inclusionary approach that focuses on supporting our customers in the high environmental and social ("E&S") risk sectors to strive towards a low-carbon economy and more sustainable business practices.

The Bank is dedicated to the principles of fair, equitable, and responsible lending and financing. We strive to guarantee that our clients are treated fairly and have access to financial services without discrimination. In order to promote fair and responsible banking, the Bank has developed oversight accountability as well as internal policies and initiatives.

Our commitment to sustainable business practices spans across the value chain at the Bank. In FY2021, we introduced an ESG assessment into our Sustainable Procurement Framework, which aims to guide the ESG development of our partnerships with suppliers towards meeting the Bank's sustainability standards. The framework outlines the guidelines for suppliers' ESG screening and evaluation, as well as tools to help suppliers improve their ESG risk mitigation and disclosure.

Sustainability Statement

SOCIALLY RESPONSIBLE BUSINESS

Our ESG Strategy for Corporate and SME Customers

To assist our stakeholders in their transition towards more sustainable business practices

- Our ESG Policy and Assessment Framework adopts an inclusionary-based approach.
- Corporate and SME customers are subjected to ESG risk assessment which are done based on in-house developed sector-specific guidelines and internal E&S scoring system.

To inculcate a cultural shift in our employees to make ESG a Business as Usual ("BAU") consideration across the Bank's operations

- Partnered with the Jeffrey Sachs Center on Sustainable Development at Sunway University to develop and roll-out a robust training module for customer coverage and credit risk teams.
- Conducted ESG refresher training sessions for our ARMs.

To promote sustainable business practices by providing best-in-class product and service offerings to our customers

- Hosted two virtual sustainability roundtables on solar energy and plastic manufacturing to engage with customers to embrace and integrate ESG considerations into their business.
- Drove financing opportunities for renewable energy, green development and green cars.

For more information on our ESG Policy & Assessment Framework, please refer to page 73 of our 2021 Sustainability Report

Key Highlights in our Sustainable Procurement Implementation

Pilot sustainability assessment performed for selected vendors with contract value

>RM500k

56.5%

of the selected suppliers' scores were within the Best-in-Class category

For more information on our Sustainable Supply Chain, please refer to page 80 of our 2021 Sustainability Report

FINANCIAL INCLUSION AND EMPOWERMENT

MATERIAL TOPICS

Financial Inclusion

SDG IN FOCUS

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

OUR KEY HIGHLIGHTS FY2021

Approved **RM22.3 billion** in relief assistance for over 97,000 retail, SME and corporate customers	Supported **1,300** SMEs through an approved **RM4.4 billion** in payment relief assistance
Supported customers through our "**Flood Relief Assistance**" programme	**243 SMEs** were onboarded and supported through iStart@HLB

We make a deliberate effort to meet the needs of all our customer segments, including the underserved and marginalised communities. Efforts to generate long-term value for the customers we serve are centred on our approach to financial inclusion.

The economic aftermath of the COVID-19 pandemic has proven to be extensive for individuals from all walks of life, and HLB believes that we have an obligation to stand by our customers in these difficult times. We launched the Payment Relief Assistance Plan ("PRAP") for all HLB and HLISB customers after the conclusion of the six-month moratorium in September 2020 to help continue supporting customers whose financial circumstances have been affected by the COVID-19 pandemic.

PAYMENT RELIEF ASSISTANCE PLANS ("PRAP")

Key Highlights of PRAP

Approved over **98%** of our customers' applications since rolling out the PRAP.	Extended relief assistance to over **20,000 customers** from the B40 community, totalling to RM 2 billion.	Supported **1,300 SMEs** through an approved RM4.4 billion in payment relief assistance.

Sustainability Statement

FINANCIAL INCLUSION AND EMPOWERMENT

Ensuring Financial Accessibility

Financial accessibility to HLB means providing amenities to our customers through channels that best meet their needs. While digitalisation plays an important part in our efforts to increase financial accessibility, we also recognise the need of ensuring that physical banking infrastructure is available to those who need it. We have a large network of 245 branches and 1,072 self-service terminals across the country, including HLB Talking ATMs for visually impaired customers, to ensure that our customers can access our financial products and services through the channels that work best for them, whether in-person or online.

EMPOWERING SMES

As a key driver of economic growth and employment, SMEs are an important component of our economy. HLB believes in doing our part to support the financing of SMEs through tailored products, payment collection solutions and mentoring programmes. In FY2021, we continued to focus and enhance HLB Launchpad and iStart@HLB, our key programmes targeted at SMEs and social entrepreneurs.

HLB Launchpad	iSTART@HLB	Jumpstart@65
• A startup mentorship platform to cultivate a vibrant and competitive startup community. • Our FY2021 theme was 'Reboot 2020: Thriving Together in the New Normal'. • Currently, working closely with the winners to address food security, the gig economy, and e-waste management.	• A streamlined platform for SMEs to onboard and provides total business solutions for them to get started. • Support ranges from access to banking solutions to digital solutions and co-working space.	• A revamped community space at Jalan Tun H.S. Lee, Kuala Lumpur. • Jumpstart@65 has spearheaded several activities to drive HLB's sustainability agenda impacting over 1,000 HLB employees, as well as the community.

For more information on our Financial Inclusion & Empowerment, please refer to page 81 of our 2021 Sustainability Report

ADDRESSING CLIMATE IMPACT

MATERIAL TOPICS

Addressing Climate Impact

Managing our Environmental Footprint

SDG IN FOCUS

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

OUR KEY HIGHLIGHTS FY2021

Approved over **RM1.4 billion** worth of financing to support renewable energy projects

Around **6,000 employees** attended our thematic weekly huddles during the Sustainability Month

Expanded our **Greenhouse Gas ("GHG")** monitoring across our Malaysian operations

Approved our **Environmental Policy on Energy, Water and Waste Management**

Introduced a reduction target of **15%-25% by 2026** and **40%-50% by 2031** for Scope 1 and 2 emissions

Disclosed our Scope 3 emissions

By aligning our business strategies and portfolios with policies that minimise climate effect, HLB believes that we can play a key role in helping the local and worldwide push for a financial system that tackles the current climate problem.

We recognise that financial institutions are well-positioned to facilitate the promotion of economic sectors that are more closely connected with lower carbon emissions and better climate-related impacts. In line with our support of the shifting regulatory landscape towards climate change emphasis, as exemplified by BNM's recent issuance of its Climate Change and Principle-based Taxonomy ("CCPT") guidance document, we are committed to developing environmentally responsible financing schemes to support our clients to transition to renewable energy, green car and green development projects.

HLB is also one of the largest supporters of the government's Green Technology Financing Scheme ("GTFS"). At the end of FY2021, we have supported close to 30 projects under GTFS with total loans approved of close to RM300 million.

We launched a targeted SME Solar Financing Programme in FY2021, which offers both financing and a comprehensive one-stop solar PV installation, commissioning, operations and maintenance solution for SMEs to engage with one of our seven solar service providers. We hope to support the growth of the local SME industry and create a level playing field in terms of their accessibility to renewable energy financing opportunities through this initiative.

Sustainability Statement

ADDRESSING CLIMATE IMPACT

Focusing on our operational footprint, we work hard to monitor and track our consumption towards maximising resource efficiency. We have taken a bold step forward in FY2021 by expanding the boundary of our GHG tracking across all our operations in Malaysia. We also strive to encourage a shift in culture among our employees toward improved environmental stewardship.

FY2021 Initiatives

Instilling Environmental Ownership	Enhancing our Energy and Emissions Tracking
• Sustainability Month Huddles	• Expanded our monitoring across Malaysian operations
• Virtual Brown Bag Lunch & Learn Sessions	• Disclosed our Scope 3 emissions
• Onboarding Training	

For more information on our Greenhouse Gas Emission, please refer to page 98 of our 2021 Sustainability Report

Our Climate Related Disclosures

Governance	Developed a Sustainability Risk Governance Framework to address ESG risks that may arise as we implement our business strategies, policies and initiatives.
Strategy	Took a value chain-based approach towards operationalising our climate resilience measures across the Bank's business. In FY2021, HLB developed new frameworks and policies that incorporate climate and environmental considerations into our business strategies.
Risk Management	The ESG Policy and Assessment Framework was authorised and implemented by the Sustainability Committee to guide the Bank in the credit evaluation of corporate and SME customers. Conducted our first scenario analysis and stress testing exercise in FY2021 whereby an assessment was conducted on the Bank's High Risk ESG Corporate Sectors.
Metrics and Targets	We track and disclose our Scope 1 and Scope 2 emissions and this year we have also disclosed our Scope 3 emissions. We have set medium to long-term targets for our GHG reduction for Scope 1 and 2 emissions based on FY2019 as a baseline year.

For more information on our Climate-related Disclosures, please refer to page 89 of our 2021 Sustainability Report

COMMUNITY INVESTMENT

MATERIAL TOPICS

Building Communities

Financial Literacy

SDG IN FOCUS

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

OUR KEY HIGHLIGHTS FY2021

Number of social enterprises collaborated

5

DuitSmart for the visually impaired

55,000

members of association and 5 schools for the blind

As a responsible bank, we are committed to taking a holistic approach to community and social development by creating broad partnerships and enlisting the support of engaged communities and workers to achieve long-term satisfaction and socio-economic impact.

Building Communities via HLB Jumpstart

HLB Jumpstart is our flagship programme that helps social enterprises ("SE") by providing them assistance that will help them sustain and develop their businesses that will in turn make an impact towards their respective communities. In FY2021, we have collaborated with our fifth and latest SE.

HLB started collaborating with Benak Raya Enterprise in June 2021, under the flagship HLB Jumpstart programme. Founded in 2017 by Imelda Bragie Anak Jamie, the social enterprise specialises in producing various types of Simanggang rice and has provided employment to 16 villagers from Sri Aman, Sarawak. Benak Raya has also diversified into a range of rice-based products including edible rice straws which has allowed them to achieve the Shell LiveWire Top 10 Innovators Awards in 2019.

As part of our collaboration, HLB leveraged its resources to support Benak Raya in overcoming its challenges. Currently, the Sarawak-based social enterprise faces cost issues in shipping their products to Peninsular Malaysia at a competitive rate. To address this issue, HLB aims to build an e-commerce platform that will incorporate reliable, cost-effective logistic solutions. In addition, HLB will also make efforts to broaden Benak Raya's sales and distribution channels in Peninsular Malaysia, making their products more widely available.

Despite the ongoing challenges, all SEs under HLB Jumpstart showed firm resilience towards the pandemic.

Achievements from Our Collaboration Partners

Greenhero recorded a **299%** increase in average monthly sales since pre-collaboration	Amidst the pandemic, The Asli Co. achieved record high sales	Partnered with The Asli Co. and SURI to produce and provide hand sanitisers and reusable face masks for HLISB's Turun Padang initiative

Sustainability Statement

COMMUNITY INVESTMENT

Improving Financial Literacy

Through our DuitSmart initiative, the Bank is actively working to promote financial literacy among Malaysians and empower them to improve their overall financial health. In support of our goal to promote inclusivity in disseminating financial knowledge and awareness, DuitSmart's initiatives are targeted for all, including students as well as marginalised communities such as the visually-impaired, single mothers and indigenous people from the Orang Asli communities. In FY2021, we broadened the scope of our impact through engaging social media platforms, conducting virtual workshops for students, as well as sharing relevant press releases on the platform's website.

The visually impaired community in Malaysia has historically lacked access to financial literacy-related resources because of the logistical challenges involved in disseminating information to these groups. To address this gap, HLB has developed financial literacy content in audio format in English, Bahasa Malaysia and Mandarin in collaboration with several blind associations in Malaysia.

Target Group	Focus Area	Impacts
Visually Impaired Community	DuitSmart Audio Files • Produced 30 audio files	• 242 students from 5 schools for the blind • 55,000 members from the associations for the blind • 6 main associations for the blind

For more details on our community engagement, please refer to the Community Investment chapter on Page 100 of our 2021 Sustainability Report

Corporate **Information**

DIRECTORS

TAN SRI QUEK LENG CHAN (Chairman)

TAN KONG KHOON

KWEK LENG HAI

CHOK KWEE BEE

DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

DATUK DR MD HAMZAH BIN MD KASSIM

CHONG CHYE NEO

LAU SOUK HUAN

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

Domenic Fuda

GROUP COMPANY SECRETARY

Jack Lee Tiong Jie
MAICSA 7060133
SSM PC No. 202008001704

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PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146)
Chartered Accountants
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50706 Kuala Lumpur
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Fax : 03-2173 1288

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REGISTERED OFFICE

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Fax : 03-2080 9801

WEBSITE

www.hlb.com.my

Board of **Directors' Profile**

TAN SRI QUEK LENG CHAN

Position

Chairman/Non-Executive/Non-Independent

Nationality / Age / Gender

Malaysian / 78 / Male

YBhg Tan Sri Quek Leng Chan is 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 Bank Berhad ("HLB") and was appointed to the Board of Directors ("Board") of HLB on 3 January 1994. He is the Chairman of the Credit Supervisory Committee ("CSC") and a member of the Remuneration Committee ("RC") of HLB.

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

TAN KONG KHOON

Position

Executive Director/Non-Independent

Nationality / Age / Gender

Singaporean / 64 / Male

Mr Tan Kong Khoon holds a Bachelor of Business Administration degree from Bishop's University, Canada and is an alumnus of the Harvard Business School Advance 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 HLB on 1 July 2013 and is a member of the CSC, Executive Committee and Nomination Committee ("NC") of HLB.

Mr Tan is the Chairman of Hong Leong Capital Berhad and a Director of HLFG, both companies listed on the Main Market of Bursa Securities; and a Director of HLA and Hong Leong Investment Bank Berhad, 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

KWEK LENG HAI

Position

Non-Executive Director/Non-Independent

Nationality / Age / Gender

Singaporean / 68 / Male

Mr Kwek Leng Hai is qualified as a Chartered Accountant of the Institute of Chartered Accountants in England and Wales. He has extensive experience in various business sectors, including but not limited to finance, investment, manufacturing and real estate.

Mr Kwek was appointed to the Board of HLB on 3 January 1994. He is also a director of HLCM, a public company in Malaysia and ultimate holding company of HLB. He was a director of Hong Leong Islamic Bank Berhad ("HLISB") until 5 August 2021.

Mr Kwek is the Executive Chairman of Guoco Group Limited ("GGL"). He was appointed as a Director of GGL in 1990 and assumed the position of President, Chief Executive Officer from 1995 to 1 September 2016. He is also the Chairman of Lam Soon (Hong Kong) Limited ("LSHK"). Both GGL and LSHK are listed on the Hong Kong Stock Exchange. He is a non-executive director of GuocoLand Limited (GGL's subsidiary listed on Singapore Exchange Securities Trading Limited ("SGX-ST")) and the non-executive Chairman of GL Limited (GGL's subsidiary) which was privatised and delisted from the Official List of SGX-ST on 14 June 2021. He is also a non-executive director of Bank of Chengdu Co. Ltd, an associate company of HLB and listed on the Shanghai Stock Exchange.

CHOK KWEE BEE

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 69 / Female

Ms Chok Kwee Bee holds a Bachelor of Arts (Honours) degree in Business Studies from Kingston University, United Kingdom and is also a member of the Associate of the Chartered Institute of Bankers, United Kingdom.

Ms Chok has extensive experience in banking, corporate finance and knowledge of the Malaysian capital market. She previously held posts as a member of the Securities Commission Capital Market Advisory Council, the Chairman of the Malaysian Venture Capital and Private Equity Association, a Non-Executive Board Member of the Audit Oversight Board and also a member of the Malaysian Venture Capital Development Council of the Securities Commission.

Ms Chok is presently the Managing Director of Teak Capital Sdn Bhd, a venture capital management company and a Principal of Intres Capital Partners Sdn Bhd. Prior to that, she was with Walden International, a Silicon Valley based venture capital firm, overseeing the operations and investments of Walden International and BI Walden in Malaysia. Ms Chok was also previously Head of the Corporate Finance at AmInvestment Bank Berhad.

Ms Chok was appointed to the Board of HLB on 2 December 2013 and is the Chairman of the NC and Board Audit Committee ("BAC"), and a member of the Board Risk Management Committee ("BRMC") of HLB. Ms Chok sits on the board of several private companies.

Board of Directors' Profile

DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

Position

Non-Executive Director/Independent

Nationality / Age / Gender

British and Malaysian Permanent Resident / 69 / Male

YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah holds a Gemmology Diploma from The National Association of Goldsmiths, London, Great Britain and is a Fellow member of The Gemmological Association of Great Britain.

YBhg Dato' Nicholas Lough has extensive experience in the corporate sector, serving in various capacities, including Group Executive Director of The Melewar Corporation Berhad from 1987 to 1995. He possesses a wealth of experience in the fields of corporate finance and strategic planning, and has in-depth knowledge on corporate governance, risk management, internal controls and compliance.

YBhg Dato' Nicholas Lough was appointed to the Board of HLB on 23 June 2014 and is the Chairman of the BRMC and RC, and a member of the BAC and NC of HLB.

YBhg Dato' Nicholas Lough is currently a Director of GLM REIT Management Sdn Bhd, the Manager of Tower Real Estate Investment Trust and Scicom (MSC) Berhad, both listed on the Main Market of Bursa Securities. He is also a Director of Hong Leong MSIG Takaful Berhad, a public company.

DATUK DR MD HAMZAH BIN MD KASSIM

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 72 / Male

YBhg Datuk Dr Md Hamzah bin Md Kassim holds a PhD in Business from Aston University, United Kingdom and a Master in Business Administration. He was inducted in 2012 into the Alumni Hall of Achievement of Monmouth College in Illinois, USA where he did his undergraduate education.

YBhg Datuk Dr Md Hamzah had over 20 years of experience as strategy and management consultant in global firms specialising in large scale technology and business transformation, working across several sectors with established organisations, ranging from banks to telecommunication companies, public institutions and foreign governments. He is the Co-Founder of The iA Group, where he currently serves as an Advisor. The iA Group, which was established in 2002, specialises in business and public sector transformation, technology and human capital.

Prior to The iA Group, he was the Executive Director/Partner of international firm of Ernst & Young, Vice President and Country Head of the global consulting firm of Cap Gemini and member of the global management team and Country Head of PA Consulting Group.

Before joining the consulting industry in 1995, YBhg Datuk Dr Md Hamzah held various senior positions in government for over 18 years related to industrial R&D management and public policy on technology development and innovation. He also served as a member of expert/advisory groups in various national and international organisations such as United Nations Conference on Trade and Development and Islamic Development Bank, Jeddah. He was the Project Director for the Industrial Technology Master Plan for Malaysia in the Institute of Strategic and International Studies and subsequently took up the position as Director of Science and Technology, Ministry of Science, Technology and Environment to spearhead the implementation of the plan as part of the national strategies to accelerate economic growth and technology development.

In 2006, YBhg Datuk Dr Md Hamzah was appointed as the Consulting Advisor to the National Implementation Task Force chaired by the Prime Minister to oversee the 9th Malaysia Development Plan and in 2009, he was appointed as member of the National Economic Advisory Council (NEAC). YBhg Datuk Dr Md Hamzah was a member of the Review and Operational Panel to the Malaysian Anti-Corruption Commission from 2013 to February 2015. In 2015, he was appointed as member of the Anti-Corruption Advisory Board by the DYMM Yang Di Pertuan Agong and completed his term in 2018 and re-appointed for a second term in 2020 until 2023.

YBhg Datuk Dr Md Hamzah was appointed to the Board of HLB on 19 May 2016 and is a member of the RC and Board Information and Technology Committee ("BITC") of HLB.

YBhg Datuk Dr Md Hamzah is also the Board Chairman of HLISB, a public company.

Board of Directors' Profile

CHONG CHYE NEO

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 58 / Female

Ms Chong Chye Neo holds a Bachelor of Science (Honours) 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 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 Techologies 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 HLB on 21 February 2019 and is the Chairman of the BITC of HLB.

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

LAU SOUK HUAN

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 57 / Female

Ms Lau Souk Huan holds a Bachelor Degree in Accounting (Honours) from the University of Malaya and she is a Certified Public Accountant from the Malaysian Institute of Certified Public Accountants. Ms Lau is also a member of the Malaysian Institute of Accountants.

Ms Lau has more than 30 years of experience in accounting garnered from the accounting profession and the working experience with a global international financial institution and an accounting standard setter. As a former bank Chief Financial Officer ("CFO"), Ms Lau has in-depth knowledge of the banking industry, its operations, drivers and challenges, risk management, critical areas of corporate governance and controls. Ms Lau was a Project Director with the Malaysian Accounting Standards Board (MASB), an independent authority which develops and sets accounting standards in Malaysia. Prior to joining MASB in 2010, Ms Lau was with J.P. Morgan Chase Bank Berhad ("JP Morgan") primarily as the CFO for a period of 14 years. In addition, Ms Lau was also co-Country Operating Officer, Director of subsidiary entities, trustee of JP Morgan's retirement fund, country coordinator for philanthropy and company secretary for JP Morgan. Ms Lau was appointed to the Board of Directors' ("Board") of JP Morgan in 2002 and served as the Executive Director from 2006 until June 2009. She left JP Morgan in June 2009 but continued to serve as a Non-Executive Director and later Independent Director of JP Morgan until September 2017.

Prior to joining JP Morgan, Ms Lau was with Price Waterhouse (now known as PricewaterhouseCoopers PLT) and assumed various positions over 7 years from December 1987 to June 1995; the last being Senior Manager, Audit and Business Advisory.

Ms Lau was appointed to the Board of HLB on 6 September 2019 and is a member of the BRMC, BAC and BITC of HLB.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   YBhg Tan Sri Quek Leng Chan and Mr Kwek Leng Hai are brothers. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of HLB.

2. ***Conflict of Interest***
   None of the Directors has any conflict of interest with HLB.

3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2021.

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

Key Senior
Management of the Group

DOMENIC FUDA

Position

Group Managing Director/Chief Executive Officer

Nationality / Age / Gender

Australian / 54 / Male

Mr Domenic Fuda holds a Bachelor of Economics from Macquarie University, Sydney, as well as a Master of Business (Banking & Finance) and a Master of Business Administration (M.B.A.), both from University of Technology, Sydney. In addition to this, he is a Chicago Booth Executive Program alumni and a Chartered Banker of the Asian Institute of Chartered Bankers ("AICB").

Mr Fuda was appointed as the Group Managing Director and Chief Executive Officer of Hong Leong Bank Berhad ("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 serve as a Council Member of Hong Leong Bank Vietnam Limited, all of which are wholly-owned subsidiaries of HLB. Mr Fuda is also a Council Member of the AICB, The Association of Banks in Malaysia (ABM) and Visa Asia Pacific Senior Client Council.

Mr Fuda brings with him many years of experience in various senior management roles across Australia and Asia, where he was responsible for the formulation and execution of customer segment strategies, business 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.

MALKIT SINGH MAAN

Position

Chief Financial Officer

Nationality / Age / Gender

Malaysian / 55 / Male

Mr Malkit Singh Maan is a Chartered Accountant with the Malaysian Institute of Accountants and a fellow member of Certified Public Account (CPA) Australia. He graduated with a Bachelor of Business in Accounting from Curtin University of Technology, Perth, Western Australia and a Master of Business Administration from Victoria University, Melbourne.

Mr Malkit joined HLB on 22 July 2019 as Chief Financial Officer ("CFO").

Mr Malkit has over 30 years of banking and finance experience. Prior to joining HLB, he was with BIMB Holdings Berhad as the Group CFO. Being responsible for the financial management of the Group, he assisted to steer, BIMB Holdings Berhad to achieve the highest Return on Equity (ROE) for the last 4 years (FYE 2015-2018), amongst listed banking groups, being the top pick of most research houses and analysts. He talks to analyst and fund managers locally and abroad attracting interest from Singapore, Hong Kong, Japan and London. Mr Malkit had also previously served as the CFO of Bank Islam Berhad. He contributed considerably in the turnaround plan of Bank Islam and thereafter set the path for sustainable growth and value based business for Bank Islam. Prior to Bank Islam, Mr Malkit was the CFO of ABN AMRO Bank Berhad and Vice President-Finance at RHB Bank Berhad.

Mr Malkit is a director of HLF Credit (Perak) Bhd and Promilia Berhad, both wholly-owned subsidiaries of HLB.

Key Senior Management of the Group

CHARLES SIK WAN KING

Position

Managing Director, Personal Financial Services

Nationality / Age / Gender

Malaysian / 59 / Male

Mr Charles Sik Wan King holds a Bachelor of Commerce (Honours) from University of Ottawa, Canada. In addition, he has completed management programmes at the Procter & Gamble School of Management, the INSEAD Graduate School and the Columbia Senior Executive Programme at the Columbia Business School.

Mr Charles Sik joined HLB on 4 February 2015 as Chief Operating Officer, Personal Financial Services. He leads and manages the HLB Retail Banking portfolio. He assumed his current position on 1 September 2016.

Prior to HLB, Mr Charles Sik led the retail banking franchises for RHB Group and earlier OCBC Bank (M) Bhd. His career in banking started at Citibank and was the Wealth Management Director when he left.

Prior to banking, Mr Charles Sik spent his formative years in FMCG (fast moving consumer goods) companies in various sales and marketing positions across Asia and United States.

YOW KUAN TUCK

Position

Managing Director, Business and Corporate Banking

Nationality / Age / Gender

Malaysian / 50 / Male

Mr Yow Kuan Tuck holds a Bachelor of Laws and Letters degree from University of Leicester, United Kingdom as well as a Certificate of Legal Practice from the Legal Qualifying Board, Malaysia.

Mr Yow joined HLB on 2 May 2017 as Managing Director, Business and Corporate Banking.

Mr Yow has over 20 years of experience in the financial services sector having built a successful track record in growing corporate and financial institutions businesses, managing portfolios such as financial institutions, public sector and other industry groups.

Prior to HLB, Mr Yow was with Standard Chartered Bank Malaysia as Managing Director, Head of Financial Institutions between 2013 and 2017. He commenced his banking career with Citibank Malaysia in Country Compliance for a number of years before a career change into institutional banking where over the next 15 years, he held various senior positions including Head of Financial Institutions & Public Sector Group in Citibank Malaysia's Corporate Bank.

Key Senior Management of the Group

HOR KWOK WAI

Position

Managing Director, Global Markets

Nationality / Age / Gender

Malaysian / 47 / Male

Mr Hor Kwok Wai holds a Bachelor of Science in Actuarial Mathematics and Statistics from Heriot-Watt University, United Kingdom. In addition to this, Mr Hor is a Chartered Banker awarded by AICB.

Mr Hor joined HLB on January 2011 and is currently the Managing Director for Global Markets.

Mr Hor brings with him over 25 years of banking experience, mainly in the fields of fixed-income, derivatives, asset-liability management and risk management amongst others. Prior to HLB, he was Head of Global Markets for The Royal Bank of Scotland Malaysia where he spent seven years developing their sales and trading business across foreign exchange, fixed income, derivatives and structured products. Prior to that, he had worked for several major foreign banks in Malaysia such as JP Morgan Chase Bank, Standard Chartered Bank and OCBC Bank in various roles.

JASANI BIN ABDULLAH

Position

Chief Executive Officer, HLISB, a wholly-owned subsidiary of HLB

Nationality / Age / Gender

Malaysian / 61 / Male

Encik Jasani bin Abdullah is a Chartered Professional in Islamic Finance (CPIF) of the Chartered Institute of Islamic Finance Professional (CIIF) and holds a Post Graduate Diploma in Islamic Banking & Finance from International Islamic University, Malaysia; a Bachelor degree in Business Administration from Ohio University, USA; and a Diploma in Public Administration from MARA Institute of Technology.

Encik Jasani joined HLISB in June 2007 as Assistant General Manager and was promoted to Chief Operating Officer of HLISB in June 2010. He was appointed as the Chief Executive Officer of HLISB on 17 July 2017.

Encik Jasani has more than 30 years of working experience in the banking industry with the last 21 years in Islamic finance.

Prior to HLISB, Encik Jasani spent 24 years in various senior positions in RHB Bank Berhad and RHB Islamic Bank Berhad, his last position being the Vice President, Head-Product Development Division.

Key Senior Management of the Group

AARON HO WAI CHOONG

Position

Managing Director, China Operations

Nationality / Age / Gender

Malaysian / 66 / Male

Mr Aaron Ho Wai Choong holds a Bachelor of Engineering (Honours) from University of Malaya and a Master of Business Administration from University of Rochester, USA.

Mr Aaron Ho joined HLB on 7 April 2008 as Chief Operating Officer of International Banking of HLB China. He assumed his current position on 1 September 2016. He was appointed as Vice Chairman of Bank of Chengdu Co. Ltd ("BOCD") since July 2008 and a member of the Board of Directors of JinCheng Consumer Finance Company ("JCCFC") since February 2010. Both BOCD and JCCFC are associate companies of HLB.

Mr Aaron Ho has more than 35 years' experience in the banking and financial services industry. Prior to HLB, he had held various managerial positions such as Manager of Operations/Credit of American Express (Malaysia), General Manager of MBf Card Services (Malaysia), Senior Manager/Head of RHB Bank Card Center (Malaysia), Vice President, Operations and Technology of MasterCard International (Singapore), Vice President/Senior Country Operations Officer, Citibank Malaysia and Citibank Taiwan as well as General Manager/Director of Citicorp Software and Technology Services (Shanghai) Ltd under CitiGroup China.

NG WEE LEE

Position

Managing Director & Chief Executive, HLB Singapore Branch

Nationality / Age / Gender

Singaporean / 53 / Female

Ms Ng Wee Lee graduated from the National University of Singapore with a Bachelor in Business Administration.

Ms Ng joined HLB on 1 October 2019 as Managing Director & Chief Executive, HLB Singapore Branch.

Prior to HLB, Ms Ng was Managing Director, Head of Local Corporates & Middle Markets and Deputy Head of Commercial Banking from Standard Chartered Bank, Singapore. Prior to that, Ms Ng took on senior roles with CIMB, ANZ Banking Group, ABN AMRO and Citibank in Singapore. She brings with her close to 30 years of experience in Corporate and Commercial Banking, holding senior positions in relationship management, risk & control, product & business development and marketing.

Key Senior Management of the Group

TERRENCE TEOH YIH MIN

Position

Managing Director & Chief Executive Officer, HLBCAM, a wholly-owned subsidiary of HLB

Nationality / Age / Gender

Malaysian / 42 / Male

Mr Terrence Teoh Yih Min holds a Bachelor of Business, major in Banking and Finance from La Trobe University, Melbourne, Australia.

Mr Terrence Teoh joined HLBCAM on 15 February 2021 as Managing Director & Chief Executive Officer, HLBCAM.

Mr Terrence Teoh has more than 20 years of working experience in the banking industry. Prior to his current appointment in HLBCAM, he was with HLB since 2012 and his last position was Head of SME where he spent nearly 9 years in managing SME banking.

Prior to HLB, Mr Terrene Teoh spent 11 years in various senior positions in Citibank, Southern Bank and United Overseas Bank Malaysia ("UOB"), his last position being the Senior Vice President, Business Banking in UOB.

DUONG DUC HUNG

Position

Managing Director & General Director, HLBVN, a wholly-owned subsidiary of HLB

Nationality / Age / Gender

Vietnamese / 45 / Male

Mr Duong Duc Hung holds a Master of Business Administration from Katholieke Universiteit Leuven, Belgium and a Bachelor of Arts in International Economics at Foreign Trade University.

Mr Duong joined HLBVN on 2 January 2018 as Managing Director & General Director of HLBVN.

Prior to HLBVN, Mr Duong brings more than 20 years of banking and financial services experience, with his most recent role as a member of Techcombank's Management Committee as Transformation Director. Prior to that, he has been with ANZ Vietnam for more than 10 years, holding various key portfolios in Product, Performance Management, Wealth Management, Sales & Services before he was appointed to head the entire Retail Banking and Operations.

He is well versed in regional and international business practices, having served in world class organisations such as JP Morgan Chase as the Head of Financial Institutions segment for Vietnam and Cambodia. He was also with HSBC heading the cash management division and the Financial Controller in Baxter Healthcare and Auditor in KPMG, both in Vietnam and abroad.

Key Senior Management of the Group

PHILIP LUK KAI MAN

Position

Managing Director & Chief Executive, HLB Hong Kong Branch

Nationality / Age / Gender

Hong Kong Citizen / 51 / Male

Mr Philip Luk Kai Man graduated from the University of Sydney, Australia with a Master of Economics with a double major in Economics and Econometrics.

Mr Philip Luk joined HLB on 1 May 2019 as General Manager, HLB, Hong Kong Branch. He assumed his current position on 20 September 2019.

Prior to HLB, Mr Philip Luk was Head of Transactional Banking, North East Asia with National Australia Bank, Hong Kong. In this role, he was part of the Executive Committee (EXCO) & Assets & Liabilities Management Committee (ALCO) of the Bank.

He began his career in banking with the Bank of East Asia as an Executive Trainee and then moved into the Credit & Marketing division. He spent 12 years with Standard Chartered Bank, where he started his tenure as Relationship Manager for the Public Sector and steadily grew his career to eventually take on the Director, Head of Public Sector & Korean Corporates role. Subsequently, he took on several senior roles to gain more exposure with another foreign bank as Head of Payment and Cash Management North Asia, Head of Business Banking Greater China and Head of Liabilities Business Asia, Commercial banking after he joined ANZ Banking Group.

Mr Philip Luk is a seasoned, all-rounded banking professional specialising in end-to-end business setup. He is well-versed with the local banking regulations and has covered Hong Kong as well as North Asia.

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 HLB.

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

3. ***Conviction of Offences***
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2021.

Board Audit
Committee Report

CONSTITUTION

The Board Audit Committee of HLB has been established since 18 August 1994 and was re-designated as the Board Audit & Risk Management Committee ("BARMC") on 10 January 2002. Subsequently, on 2 October 2006, the Board of Directors decided to reconstitute the Board Audit Committee ("BAC") separately from the Board Risk Management Committee ("BRMC").

COMPOSITION

MS CHOK KWEE BEE
(Chairman, Independent Non-Executive Director)

YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH
(Independent Non-Executive Director)

MS LAU SOUK HUAN
(Independent Non-Executive Director)

SECRETARY

The Secretariat to the BAC is the Company Secretary(ies) of the Bank.

TERMS OF REFERENCE

The terms of reference of the BAC are published on the Bank's website ('www.hlb.com.my')

AUTHORITY

The BAC 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 BAC.

The BAC is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

MEETINGS

The BAC meets at least eight (8) 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 Managing Director/Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, other senior management and external auditors may be invited to attend the BAC meetings whenever required. At least twice a year, the BAC will have separate sessions with the external auditors without the presence of Executive Directors and management.

The BAC will also engage privately with the Chief Internal Auditor on a regular basis to provide the opportunity for the Chief Internal Auditor to discuss issues faced by the internal audit function.

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

Two (2) members of the BAC, who shall be independent, shall constitute a quorum and the majority of members present must be independent directors.

After each meeting, the BAC shall report and update the Board on significant issues and concerns discussed during the BAC meetings and where appropriate, make the necessary recommendations to the Board.

ACTIVITIES

The BAC carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2021, ten (10) BAC meetings were held and the attendance of the BAC members was as follows:

Members	Attendance
Ms Chok Kwee Bee	10/10
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	10/10
Ms Lau Souk Huan	10/10

Board Audit Committee Report

HOW THE BAC DISCHARGES ITS RESPONSIBILITIES

FINANCIAL REPORTING

The BAC reviewed the quarterly reports and financial statements of the Company and of the Group focusing particularly on:

(i) any changes in accounting policies and practices;
(ii) significant adjustments arising from the audit;
(iii) the going concern assumptions; and
(iv) compliance with accounting standards and other legal requirements.

In the course of reviewing the quarterly reports and financial statements, BAC had made enquiries and sought explanations from the Senior Management including Chief Financial Officer on any significant changes between the current and corresponding quarter/period.

EXTERNAL AUDIT

The external auditors of the Group for the financial year ended 30 June 2021 is PricewaterhouseCoopers PLT ("PwC PLT"). The BAC discussed and reviewed with the external auditors, before the audit commences 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 Internal Control and Risk Management.

The BAC reviewed the report and audit findings of the external auditors and considered management's responses to the external auditors' audit findings and investigations. The BAC also had two (2) separate sessions with the external auditors without the presence of Executive Directors and management whereby matters discussed include key reservations noted by the external auditors during the course of their audit; whilst the BAC Chairman maintained regular contact with the audit partner throughout the year.

The BAC reviewed the external auditors' fees and their scope of services. The approved and incurred fees for the financial year ended 30 June 2021 amounted to RM3,367,008, of which RM70,000 was payable in respect of non-audit services. Non-audit services accounted for 3% of the total audit fees payable. The BAC assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

The BAC also evaluated the performance of PwC PLT in the following areas in relation to its re-appointment as auditors for the financial year ended 30 June 2021 and considered PwC PLT to be independent:

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

(b) level of engagement with BAC;

(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 timeframe;

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

(g) ability to demonstrate unbiased stance when interpreting the standards/policies adopted by HLB; and

(h) risk of familiarity in respect of PwC PLT's appointment as external auditors.

PwC PLT, in accordance with professional ethical standards, has provided the BAC with confirmation of their independence for the duration of the financial year ended 30 June 2021 and the measures used to control the quality of their work.

The BAC has therefore recommended to the Board that PwC PLT be re-appointed as the auditors. Resolution concerning the re-appointment of PwC PLT will be proposed to shareholders at the 2021 Annual General Meeting.

Board Audit Committee Report

RELATED PARTIES TRANSACTIONS

The BAC 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 ensure the RRPT are conducted on commercial terms consistent with the Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable.

The BAC 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.

CREDIT TRANSACTIONS AND EXPOSURE WITH CONNECTED PARTIES

The Group is guided by the Guidelines on Credit Transactions and Exposures with Connected Parties to ensure that credit transactions with connected parties are carried out on an arm's length basis on terms and conditions not more favourable than those entered into with other counterparties with similar circumstances and creditworthiness.

The BAC had conducted quarterly review of credit transactions of the Group with connected parties to ensure compliance with the said Guidelines.

INTERNAL AUDIT

The BAC reviewed the adequacy of internal audit scope, internal audit plan and resources of the various internal audit functions within Group Internal Audit Division ("GIAD").

During the financial year, BAC noted that GIAD had effectively carried out internal audits to all business entities of the Group, and reviewed the GIAD's reports on the audits performed on the Group as set out in the Internal Audit Function section below.

The BAC has reviewed the audit findings and recommendations of the GIAD, including any findings of internal investigations, and has ensured that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements and policies. The BAC also reviewed at every BAC meeting the status update of management's corrective action plans for the resolution of internal audit's findings and recommendations. Recommendations were made by BAC to ensure that the root causes raised by GIAD in their audit reports were effectively resolved and that any outstanding audit findings be tracked for timely resolution.

GROUP INTERNAL AUDIT DIVISION

The GIAD of HLB assists the BAC in the discharge of its duties and responsibilities. GIAD employs a risk-based assessment approach in auditing the Bank's 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 potential risk exposure and impact.

During the financial year ended 30 June 2021, GIAD carried out its duties covering audits on branches, and risk-based audits on Personal Financial Services, Business Corporate Banking and Global Markets businesses, Group Operations and Technology, Group Functions, investigation and other assignments as directed. These audits are performed in line with the BNM Guidelines on Internal Audit Function.

Besides performing internal audit functions to the Bank Group, GIAD, through a service agreement, also provides internal audit services to Hong Leong Investment Bank Berhad, Hong Leong Assurance Berhad and Hong Leong MSIG Takaful Berhad. The cost incurred for the Internal Audit function of the Bank in respect of the financial year ended 30 June 2021 was RM13.7 million.

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

Board Risk Management **Committee (BRMC) Report**

CONSTITUTION

The Board Risk Management Committee ("BRMC") is established to support the Board in discharging the following responsibilities:

1. Oversee Management's implementation of the Company's governance framework and internal control framework/ policies.

2. Ensure Management meets the expectations on risk management as set out in the policy document on Risk Governance.

3. Oversee Management's implementation of compliance risk management.

4. Promote the adoption of sound corporate governance principles as set out in the Policy Document on Corporate Governance within the Bank and its subsidiaries ("the Group").

COMPOSITION

The BRMC shall:

(a) have at least three directors;

(b) comprise only non-executive directors, with a majority of them being independent directors;

(c) be chaired by an independent director;

(d) comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the board committee; and

(e) include the Chair of the Board Audit Committee.

SECRETARY

The Secretariat to the BRMC is the Group Risk Management ("GRM") of the Bank.

TERMS OF REFERENCE

RISK MANAGEMENT

1. To review Management's activities in managing principal risks such as (but are not limited to) capital adequacy, credit risk, market risk, liquidity risk, interest rate risk in the banking book, operational risk, compliance risk, and environmental, social and governance risk.

2. To review Management's reporting to the Board on measures taken to:

   a) Identify and examine principal risks faced by the Company.

   b) Implement appropriate systems and internal controls to manage these risks.

3. To review Management's major risk management strategies, policies and risk tolerance for Board's approval.

4. To review Management's overall framework on the Internal Capital Adequacy Assessment Process ("ICAAP"), annual risk appetite and Capital Management Plan for Board's approval.

5. To review Management's development and effective implementation of the ICAAP.

6. To review Management's stress testing governance including the evaluation of the capital stress test scenarios, parameters, key assumptions and results.

7. To review Management's periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities.

8. To review the adequacy and effectiveness of Management's internal controls and risk management process.

9. To review the adequacy of risk management policies and frameworks in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.

10. To review risk management function's infrastructure, resources and systems and to ensure the staff responsible for implementing risk management systems perform those duties independently of the Group's risk-taking activities.

11. To receive and review reports from pertinent management committees.

12. To review Management's implementation of risk management as set out in BNM's policy documents on Risk Governance, Approaches to Regulating and Supervising Financial Group and Corporate Governance.

13. To review and advise on the appointment, remuneration, removal and redeployment of the Chief Risk Officer.

Board Risk Management Committee (BRMC) Report

14. To engage privately with the Chief Risk Officer on a regular basis (and in any case at least twice annually) to provide opportunity for the Chief Risk Officer to discuss issues faced by the risk management function.

15. Other risk management functions as may be agreed to by the Board.

COMPLIANCE

1. To assist the Board in the oversight of the management of compliance risk by:

    a) reviewing compliance policies and overseeing management's implementation of the same;

    b) reviewing the establishment of the compliance function and the position of the Chief Compliance Officer to ensure the compliance function and Chief Compliance Officer has appropriate standing, authority and independence;

    c) discussing and deliberating compliance issues regularly and ensuring such issues are resolved effectively and expeditiously;

    d) reviewing annually the effectiveness of the Company's overall management of compliance risk, having regard to the assessments of senior management and internal audit and interactions with the Chief Compliance Officer;

    e) overseeing the Management's implementation of the principles set out in the Policy Document on Fair Treatment of Financial Consumers, including to promote the adoption of a sound corporate culture within the Group which reinforces ethical, prudent and professional conduct and behaviour;

    f) updating the Board on all compliance matters, including providing its views on (a) to (e) above.

2. In relation to the role of the Chief Compliance Officer, support the Board in meeting the expectations on compliance management as set out in BNM's policy document on Compliance by:

    a) reviewing and advising on the appointment, remuneration, removal and redeployment of the Chief Compliance Officer;

    b) ensuring that the Chief Compliance Officer has sufficient stature to allow for effective engagement with the CEO and other members of senior management;

    c) engaging privately with the Chief Compliance Officer on a regular basis (and in any case at least twice annually) to provide the opportunity for the Chief Compliance Officer to discuss issues faced by the compliance function;

    d) ensuring that the Chief Compliance Officer is supported with sufficient resources to perform duties effectively;

    e) where the Chief Compliance Officer also carries out responsibilities in respect of other control functions, the BRMC shall be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by the Chief Compliance Officer.

3. Other compliance functions as may be agreed to by the Board.

GROUP GOVERNANCE

1. Noted that:

    (a) The Bank, as a company with licensed subsidiary companies has overall responsibility for ensuring the establishment and operation of a clear governance structure within its subsidiaries ("Bank Group").

    (b) The Board's responsibility is to promote the adoption of sound corporate governance principles throughout the Bank Group.

    (c) The Bank's risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation within the Bank Group.

    (d) The respective subsidiaries' board and senior management must validate that the objectives, strategies, plans, governance framework and policies set at the Bank level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific risks are adequately addressed in the implementation of Bank Group policies.

Board Risk Management Committee (BRMC) Report

AUTHORITY

The BRMC is authorised by the Board to review any activities of the Bank 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 BRMC.

The BRMC is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

MEETINGS

The BRMC meets at least eight (8) times a year and additional meetings may be called at any time as and when necessary.

The Group Managing Director/Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Audit, Chief Compliance Officer, other senior management and external auditors may be invited to attend the BRMC meetings, whenever required.

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

Two (2) members of the BRMC, who shall be independent and non-executive, shall constitute a quorum.

After each BRMC meeting, the BRMC shall report and update the Board on significant issues and concerns discussed during the BRMC meetings and where appropriate, make the necessary recommendations to the Board.

REVISION OF THE TERMS OF REFERENCE

Any revision or amendment to the Terms of Reference, as proposed by the BRMC, shall first be presented to the Board for its approval. Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference which shall be considered duly revised or amended.

ACTIVITIES

The BRMC carried out its duties in accordance with its Terms of Reference supported by the Group Risk Management and Group Compliance functions.

For the financial year ended 30 June 2021, eight (8) BRMC meetings and five (5) special BRMC meetings were held and the attendance of the BRMC members is recorded as follows:

Member	Attendance
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	13/13
Ms. Chok Kwee Bee	13/13
Ms. Lau Souk Huan	12/13

The BRMC reviewed major risk management strategies, policies and risk appetite levels for Board's approval. In addition, the BRMC regularly reviews risk management reports which covers global and regional economic developments, risk headwinds, capital adequacy, stress tests, credit risk, market risk, interest rate risk in the banking book, compliance risk, liquidity risk, and operational risk.

The BRMC also regularly reviews regulatory compliance and financial crime compliance reports which include new regulatory updates, compliance assurance reports, non-compliant incidents report and financial crime compliance trends. The BRMC continuously provides oversight of the Group's compliance activities to ensure that the Group is in compliance to all established policies and external regulations.

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

The BRMC also deliberated on stress test results formulated against the backdrop of a highly stressed economic environment, which provided insightful and timely updates particularly on financial, capital and liquidity impacts to the Bank as well as Management's actions taken to mitigate any impact.

The BRMC also reviewed reports on Management's initiatives on integrating sustainability into the Bank Group's business and operations.

Corporate Governance Overview, **Risk Management & Internal Control Statement**

"Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value while taking into account the interest of other stakeholders."

Finance Committee on Corporate Governance

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

The CG Report 2021 of the Bank in relation to this statement is published on the Bank's website, www.hlb.com.my ("the Bank's Website").

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

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

A. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board assumes responsibility for effective stewardship and control of the Bank 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 Bank'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 Bank is managed by the Group Managing Director/Chief Executive Officer ("GMD/CEO") who is assisted by the management team. The GMD/CEO and his management team are accountable to the Board for the performance of the Bank. 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 and internal controls to the Board Audit Committee ("BAC"); and risk management to the Board Risk Management Committee ("BRMC"). The Nomination Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and GMD/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 GMD/CEO. This division of responsibilities between the Chairman and the GMD/CEO ensures an appropriate balance of roles, responsibilities and accountability.

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

Corporate Governance Overview, Risk Management & Internal Control Statement

The GMD/CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Bank for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, providing management of the day-to-day operations of the Bank and tracking compliance and business progress.

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 Bank 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 Report which forms part of this Annual Report.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM") and Hong Leong Bank Group ("HLB Bank") Code of Conduct & Ethics, which have been adopted by the Board and published on the Bank's Website. Details of the Hong Leong Bank Group Code of Conduct & Ethics are set out in Section F of this Statement.

B. BOARD COMPOSITION

The Board currently comprises eight (8) Directors. The eight (8) Directors are made up of seven (7) 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 Bank 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 Bank. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Bank 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 eight (8) Directors, of whom three (3) are women Directors. The Board will continue to maintain women participation on the Board in line with the MCCG.

Based on the review of the Board composition in July 2021, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Bank.

C. BOARD COMMITTEES

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

(A) BAC

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

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

(B) BRMC

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

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

(C) NC

The NC was established on 17 June 2003. The composition of the NC is as follows:

- Ms Chok Kwee Bee (Chairman)
- Mr Tan Kong Khoon
- YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah

C. BOARD COMMITTEES (CONTINUED)

(c) NC (CONTINUED)

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

The Bank 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 GMD/CEO, (ii) appointment of Board Committee members, and (iii) annual F&P assessment of Chairman, Directors and GMD/CEO, and the criteria and guidelines used for such assessments. Upon the approval of the Board, an application on the prescribed forms will be submitted to BNM for approval in respect of new appointments and re-appointments.

(i) New Appointments

The nomination, assessment and approval process for new appointments is as follows:

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

In assessing the candidates for Board appointments, the NC will take into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired composition and the mix of expertise and experience of the Board as a whole and having regard to the candidates' attributes, qualifications, management, leadership, business experience and their F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines. The Bank will also conduct independent background checks to verify the information disclosed in the F&P Declarations. The Bank 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 GMD/CEO, the NC will take into account the candidate's knowledge and experience in the industry, market and segment. The NC will also consider the candidate's F&P Declaration in line with the standards required under the relevant BNM Guidelines.

(ii) Re-Appointments

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

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

C. BOARD COMMITTEES (CONTINUED)

(C) NC (CONTINUED)

(ii) Re-Appointments (continued)

For re-appointments, the Chairman, Directors and GMD/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:

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

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

(iv) Annual F&P Assessment

The annual F&P assessment process is as follows:

• Directors/CEO to complete: - the Board Annual Assessment Form - the F&P Declaration • The Bank to conduct Independent Background Checks	▶	• Assessment against Assessment Criteria and Guidelines • Recommendation by the NC	▶	Deliberation by the Board and decision thereof

A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual Director on an annual basis ("Annual Board Assessment") in conjunction with the annual F&P assessment of Chairman, Directors and GMD/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 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 GMD/CEO, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one year service.

C. BOARD COMMITTEES (CONTINUED)

(C) NC (CONTINUED)

(iv) Annual F&P Assessment (continued)

Assessment criteria for Board as a whole include, inter alia, the effectiveness of the Board composition in terms of size and structure vis-à-vis the complexity, size, scope and operations of the Bank; 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 Bank 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.

During the financial year ended 30 June 2021 ("FY 2021"), two (2) NC meetings were held and the attendance of the NC members were as follows:

Member	Attendance
Ms Chok Kwee Bee	2/2
Mr Tan Kong Khoon	2/2
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	2/2

The NC carried out the following activities in the discharge of its duties in accordance with its TOR during the FY 2021:

- 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 Bank. The NC will continue to maintain women participation on the Board in line with the MCCG;

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

- Reviewed the F&P Declarations by Directors, GMD/CEO and Company Secretary in line with the BNM policy document on F&P Criteria and was satisfied that the Directors, GMD/CEO 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 BAC and each of its members in accordance with the TOR of BAC and was of the view that the BAC and each of its members had carried out their duties in accordance with the BAC TOR for the period under review;

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

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

C. BOARD COMMITTEES (CONTINUED)

(D) REMUNERATION COMMITTEE ("RC")

The RC was established on 17 June 2003. The composition of the RC is as follows:

- YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah (Chairman)
- YBhg Tan Sri Quek Leng Chan
- YBhg Datuk Dr Md Hamzah bin Md Kassim

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

During the FY 2021, two (2) RC meetings were held and the attendance of the RC members were as follows:

Member	Attendance
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	2/2
YBhg Tan Sri Quek Leng Chan	2/2
YBhg Datuk Dr Md Hamzah bin Md Kassim	2/2

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

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

The RC, in assessing and reviewing the remuneration packages of Executive Directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices. The fees of Directors are recommended and endorsed by the Board for approval by the shareholders of the Bank at its Annual General Meeting ("AGM").

The detailed remuneration of each Director during the FY 2021 is as set out in Note 40 of the Audited Financial Statements in this Annual Report.

REMUNERATION PHILOSOPHY & FRAMEWORK

Hong Leong Bank Group's (HLBG) remuneration strategy supports and promotes a high performance culture to deliver the Bank's Vision to be a highly digital & innovative ASEAN financial services company. It also forms a key part of our Employer Value Proposition with the aim to drive the right behaviors, create a workforce of strong values, high integrity, clear sense of responsibility and high ethical standards.

The remuneration framework provides a balanced approach between fixed and variable components that is measured using a robust and rigorous performance management process that incorporates meritocracy in performance, HLB values, prudent risk-taking and key behaviours in accordance to our Code of Conduct and risk and compliance management as part of the key performance indicators for remuneration decisions.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (CONTINUED)

(D) RC (CONTINUED)

OVERVIEW OF REMUNERATION POLICY FRAMEWORK

A. Philosophy

Remuneration philosophy hinges on:
- Our values and commitment to the employees of the Bank
- High performance culture
- Strong alignment between prudent risk taking and reward

B. Principles

Remuneration principles are based on 3 key principles:
- Oversight by Remuneration Committee & Board of Directors
- Prudent Risk Taking
- Governance Process for Bonus, Increment and Promotion

C. Practices

Remuneration practices:
- Details how the remuneration principles will be achieved in practice
- Includes remuneration structures, design, implementation and workflow/procedures

GUIDING PRINCIPLES

Principle 1 - Oversight by Remuneration Committee & Board of Directors

The RC's responsibilities are to recommend to the Board the framework and policies that govern the remuneration of the Directors, Shariah Committee, Chief Executive Officer, senior management officers and other material risk takers. The RC ensures that the remuneration system is in line with the business and risk strategies, corporate values and long-term interests of the Bank and that it has a strong link between rewards and individual performance and is periodically benchmarked to market/industry. The Board must ensure that the corporate governance disclosures on remuneration are accurate, clear, and presented in a manner that is easily understood by its shareholders, customers and other relevant stakeholders.

Principle 2 - Prudent Risk Taking

Remuneration for employees within the Bank must be aligned with prudent risk-taking. Hence, remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement.

Principle 3 - Governance Process for Bonus, Increment and Promotion ("BIP")

The Bank has established an end-to-end BIP process to ensure proper governance and sufficient control is in place. Provision for variable remuneration is tied to the performance of the Bank and the pool is allocated according to the performance of each business unit. To safeguard the independence and authority of individuals engaged in control functions, the Bank ensures that the remuneration of such individuals is based principally on the achievement of control functions objectives and determined in a manner that is independent from the business lines they oversee. No increment and bonus is accorded to an employee with performance rating 1 or 2 or if the employee has tendered his/her resignation. Additionally, the Bank has the discretion to impose an employment bond on employees who have received salary adjustments outside of the BIP cycle.

C. BOARD COMMITTEES (CONTINUED)

(D) RC (CONTINUED)

REMUNERATION PRACTICES

Measurement of Performance

The Bank's performance is determined in accordance with a balanced scorecard which includes key measures on profitability, cost, capital, shareholders' return, medium to long-term strategic initiatives, as well as risk, audit and compliance positions.

For each employee, performance is tracked through Key Result Areas (KRAs) in a balanced scorecard. It focuses on the achievement of key objectives which are aligned to value creation for our shareholders and multiple stakeholders. At the end of the year, performance of the employee is assessed through the performance management framework which is based on 70% of KRAs (with mandatory weightage for Compliance and Training) and 30% of HLB Values.

The Bank shall ensure the performance measure of the employee promotes the Bank's core values and desired conduct and behaviour to achieve Fair Treatment of Financial Consumers ("FTFC") and all relevant regulatory policies outcomes. Apart from quantitative targets, performance measures shall include qualitative criteria that closely reflect the delivery of FTFC and all relevant regulatory policies outcomes.

Every senior management officer has a responsibility to embed sustainability in all initiatives in their division. This is linked to performance considerations and in turn, total remuneration received.

Pay Mix Delivery and its Purpose

The overall Total Compensation for the GMD/CEO and members of the Senior Management team generally includes base pay, fixed cash allowances, performance-based variable pay, long term incentives, benefits and other employee programmes.

1. Fixed Pay (base pay and fixed cash allowances)

   Fixed pay is delivered at an appropriate level taking into account skills, experience, responsibilities, competencies and performance; ensuring its competitiveness vis-à-vis comparable institutions for attraction and retention purposes.

2. Performance-based variable pay

   Performance-linked variable pay in the form of bonuses is paid out at the end of the financial year subject to the Bank's performance and in recognition of individual performance and key achievements during the year. It focuses on the achievement of key objectives which are aligned to value creation for our shareholders and multiple stakeholders. A robust key performance indicators setting process that incorporates risk management as part of the scorecards are also in place to ensure excessive risk taking behaviours of staff is minimised and sufficient control mechanism are in place. Variable bonus awards for individuals in senior management position and in excess of a certain thresholds will be deferred over a period of time.

3. Long term incentives

   In addition, the Bank also recognises and rewards individuals for their contributions towards the Bank's long-term business achievements (both in qualitative and quantitative measures) through a combination of cash and non-cash (i.e. shares or share-linked instruments) elements that are subject to partial deferment over a period of time (typically over a few years) with built-in clawback mechanism.

   The clawback mechanism can be 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. Clawbacks are typically (and not limited to) applied in the case of Gross Misconduct, Financial Misstatements, Material Risks and/or Malfeasance of Fraud.

   The variable portion of remuneration (both Performance-based variable pay and long-term incentives) increases along with the individual's level of accountability. By subjecting an adequate portion of the variable remuneration package to forfeiture, it takes into account potential financial risks that may crystallize over a period of time, reinforces HLB's corporate and risk culture in promoting prudent risk taking behaviours.

C. BOARD COMMITTEES (CONTINUED)

(D) RC (CONTINUED)

REMUNERATION PRACTICES (CONTINUED)

Pay Mix Delivery and its Purpose (continued)

4. Employee Benefits and Programmes

   Employee benefits (e.g. screening, health and medical, leave passage) are used to foster employee value proposition and wellness to ensure the overall well-being of our employees. These are being reviewed annually to ensure HLB remains competitive in the industry and that the employees are well taken care of.

Remuneration Disclosure

The following depicts the total value of remuneration awarded to the GMD/CEO, Senior Management team and Material Risk Takers for the FY 2021:

	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2021 (RM)	Total amount of outstanding deferred remuneration paid out (vested) in FYE2021 (RM)
Fixed Remuneration					
Cash-based	30	31,117,252	-	-	-
Shares and share-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Variable Remuneration					
Cash-based	30	22,905,617	3,502,440	5,245,216	2,041,903
Shares and share-linked instruments	27	-	3,408,857	5,032,273	4,362,335
Other	-	-	-	-	-

Note: The value of share is based on the valuation used for MFRS2 Accounting.

(E) BOARD INFORMATION AND TECHNOLOGY COMMITTEE ("BITC")

The BITC was established on 1 January 2020 to jointly support the Boards of Hong Leong Bank Berhad and Hong Leong Islamic Bank Berhad in discharging the following responsibilities:

1. Oversee technology and cyber security related matters.

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

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

The composition of the BITC is as follows:

- Ms Chong Chye Neo (Chairman)
- YBhg Datuk Dr Md Hamzah bin Md Kassim
- Ms Lau Souk Huan

C. BOARD COMMITTEES (CONTINUED)

(E) BITC (CONTINUED)

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

During the FY 2021, seven (7) BITC meetings were held and the attendance of the BITC members was as follows:

Member	Attendance
Ms Chong Chye Neo	7/7
YBhg Datuk Dr Md Hamzah bin Md Kassim	6/7
Ms Lau Souk Huan	7/7

The BITC carried out the following activities in discharge of its duties in accordance with its TOR during the FY 2021:

- Reviewed the IT Strategy and monitored the progress against management plan.
- Reviewed the Group's adoption of emerging technologies, including the adoption status and corresponding capabilities.
- Deliberated on the ongoing development in digital trends in the financial services industry, and assessed impact, if any on the digital strategy of the Group.
- Reviewed the cyber security strategy/ framework.
- Reviewed the progress update of key IT Projects.
- Reviewed the development and implementation of the electronic-Know Your Customer for Current Account and Savings Account opening.
- Reviewed the production incidents and trending.
- Reviewed the cyber security events and incidents.
- Reviewed the progress update of the information security enhancement plan.
- Reviewed the management of technology obsolescence risk.
- 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 and insourcing arrangements of the Group.
- Reviewed the assessment results on the adequacy and robustness of the existing risk management measures, preventive and detective control mechanisms adopted to prevent frauds in e-banking, direct debit and card-not-present transactions.
- Reviewed the audit findings identified by the Group Internal Audit Division and the External Auditors on IT-related matters and monitored the resolutions and action items in relation thereto.
- Reviewed the Business Continuity Management of the Group, including critical system downtime and disaster recovery plans.
- Reviewed the assessment results of the Data Centre Security from physical threats and attacks, and the adequacy of the Standard Operating Procedures.
- Reviewed the assessment results on the e-banking projects, website applications and Data Centre Risk Assessment and Network Resilience and Risk Assessment conducted by the external service providers.
- Reviewed the Threat Vulnerability and Risk Assessment Report Pre Data Centre relocation.
- Reviewed the critical patch development activities for critical IT infrastructure.

Corporate Governance Overview, Risk Management & Internal Control Statement

D. INDEPENDENCE

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

The tenure of all the Independent Directors on the Board of the Bank 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 Bank has in place a policy in relation to the tenure for Independent Directors of the Bank ("Tenure Policy") under the F&P Policy of the Bank. 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 Bank. 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 Bank to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG Policy.

All Board members are supplied with information in a timely manner. The Bank has moved towards electronic Board reports. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Bank 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 Bank's expense, in consultation with the Chairman or the GMD/CEO of the Bank.

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 eight (8) times for the FY 2021 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	8/8
Mr Tan Kong Khoon	8/8
Mr Kwek Leng Hai	8/8
Ms Chok Kwee Bee	8/8
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	8/8
YBhg Datuk Dr Md Hamzah bin Md Kassim	8/8
Ms Chong Chye Neo	8/8
Ms Lau Souk Huan	8/8

Corporate Governance Overview, Risk Management & Internal Control Statement

The Bank recognises the importance of continuous professional development and training for its Directors.

The Bank is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Bank. The Induction Programme is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Bank's business, governance process, roles and responsibilities as Director of the Bank. The CPD encompasses areas related to the industry or business of the Bank, 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 Bank have completed the Mandatory Accreditation Programme.

The Bank 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 Bank has prepared for the use of its Directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a Director vis-a-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 FY 2021, the Directors received regular briefings and updates on the Bank's businesses, strategies, 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 Bank.

The Directors of the Bank 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 FY 2021, the Directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- 16th Kuala Lumpur Islamic Finance Forum 2021: "Setting the Road Ahead Towards Economic Recovery"
- Accenture – Case Studies on Digital Disruption in Banking: Perspectives on Post Covid Trends and Behaviours
- Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001: Risk, Challenges, Governance & Transparency in Managing Business & Compliance
- Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions: Compliance A Need to Protect Business
- A.T. Kearney – Mega Trends in Banking, Insurance and Stockbroking
- Briefing on Product Pricing Process
- Briefing on Shariah Governance Policy Document: An Insight to Comprehending Shariah Governance Policy Document
- Bursa Malaysia – An update on COVID-19
- Bursa Malaysia – Cyber Security in the Boardroom
- Bursa Malaysia – Directors' Liability in Anti-Corruption Cases: Airbus and Other Cases
- Bursa Malaysia – Fraud Risk Management Workshop
- Bursa Malaysia – Virtual Palm & Lauric Oils Conference
- Cognizant Consulting – Digital Shift in Insurance Industry
- Digital Assets Holdings, LLC – Smart Contracts and Distributed Ledger Technology for Malaysia's Future Post Trade Platform
- FIDE Forum – 1st Distinguished Board Leadership Series: Rethinking Our Approach to Cyber Defence in Financial Institutions
- FIDE Forum – 4th Distinguished Board Leadership Series – Dialogue with Sir Howard Davies Webinar - Risks: A Fresh Look from the Board's Perspective
- FIDE Forum - Annual Dialogue with Governor of Bank Negara Malaysia
- FIDE Forum – Board Effectiveness Evaluation Industry Briefing
- FIDE Forum – Climate Action: The Board's Leadership in Greening the Financial Sector
- FIDE Forum - Dialogue on The Future of Malaysia's Financial Sector
- FIDE Forum - Dialogue on The Role of Independent Director in Embracing Present and Future Challenges
- FIDE Forum – Digital Financial Institutions Series: Fidor's Experience
- FIDE Forum – JC3 Flagship Conference 2021: Finance for Change, initiated by Bank Negara Malaysia & Securities Commission Malaysia

E. COMMITMENT (CONTINUED)

- FIDE Forum – MASB Dialogue on MFRS 17 Insurance Contracts: What Every Director Must Know
- Herbert Smith Freehills Training Series – Environmental, Social and Governance
- ICLIF Executive Education Center – Board's Role in the Changing World of Work: Managing Performance & Innovation in the New Normal
- ICLIF Executive Education Center – Corporate Governance Regulatory Updates for the Capital Markets
- ICLIF Executive Education Center – Corruption Risk Management
- ICLIF Executive Education Center – FIDE Core Programme (Bank)
- ICLIF Executive Education Center – HR in the 2020s: Culture Sculptor, Risk Manager and More
- ICLIF Executive Education Center – Implementing Amendments in the Malaysian Code on Corporate Governance
- ICLIF Executive Education Center – Managing Political Risks
- ICLIF Executive Education Center – Nominating and Remuneration Committees: Beyond Box-Ticking and Enhancing Effectiveness
- ICLIF Executive Education Center – Risk Management in Technology & Digital Transformation: What They Mean for Governance and Strategy of Bank and Insurance Boards?
- ICLIF Executive Education Center – Staying Ahead with Data Analytics
- Institute of Corporate Directors Malaysia – Corporate Restructuring and Turnaround for Company Directors
- Maybank Kim Eng – Bursa Malaysia [1818]: An Analyst Perspective
- Maybank Kim Eng – Economic Outlook & Lookout: The Good, The Bad, The Uncertain
- Preparing for Corporate Liability Provision on Corruption under the MACC Act 2009 – "Safeguarding the Bank, its Directors, Management & Other Personnel"
- Strategic Engagement on Sustainability
- Towers & Hamlins LLP – Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 and parallels with the UK offence and lessons learnt in the UK
- Update on Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018
- Update on Singapore 9-year rule relating to independent directors

F. STRENGTHENING CORPORATE GOVERNANCE CULTURE

OUR APPROACH TO CORPORATE GOVERNANCE

Nurturing a strong corporate governance culture encompasses not only the policies or processes that we already have in place but also training that is practical and based on every day scenarios that can be applied in an employee's work. Our approach to corporate governance includes the following:

1 Code of Conduct & Ethics	2 Policies & Processes	3 Continuous Development
The HLBG Code of Conduct & Ethics ("CoCE") ensures that our employees commit to a high standard of professionalism and ethics in the conduct of our business and professional activities. The HLBG CoCE is fundamental to align employee behaviour, drive a high performance culture bankwide and achieve business results	In addition to the HLBG CoCE, the Talent Management Board Policy, Remuneration Board Policy and the Learning & Development Management Policy aim to promote a culture of compliance underpinned by the Bank's values, whilst striking a balance between prudent risk-taking and reward	Continuously strengthening corporate governance through cumulative learning across all touchpoints: key learnings from Risk and Compliance Governance Meetings, feedback from customer complaint management channels, BUCO and BUCR meetings and bankwide/ divisional learning for employees

Code of Conduct & Ethics

Employees are guided by the Bank's values, which seek to ensure that everything we do is sustainable and adds value to the communities we operate in (Here For The Long Term); we treat people with respect and seek win-win solutions for all parties (Collaborate To Win); we take ownership and make things happen (Decisiveness). At the same time, employees are encouraged to embrace change and not be afraid to do things differently (Innovation) and celebrate new learning opportunities (Have Fun).

F. STRENGTHENING CORPORATE GOVERNANCE CULTURE (CONTINUED)

Code of Conduct & Ethics (continued)

The Bank's values, together with the six principles stated in the HLBG CoCE, is fundamental to align employee behaviour, drive a high performance culture bankwide and achieve business results.

Specifically, in upholding the value of "Here for the Long Term', the HLB Group commits to a high standard of professionalism and ethics in the conduct of our business and professional activities as set out in the HLBG CoCE.

The HLBG CoCE is applicable to:

- All employees who work in the HLB Group across the jurisdictions in which we operate – including but not limited to permanent, part-time and temporary employees;
- Board of Directors of the HLB Group; and
- Any other persons permitted to perform duties or functions within the HLB Group – including but not limited to contractors, secondees, interns, industrial attachment and agency staff.

As the HLBG CoCE forms part of the terms and conditions of employment, our employees are required to adhere to a high standard of professionalism and ethics in the conduct of their business, professional activities and personal lives, which might otherwise reflect poorly on the reputation of the HLB Group.

Principles

There are six key pillars to the HLBG CoCE:

Principle 1 Competence	Principle 2 Integrity	Principle 3 Fairness
The HLB Group is committed to ensuring that its employees develop and maintain the relevant knowledge, skills and behaviour to ensure that our activities are conducted professionally and proficiently.	The HLB Group's Vision, Mission and Values identifies a strong values-based culture to guide decisions, actions and interactions with stakeholders as a key enabler for the success of the HLB Group.	A core mission of the HLB Group is to help our clients succeed through simple, relevant, personal and fair banking. We must act responsibly and be fair and transparent in our business practices, including treating our colleagues, customers and business partners with respect. We must consider the impact of our decisions and actions on all stakeholders.

Principle 4 Confidentiality	Principle 5 Objectivity	Principle 6 Environment
The HLB Group is committed to providing a safe, reliable and secured banking environment and experience for our customers.	Employees must not allow any conflict of interest, bias or undue influence of others to override their business and professional judgment. Employees must not be influenced by friendships or association in performing their role. Decisions must be made on a strictly arms-length business basis.	The HLB Group is committed to reduce the effect of our operations on the environment so that we are able to build our franchise in a safe and healthy environment. We aim to do this by managing the resources we use across the HLB Group and raising staff awareness about the importance of caring for the environment. The HLB Group will be mindful of its activities with employees, business partners and the community we operate within to ensure human rights are safeguarded. Where there are adverse impacts, we are committed to addressing these.

Corporate Governance Overview, Risk Management & Internal Control Statement

F. STRENGTHENING CORPORATE GOVERNANCE CULTURE (CONTINUED)

OUR APPROACH TO CORPORATE GOVERNANCE (CONTINUED)

Policies & Processes

In addition to the HLBG CoCE, the Talent Management Board Policy, Remuneration Board Policy and the Learning & Development Management Policy aim to promote a culture of compliance underpinned by the Bank's values, whilst striking a balance between prudent risk-taking and reward. The policies are designed to create and cultivate a highly engaged workforce, focused on delivering strategic goals. This highly engaged workforce is expected to maintain high standards of responsibility, professional conduct and behaviour, and are able to be role models to other employees and industry peers.

Policy Name	Purpose
HLBG Code of Conduct & Ethics	The HLBG CoCE ensures that our employees commit to a high standard of professionalism and ethics in the conduct of our business and professional activities. All employees are required to attest to the HLBG CoCE on an annual basis.
Talent Management Board Policy	The Talent Management Policy aims to set out our talent management strategy in recruiting, developing, retaining talent and succession planning to support and drive the execution of the business strategy with the ambition to build an organization that build talent to cater for our needs from within.
Learning & Development Management Policy	The Learning & Development ("L&D") Policy sets out principles that will govern the Bank's L&D strategy and execution plans. The aim is to cultivate a highly engaged workforce, focused on delivering strategic goals, maintain high standards of responsibility, professional conduct and behaviour, and are role models to other employees and industry peers.
Remuneration Board Policy	The Remuneration Policy aims to maintain a competitive remuneration strategy, enabling us to attract and retain talent and at the same time balance risk and performance outcomes, with an eye on prudent risk-taking.
Whistleblowing Policy	The Bank's Whistleblowing Policy provides a structured channel for all employees of the HLB Group and any other persons providing services to, or having a business relationship with the HLB Group, to report any concerns about any improper conducts, wrongful acts or malpractice committed within the HLB Group. The Whistleblowing Policy is published on the Bank's Website.

Continuous Development

The Bank's efforts to continuously strengthen corporate governance is the result of cumulative efforts across every touchpoint. Key learnings from each Risk and Compliance Governance Committee (RCGC) meeting is summarized and circulated to all attendees, BUCRs (Business Unit Compliance Representative), BUCOs (Business Unit Compliance Officer) and respective business units to act upon. BUCOs meet with the L&D team in Human Resources on a monthly basis to review and request for any ad hoc compliance training requirements. Our online and offline customer touchpoints (on social media and via the feedback form on our website and via our branches and contact centre respectively) also serve to provide feedback directly. On learning, each division is responsible for their own content creation of key topics for their divisions, in addition to the compliance topics and videos available on Workday for huddles and the quarterly Mandatory eLearning. The six pillars of the HLBG CoCE, consists of Competence, Integrity, Fairness, Confidentiality, Objectivity and Environment, provide further guidance to our people and we ensure that we have the necessary development interventions to support each pillar.

G. ACCOUNTABILITY AND AUDIT

The Bank has put in place a framework of processes whereby Board committees provide oversight on critical processes of the Bank'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 BAC, 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 BRMC is delegated with the responsibility to provide oversight on the Bank's management of critical risks that the Group faces while the BAC is delegated with the responsibility to review the effectiveness of internal controls implemented in the Bank.

The Statement on Risk Management and Internal Control as detailed under Section J 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 BAC, which determines the remuneration of the external auditors. The BAC reviews the suitability and independence of the external auditors annually. In this regard, an annual assessment is conducted by the BAC to evaluate the performance, independence and objectivity of the external auditors prior to making any recommendation to the Board on the reappointment of the external auditors.

The Bank 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 BAC 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 BAC 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 BAC members at least twice a year without the presence of Executive Directors and management.

H. DISCLOSURE

The Bank 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 Bank's Website after release to Bursa.

I. 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 Bank'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.

Corporate Governance Overview, Risk Management & Internal Control Statement

The Bank has a website at www.hlb.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, products information and investor relations. A summary of the key matters discussed at the Annual General Meeting ("AGM") is published on the Bank's Website.

The Board has identified Ms Chok Kwee Bee, the Chairman of the BAC, 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 following persons to direct queries and provide feedback to the Group:

GENERAL MANAGER, COMMUNICATION & CSR
Tel No. : 03-2081 8888 ext. 61914
Fax No. : 03-2081 7801
E-mail address : capr@hongleong.com.my

HEAD, CORPORATE FINANCE & INVESTOR RELATIONS
Tel No. : 03-2081 2972
Fax No. : 03-2081 8924
E-mail address : IR@hlbb.hongleong.com.my

II. AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM.

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

J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

I. INTRODUCTION

The Board recognises that practice of good governance is an important process and has established the BAC and BRMC to ensure maintenance of a sound system of internal controls and good risk management practices. The processes for risks and controls assessments and improvements are on-going and are regularly reviewed in accordance with the guidelines on the 'Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers'.

II. BOARD RESPONSIBILITIES

The Board acknowledges its overall responsibility for the risk management and internal control environment and its effectiveness in safeguarding shareholders' interests and the Group's assets. The risk management and internal control framework is designed to manage rather than to eliminate the risk of failure in the achievement of goals and objectives of the Group, and therefore only provide reasonable assurance and not absolute assurance, against material misstatement or loss.

The system of risk management and internal control instituted throughout the Group is updated from time to time to align with the dynamic changes in the business environment as well as any process improvement initiatives undertaken. The Board confirms that its Management team responsibly implements the Board policies, Management policies and standard operating procedures ("SOP") on risk management and internal control.

J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The organisational structure of the Group clearly defines the lines of accountability and responsibility. Risk assessment and evaluation are an integral part of the Group's strategic planning cycle and are responsive to the business environment and opportunities. Management committees are appropriately set up to ensure proper utilisation and investment of the Group's assets for effective risk return rewards or to limit losses. The Group Risk Management ("GRM") and Group Compliance ("GC") divisions have implemented an enterprise-wide risk management framework to inculcate continuous risk and regulatory compliance awareness, understanding of procedures and controls thus improving the overall control environment.

Operationally, the Group operates multiple lines of defence to effect a robust control framework. At the first level, the operating business and support units are responsible for the day-to-day management of risks inherent in the various business activities. Regulatory compliance and operational risk units are set up in the various lines of business and in support departments. They oversee the day-to-day compliance to policies, regulatory requirements, business and process controls. At the second level, GRM is responsible for setting the risk management framework, reviewing portfolio risks, and developing tools and methodologies for the identification, measurement, monitoring, and control of risks; whereas GC is responsible for ensuring that controls to manage compliance risks are adequate and operating as intended. At the third level, the Group Internal Audit division complements GRM and GC by monitoring and evaluating the effectiveness of internal control systems. It also provides an independent perspective and assessment on the adequacy and effectiveness of the risk management and compliance policies, process, governance and systems.

The above is depicted in the following diagram:

First Line of Defence	Second Line of Defence	Third Line of Defence
Business and Support Units	Group Risk Management Group Compliance	Group Internal Audit
Manage inherent risks and ensure compliance to policies and SOPs in day-to-day activities.	Sets policies, reviews portfolio risks and provides oversight of risk management and compliance matters.	Independent assessment of adequacy and effectiveness of policies and processes

Corporate Governance Overview, Risk Management & Internal Control Statement

J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management

Managing risks is an integral part of the Group's overall business strategy. It involves a process of identifying, assessing and managing risks and uncertainties that could inhibit the Group's ability to achieve its strategy and strategic objectives.

Risk governance oversight is underpinned by the core pillars of risk culture, appetite, policies, surveillance, escalation and capacity. Above all, the approaches need to be relevant, forward looking and sustainable.

The Group's risk management framework incorporates the components depicted in the diagram below:

RISK GOVERNANCE OVERSIGHT
Board and management to exercise oversight and set tone from the top

PILLARS Critical components to put in place	**Culture of risk ownership**	**Defined risk appetite and capital strategy**	**Clear framework, policies and process**	**Rigorous risk surveillance**	**Robust escalation structure**	**Functional capabilities and capacity**
	Risk management is part of the day-to-day job of all employees, driven through daily application of management decisions.	Clear articulation of Board's risk appetite in pursuit of its business objectives, supported by ICAAP, and ensuring strategy-risk-capital alignment.	Provide clear direction. Defined business rules and operating parameters. Gives clarity to various parties' accountabilities.	Facilitates early identification of emerging risks and opportunities.	Cultivation of proactive risk communication to support timely and informed decisions.	The right talent pool and infrastructure are key to effectively carry out risk surveillance activities.

APPROACH How we implement	
	Relevant Focus on things that matter.
	Forward looking Be proactive, anticipate emerging risks and opportunities.
	Sustainable Strive to build for the long term.

Figure 1: Risk Management Framework

J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

In addition, the risk management framework is effected through an organisational construct and escalation structure as depicted below:

Figure 2: Risk Management Structure

The Board has the overall responsibility to ensure there is proper oversight of the management of risks in the Group. The Board sets the risk appetite and tolerance level, and allocates the Group's capital that is consistent with the Group's overall business objectives and desired risk profile. GRM monitors and reports the Group's Credit, Market, Liquidity, Operational and IT Risks. GC identifies, assesses, monitors and reports compliance issues in addition to advising, providing guidance and training on regulatory requirements. These risks are presented to BRMC regularly.

The BRMC deliberates and evaluates the reports prepared by GRM and GC, and provides updates to the Board, and where appropriate, make necessary recommendations to the Board.

Corporate Governance Overview, Risk Management & Internal Control Statement

J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS	
Type of Risk	**Mitigating Actions Taken / Strategy**
CREDIT RISK Credit Risk is the risk of loss if a borrower or counterparty in a transaction fails to meet its obligations.	• The Group has established a credit risk management framework (via the Board Policy on Credit Risk Governance) to ensure that exposure to credit risk is kept within the Group's financial capacity to withstand potential future losses. Financing activities are also guided by internal credit policies. The above policies are subject to reviews and enhancements, at least on an annual basis. • Credit portfolio strategies are developed to achieve a desired portfolio risk tolerance level and sector concentration distribution. • To assess the credit risk of retail customers, the Group employs risk scoring models and lending templates that are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts. • To assess the credit risk of SME, commercial and corporate customers, they are evaluated based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered; and are assigned with a credit rating. • The Group has a comprehensive credit approving process. While the business units are responsible for credit origination, the credit decisioning function rests mainly with the Credit Evaluation Departments, the MCC and the CSC. The Board delegates the approving and discretionary authority to the MCC and various personnel 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 their introduction. • Credit risk reports are presented to the relevant Management and Board level committees. Such reports identify adverse credit trends and asset quality to enable the Group to take prompt corrective actions and/or take appropriate risk-adjusted decisions. • GRM conducts independent credit reviews on a portfolio basis, which cover the Personal Financial Services, Business and Corporate Banking, Global Markets, Financial Institutions portfolios and portfolios of overseas subsidiaries and branches, providing an independent and where appropriate, countervailing perspective on credit risk management issues including business performance, credit decisions, overall assets quality and credit operations robustness. • In addition, the Bank also conducts periodic stress testing of its credit portfolios to ascertain the credit risk impact to capital under the relevant stress scenarios.

J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS	
Type of Risk	**Mitigating Actions Taken / Strategy**
OPERATIONAL RISK Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which also include outsourcing and business continuity risks.	• Management oversight on Operational Risk Management ("ORM") matters are effected through the Risk and Compliance Governance Committee ("RCGC") whilst Board oversight is effected through the BRMC. • The Group's ORM strategy is based on a framework of continuous improvements, good governance structure, policies and procedures as well as the employment of risk mitigation strategies. The objective is to create a strong risk and internal control culture by ensuring awareness of the significance of operational risk, its methodology of identification, analysis, assessment, control and monitoring. • The Group adopts ORM tools such as loss event reporting, risk and control self assessment and key risk indicators to manage operational risks and are used to assess risk by taking into consideration key business conditions, strategies and internal controls.
MARKET RISK Market Risk is the risk of loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest and exchange rates, prices, spreads, volatilities, and/or correlations.	• Market risk is primarily managed through various risk limits and controls following an in-depth risk assessment and review. The types and level of market risk that the Group is able and willing to take in pursuit of its business objectives and risk-taking strategies are used as a basis for setting market risk appetite for the Group. • Market risk limits, the monitoring and escalation processes, delegation of authority, model validation and valuation methodologies are built into the Group's market risk policies, which are reviewed and concurred by the Group Asset and Liability Management Committee ("Group ALCO"), endorsed by the BRMC and approved by the Board. • Regular market risk stress tests are conducted on the trading book to measure the loss vulnerability under stressed market conditions.

Corporate Governance Overview, Risk Management & Internal Control Statement

J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS	
Type of Risk	**Mitigating Actions Taken / Strategy**
LIQUIDITY RISK Liquidity Risk is the risk of loss resulting from the unavailability of sufficient funds to fulfill financial commitments, including customers' liquidity needs, as they fall due. Liquidity Risk also includes the risk of not being able to liquidate assets in a timely manner.	• The Group adopts a prudent liquidity management approach that includes establishing comprehensive policies and procedures, implementation of risk controls which are supported by periodic reviews and monitoring. The liquidity risk policies and governance are reviewed by Group ALCO, endorsed by the BRMC and approved by the Board. • The Group seeks to manage liquidity to ensure that our obligations will continue to be honored under normal as well as adverse circumstances. The key elements of liquidity risk management includes proactive monitoring and management of cashflow, maintenance of high quality liquid assets, diversification of funding sources and maintaining a liquidity compliance buffer to meet any unexpected cash outflow. • The Group strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. The funding strategy is anchored on the strength of our core deposit franchise. The Group also designs and conducts regular stress test programmes in accordance with the board-approved risk appetite and risk management policies. The appropriate management action plans would be developed and recommended to the Board if there are any potential vulnerabilities identified during the stress test exercise.
IT & CYBER RISK Information Technology Risk is the risk of technological failure which may disrupt business operations such as system defects or service outages. This also includes cyber security risk, which is the risk of possible threat that might exploit a vulnerability to breach system security and therefore cause possible harm.	• New technology initiatives are subjected to a rigorous evaluation process which assesses the potential risks and readiness of the initiative prior to its implementation. • The Group performs continuous monitoring on system performance to ensure minimal system disruption, while ensuring that redundancies in IT infrastructure and Disaster Recovery Plans are regularly tested. • In addition to continuously improving the Group's cyber resilience by upgrading technology capabilities to mitigate cyber threats, cyber risks are also managed by closely monitoring key risk metrics and progressively enhancing its cyber threat intelligence gathering capabilities to improve the Group's situational awareness. • Management oversight on IT and cyber risk management matters are effected through the IT Steering Committee ("ITSC") and Information Security Governance Council ("ISGC") whilst Board oversight is effected through the Board Information Technology Committee ("BITC").

J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS	
Type of Risk	**Mitigating Actions Taken / Strategy**
REGULATORY COMPLIANCE RISK Regulatory Compliance Risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation as a result of failure to comply with laws and regulations.	• The Group undertakes robust monitoring of developments in laws and regulations and assesses its impact to its processes, where applicable. The assessments are undertaken to identify gaps in existing processes so that actions are taken within defined timeframes to ensure that the Group is in compliance.
FINANCIAL CRIME RISK Financial Crime Risk is the risk of legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to Anti-Money Laundering, Counter Financing of Terrorism and Targeted Financial Sanctions requirements.	• In mitigating the risk of financial crime, The Group undertakes monitoring of developments of laws and regulations and assesses its impact to internal policies, processes and procedures. In addition, the Group is enhancing our digital transformation by leveraging on technological solutions to strengthen our capabilities in detection, monitoring and reporting of potential suspicious activities. • The Group continuously maintains robust controls as a gatekeeper to the financial system against Money Laundering, Terrorist Financing and Proliferation Financing risks. • Management oversight on financial crime matters are effected through the Management level Financial Crime Governance Committee ("FCGC"), whilst Board oversight is effected through the BRMC.
BRIBERY AND CORRUPTION RISK Bribery and Corruption Risk is the risk of offering, paying or receiving a bribe through an officer, employee, subsidiary, intermediary or any third party (individual or corporate) acting on the Group's behalf.	• The Group ensures that the Management team conducts bribery and corruption risk assessment of the overall Group's operations periodically to identify, analyse, assess and prioritise actions needed to mitigate internal and external bribery and corruption risks. • Management also reviews risk assessment reports, consider improvements to the Group's policies and procedures, and provides training to internal and external stakeholders in combating corruption and bribery. • The Anti-Bribery and Corruption ("ABC") policies and procedures are communicated to all our employees, who are required to undergo mandatory training and assessment on completion of training in the subject matter. • Clauses relating to ABC have also been incorporated in written agreements to ensure that suppliers to the Group understand their obligations and abide by the relevant laws and regulations. There is continuous reinforcement of communications to our suppliers on our expectations in relation to ABC. • Board oversight of bribery and corruption risk is effected through the BRMC and BAC. The Group has a Whistleblowing Policy and accompanying procedures in place, where whistleblowing reports can be addressed directly to the Chairman of the BAC.

Corporate Governance Overview, Risk Management & Internal Control Statement

J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS	
Type of Risk	**Mitigating Actions Taken / Strategy**
ENVIRONMENTAL RISK Environmental risk is actual or potential threat of adverse effects on living organisms and environment by effluents, emissions, wastes, resource depletion, etc., arising out of an organisation's activities. In our particular case, given our role in the economy, in addition to our own activities, we are cognisant of the fact that people and companies we do business with also have an impact on the environment, and hence, ensure that our lending and procurement policies, for example, take this risk into account.	• The Group has policies, principles and codes of conduct to ensure the interests of the Bank are aligned with the interests of stakeholders on responsible lending/ financing. These include assessments to screen for and review environmental and social risks, financial evaluation of existing and potential customers, and the provision of basic banking products to those who cannot afford to pay for fees so that they can participate in the financial system. • We have credit policies that require sales and credit staff to review the borrowers' compliance with applicable environmental and social laws and review of the same at annual reviews of loan/financing facilities to ensure ongoing compliance. • The Group manages environmental footprint through reduction of waste (such as paper and water) and efficient usage of energy. • The Group has an independent Tender Review Committee that assesses diligence reviews of suppliers across a number of risks, not just financial strength and operational performance. We take into account considerations on environment and social track record and policies, business continuity plans and cyber security capabilities. Suppliers have to satisfy our zero tolerance for corruption and unfair practices.
PANDEMIC RELATED RISK Pandemic related risk is the risk of loss arising from infectious diseases spreading locally, regionally or globally at an epidemic level, usually at an undetermined scale and duration. Financial risks may be caused by such disruptions on the Group's customers, on financial markets and on the Group's operations.	• The Group has put in place a strategic plan to ensure that its operations and services are maintained fully functional in the event of a pandemic. In the continuing COVID-19 pandemic, businesses of the Group which are classified under the essential services sector, operates under specific operating conditions with heightened public health safety and business continuity requirements, as mandated in countries that the Group operates in. In demonstrating preparedness under crisis conditions, the Group has implemented enhanced Business Continuity Management plans and processes to ensure the continuity of its businesses and operations. • In managing credit risk exposures, the Group has implemented changes arising from central banks and governments' supportive action, to introduce loan repayment moratorium or other forms of financial assistance for its customers that may be adversely impacted by the pandemic. • As an additional measure to safeguard the health and safety of its employees, the Group established enhanced standard operating procedures that provides detail guidance to its employees on disease containment measures, work safety arrangements as well as reporting and incident escalation requirements.

J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

b) Basel II and III

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

For Basel II Pillar 1, the Group is in compliance with the regulatory standards and is progressively employing advance risk measurement in the respective businesses. For Basel II Pillar 2, the Group has established a Board Policy on Internal Capital Adequacy Assessment Process ("ICAAP") that forms an integrated approach to manage the Group's risk, capital and business strategy. For Basel II Pillar 3, which is related to market discipline and disclosure requirements, the Group has provided the disclosures under a separate Pillar 3 section in this Annual Report.

For Basel III, the Group is in compliance with the regulatory requirements and will continuously strengthen its capital and liquidity profile in all the countries that the Bank operates in, to ensure sufficient capital and liquidity is maintained to allow for business growth and sound capital / liquidity buffer management.

c) Internal Audit

The Bank's Group Internal Audit Division ("GIAD") performs the internal auditing function for the various entities in the Group. GIAD regularly reviews the critical operations (as defined in BNM Guidelines on Internal Audit Function of Licensed Institutions) and critical controls in the Information Technology environment (as outlined in the BNM Risk Management in Technology Policy Document) of the Group to ensure that the internal controls are in place and working effectively.

The results of the audits conducted by GIAD are reported to the BAC. Follow-up actions and the review of the status of corrective action plans are carried out by Management via the RCGC chaired by the Group Managing Director / Chief Executive Officer, whose members comprise senior management. The minutes of meetings of RCGC are tabled to the BRMC and BAC for notation.

Implementation of corrective action plans are followed up on a monthly basis and reported to the BAC. Highlights of the BAC meetings are submitted to the Board for review and further deliberation.

In addition, internal controls are also effected through the following processes:

- The Board receives and reviews regular reports from Management on the key operating statistics, business dynamics, legal matters and regulatory issues that would have implications on internal control measures.

- The BAC regularly reviews and holds discussions with Management on the actions taken on internal control issues identified in reports prepared by GIAD, external auditors and regulatory authorities.

- Policies on delegation and authority limits are strictly implemented to ensure a culture that respects integrity and honesty, and thereby reinforce internal controls.

- Policies and procedures are set out in operation manuals and disseminated throughout the organisation in support of a learning culture, so as to reinforce an environment of internal controls discipline.

- Policies for recruitment, promotion and termination of staff are in place to ensure the Group's human resources comply with internal controls.

Corporate Governance Overview, Risk Management & Internal Control Statement

J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

IV. ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance from the Group Managing Director/Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor and Chief Compliance Officer 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 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.

V. REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, 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.

K. 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 Bank for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and of the Bank for the FY 2021, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

This Statement on Corporate Governance Overview, Risk Management and Internal Control is made in accordance with the resolution of the Board.

Directors' Report

for the financial year ended 30 June 2021

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2021.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking business and in the provision of related services. The principal activity of the significant subsidiary consists of Islamic Banking services. Other subsidiary companies are primarily engaged in property investment and management, investment holding and nominee services. The details of the subsidiary companies are disclosed in Note 13 to the financial statements.

BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR

For the financial year under review, the Malaysian economy recovered reasonably well post the contraction in the second calendar quarter of 2020, rebounding from the pandemic-stricken economic downturn. We started the new calendar year amidst a slight contraction of 0.5% YOY in real GDP for 1Q 2021, the best reading in a year, testifying to the resiliency of the economy despite the reimplementation of the movement of control order ("MCO") in the quarter. We ended the financial year though under MCO 3.0 as a country wide effort to combat the resurgence of COVID-19 positive cases, impacting economic recovery momentum and prompting many economists to revise downward Malaysia's GDP growth rate for 2021. On the path to a full recovery from the pandemic, setbacks are likely to reoccur given the occasional spikes in infection cases with more infectious variants, corresponding implementation of restrictive measures as well as general consumer and business cautionary approach. Nevertheless, global economic recovery has picked up traction since the start of 2021, translating into favourable commodity prices and increased demand for Malaysia's exports.

Our strategic priorities over the course of the year have not changed. We continued to emphasise innovation of products and services to meet customers' changing needs and requirements, while internally building a highly agile and versatile employees cohort maintaining the focus to building a high performing culture. These enable the Bank to achieve resilient performance amid the challenging business environment. Concurrently, we remained steadfast in our focus to help customers through these difficult period so that we can come out of the pandemic better together. As you have come to expect of us, we continued to maintain a sharp focus on ensuring a disciplined cost structure, enabling us to continue to invest in growth opportunities so that we can continue to deliver sustainable positive outcomes to our stakeholders. The Bank is also focused and committed in promoting and integrating environmental, social and governance ("ESG") considerations into our business practices as we believe sustainable banking practices will serve as foundation to our continued competitive advantage. This is an area where we saw increased activities during the course of the financial year, and you will be able to read more about the various initiatives that we have taken in this Annual Report and the accompanying Sustainability Report.

OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR

Key to entrench the economic recovery in Malaysia and globally is the rate of vaccination that will lead to herd immunity, allowing governments to unconditionally open domestic and cross-border economic as well as social activities. We are optimistic that this is underway and hence the local and global economy will continue its recovery into 2022. Broad based recovery should spread from the manufacturing sector through to the services sector once movement restrictions are loosened, with the labour market seeing a sustained recovery from then on. Accordingly, growth may normalise back to trend levels during the course of 2022.

Benefitting from the recovery in the global economy, Malaysia is also expected to chart a steady growth, as further improvements in manufacturing, trade, consumer spending and investment activities provide an added impetus to growth. Whilst being cognisant of the evolving business and consumer environment, we will ensure that existing and new clients are able to rely on the Bank to obtain financial products and services that help them in their financial needs so that business and personal goals can be achieved.

Directors' Report
for the financial year ended 30 June 2021

OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR (CONTINUED)

On our part, we will remain focused to ensure that we will continue apace executing our strategic priorities to entrench ourselves as a highly digital and innovative ASEAN financial services institution. Emphasising on building products and services propositions that ring true to our brand promise of "Built Around You", where clients are at the centre of everything we do. We will also make meaningful progress on our many ESG initiatives, cementing them as part of our core operations and strategic priorities.

PERFORMANCE REVIEW AND MANAGEMENT REPORTS

The Board receives and reviews regular reports from the Management on key financial and operating statistics as well as legal and regulatory matters. The performance of each business unit is assessed against the approved budgets and business objectives whilst explanation is provided for significant variances.

CREDIT INFORMATION RATING

During the year, Rating Agency Malaysia Berhad has reaffirmed the Bank's long-term and short-term ratings, underpinned by our established domestic retail and SME franchises, robust asset quality and strong capitalisation. Moody's Investors Services Ltd has also reaffirmed the Bank's long-term rating at A3 and short-term rating at P2, with a stable outlook.

The ratings indicate that in the long-term, the Bank is adjudged to offer high safety for timely payment of financial obligations while in the short-term, the Bank is adjudged to have superior capacities for timely payment of obligations.

Details of the rating of the Bank and its debt securities are as follows:

Rating Agency	Date Accorded	Rating Classification
Rating Agency Malaysia Berhad	15 January 2021	Long-Term Rating: AAA Short-Term Rating: P1 Subordinated Notes: AA1 Additional Tier 1 Capital Securities: A1
Moody's Investors Services Ltd	24 February 2021	Long-Term Rating: A3 Short-Term Rating: P2

FINANCIAL RESULTS

	The Group RM'000	The Bank RM'000
Profit before taxation	3,470,939	2,404,153
Taxation	(610,297)	(535,834)
Net profit for the financial year	2,860,642	1,868,319

Directors' Report
for the financial year ended 30 June 2021

DIVIDENDS

Since the last financial year ended 30 June 2020, a final single tier dividend of 20.0 sen per share amounting to RM409,455,380 in respect of the financial year ended 30 June 2020, was paid on 20 November 2020.

An interim single tier dividend for the financial year ended 30 June 2021 of 14.78 sen per share amounting to RM302,630,704 was paid on 25 March 2021.

The Directors have declared a final single tier dividend of 35.22 sen per share on the Bank's adjusted total number of issued shares (excluding 81,101,700 treasury shares held pursuant to Section 127 of the Companies Act 2016 and Executive Share Scheme of 38,989,545 shares) amounting to RM721,174,243 for the financial year ended 30 June 2021, to be paid on a date to be determined.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 53 to the financial statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Subsequent events after the financial year are disclosed in Note 54 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

There were no new ordinary shares or debentures issued during the financial year.

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.

DIRECTORS

The Directors 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:

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Executive Non-Independent)
Mr Tan Kong Khoon	(Non-Independent Executive Director)
Mr Kwek Leng Hai	(Non-Independent Non-Executive Director)
Ms Chok Kwee Bee	(Independent Non-Executive Director)
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	(Independent Non-Executive Director)
YBhg Datuk Dr Md Hamzah bin Md Kassim	(Independent Non-Executive Director)
Ms Chong Chye Neo	(Independent Non-Executive Director)
Ms Lau Souk Huan	(Independent Non-Executive Director)

The names of Directors of subsidiaries are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

Directors' Report
for the financial year ended 30 June 2021

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 40 to the financial statements.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Bank 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 Bank and/or its related corporations during the financial year are as follows:

	Directors' direct interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes/subordinated sukuk murabahah****			
	As at 01.07.2020	Acquired	Sold	As at 30.06.2021
Interests of YBhg 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 Mr Tan Kong Khoon in:				
Hong Leong Financial Group Berhad	8,000,000*	-	-	8,000,000*
Interests of Mr Kwek Leng Hai in:				
Hong Leong Company (Malaysia) Berhad	420,500	-	-	420,500
Hong Leong Industries Berhad	190,000	-	-	190,000
Hong Leong Financial Group Berhad	2,526,000	-	-	2,526,000
Hong Leong Bank Berhad	5,510,000	-	-	5,510,000
Hume Cement Industries Berhad	205,200	-	-	205,200
(formerly known as Hume Industries Berhad)	105,571(3)	-	-	105,571(3)
Malaysian Pacific Industries Berhad	71,250	-	-	71,250
Interests of YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah in:				
Hong Leong Financial Group Berhad	250,000***	-	-	250,000***

DIRECTORS' INTERESTS (CONTINUED)

	Directors' deemed interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/ nominal value in Ringgit Malaysia of Tier 2 subordinated notes/ subordinated sukuk murabahah****			
	As at 01.07.2020	**Acquired**	**Sold**	**As at 30.06.2021**
Interests of YBhg Tan Sri Quek Leng Chan in:				
Hong Leong Company (Malaysia) Berhad	7,651,455[1]	-	-	7,651,455[1]
Hong Leong Financial Group Berhad	894,718,726[1]	-	(4,000)	894,714,726[1]
Hong Leong Capital Berhad	200,805,058	-	(27,000,000)	173,805,058
Hong Leong Bank Berhad	1,346,027,209	-	-	1,346,027,209
	800,000,000***	-	-	800,000,000***
	1,500,000,000****	-	-	1,500,000,000****
Hong Leong MSIG Takaful Berhad	130,000,000	-	-	130,000,000
Hong Leong Assurance Berhad	140,000,000	-	-	140,000,000
Hong Leong Islamic Bank Berhad	400,000,000***	-	-	400,000,000***
	400,000,000****	-	-	400,000,000****
Hong Leong Industries Berhad	242,788,803[1]	-	(44,167)	242,744,636[1]
Hong Leong Yamaha Motor Sdn Bhd	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	19,600,000	-	-	19,600,000
Malaysian Pacific Industries Berhad	108,954,790	7,371,864	(80,629)	116,246,025
Carter Resources Sdn Bhd	5,640,607	-	-	5,640,607
Carsem (M) Sdn Bhd	84,000,000	-	-	84,000,000
	22,400[2]	-	-	22,400[2]
Hume Cement Industries Berhad	350,231,658[1]	-	-	350,231,658[1]
(formerly known as Hume Industries Berhad)	191,938,946**[1]	-	-	191,938,946**[1]
	3,800,000*[1]	-	-	3,800,000*[1]
Southern Steel Berhad	417,246,046	-	-	417,246,046
Southern Pipe Industry (Malaysia) Sdn Bhd	124,964,153	-	-	124,964,153

Notes:
(1) Inclusive of interest pursuant to Section 59(11)(c) of the Companies Act 2016 in shares held by family member
(2) Redeemable Preference Shares/Cumulative Redeemable Preference Shares
(3) 5-Year 5% Redeemable Convertible Unsecured Loan Stocks

Directors' Report
for the financial year ended 30 June 2021

DIRECTORS' INTEREST (CONTINUED)

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments 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 Bank or of related corporations) by reason of a contract made by the Bank 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 acquisitions 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 Bank or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party, with the object or objects of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than the share options granted pursuant to the Executive Share Scheme.

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

In the course of preparing the annual financial statements of the Group and of the Bank, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Bank present a true and fair view of the state of affairs of the Group and the Bank as at 30 June 2021 and of the financial results and cash flows of the Group and of the Bank for the financial year ended 30 June 2021.

The financial statements are prepared on the going concern basis and the Directors have ensured that proper accounting records are kept, applied the appropriate accounting policies on a consistent basis and made accounting estimates that are reasonable and fair so as to enable the preparation of the financial statements of the Group and of the Bank with reasonable accuracy.

EXECUTIVE SHARE SCHEME

The Bank has established and implemented an Executive Share Scheme ("ESS").

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

(i) ESOS

The ESOS which was approved by the shareholders of the Bank 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, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the ESOS.

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

(ii) ESGS

The ESGS which was approved by the shareholders of the Bank on 23 October 2013, was established on 28 February 2014 and would end on 11 March 2023.

On 10 September 2013, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Bank to be issued pursuant to the ESGS.

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

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

Directors' Report

for the financial year ended 30 June 2021

EXECUTIVE SHARE SCHEME (CONTINUED)

(i) ESOS

There were 37,550,000 share options granted at an exercise price of RM14.24 under the ESOS 2013/2023 of the Bank on 2 April 2015.

Arising from the completion of the Bank's Rights Issue on 28 December 2015, the exercise price for the share options granted on 2 April 2015 under the ESOS was adjusted from RM14.24 to RM13.77 and additional share options of 782,657 were allotted to the option holders, in accordance with the provisions of the bye-laws governing the ESOS.

On 15 December 2017, the Bank has granted up to 22,750,000 share options at an exercise price of RM16.46.

There were no options granted under the ESOS of the Bank during the financial year ended 30 June 2021.

As at the financial year ended 30 June 2021, a total of 48,345,153 share options lapsed primarily arising from the resignation of some option holders.

As at 30 June 2021, a total of 61,082,657 share options had been granted under the ESOS, out of which 11,966,502 share options (adjusted following the completion of the Bank's Rights Issue) remain outstanding. 336,413 share options were exercised during the financial year ended 30 June 2021. The aggregate share options granted to Directors and chief executives of the HLB Group under the ESOS amounted to 19,326,399, out of which 5,600,000 share options remain outstanding.

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

As at 30 June 2021, the actual percentage of options granted to Directors and senior management of the HLB Group under the ESOS was 2.37% of the total number of issued shares (excluding treasury shares) of the Bank. During the financial year ended 30 June 2021, there is no option granted to the Directors and senior management of the HLB Group.

(ii) ESGS

The Bank had granted 228,728 ordinary shares under the ESGS amounting to 0.01% of the total number of issued shares (excluding treasury shares) of the Bank to eligible executives of the Bank during the financial year ended 30 June 2021.

As at 30 June 2021, a total of 1,766,147 ordinary shares had been granted under the ESGS amounting to 0.08% of the total number of issued shares (excluding treasury shares) to the chief executive and eligible executives of the Bank, out of which 1,402,353 ordinary shares had been vested and a total of 19,940 ordinary shares lapsed, with 343,854 ordinary shares remain outstanding.

Save for the above, there were no other shares granted under the ESGS.

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 Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank'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 ESS", in addition to the Treasury Shares for share buy-back, in the Shareholders' Equity on the statements of financial position.

For further details on the ESS, refer to Note 55 to the financial statements on Equity Compensation Benefits.

STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK

(I) As at the end of the financial year

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

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

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

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

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

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

(i) which would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and the Bank, inadequate to any substantial extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and the Bank misleading; and

(iii) which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.

(b) In the opinion of the Directors:

(i) the results of the operations of the Group and the Bank for the financial year ended 30 June 2021 are not likely 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

(ii) no contingent or other liability 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 Bank to meet their obligations as and when they fall due.

(III) As at the date of this report

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

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

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

Directors' Report
for the financial year ended 30 June 2021

DISCLOSURE OF SHARIAH COMMITTEE

The Group's Islamic banking activity is 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 approved by BNM.

The primary role of the Shariah 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.

HOLDING AND ULTIMATE HOLDING COMPANIES

The holding and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively. Both companies are incorporated in Malaysia.

SUBSIDIARIES

Details of subsidiaries are set out in Note 13 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 36 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 14 September 2021. Signed on behalf of the Board of Directors:

Tan Kong Khoon

Chok Kwee Bee

Kuala Lumpur
14 September 2021

Statements of Financial Position

as at 30 June 2021

		The Group		The Bank	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	3	**3,466,178**	8,562,169	**3,042,541**	5,543,800
Deposits and placements with banks and other financial institutions	4	**486,779**	1,052,379	**1,426,484**	1,818,174
Financial assets at fair value through profit or loss	5	**8,246,366**	8,069,396	**8,041,221**	8,047,727
Financial investments at fair value through other comprehensive income	6	**34,450,238**	27,282,544	**30,464,881**	24,737,905
Financial investments at amortised cost	7	**23,634,907**	20,101,432	**16,558,726**	15,079,081
Loans, advances and financing	8	**154,070,707**	144,694,950	**119,085,694**	112,823,975
Other assets	9	**2,011,856**	1,682,516	**1,873,246**	1,606,849
Derivative financial instruments	10	**1,005,249**	1,111,469	**983,205**	1,057,621
Amount due from subsidiaries	11	**-**	-	**15,870**	106,363
Statutory deposits with Central Banks	12	**493,605**	418,120	**301,428**	254,181
Subsidiary companies	13	**-**	-	**2,556,570**	2,558,901
Investment in associated companies	14	**5,501,542**	4,644,527	**971,182**	971,182
Property and equipment	15	**1,197,788**	1,299,902	**595,225**	685,169
Intangible assets	16	**242,317**	187,505	**218,277**	168,060
Right-of-use assets	17	**214,726**	253,118	**344,387**	420,653
Goodwill	18	**1,831,312**	1,831,312	**1,771,547**	1,771,547
Deferred tax assets	19	**275,670**	86,578	**183,513**	55,984
Total assets		**237,129,240**	221,277,917	**188,433,997**	177,707,172
Liabilities					
Deposits from customers	20	**183,289,771**	173,492,661	**144,357,035**	137,633,362
Investment accounts of customers	21	**1,145,154**	356,475	**-**	-
Deposits and placements of banks and other financial institutions	22	**12,130,039**	6,501,080	**12,015,297**	6,651,241
Obligations on securities sold under repurchase agreements		**742,750**	3,124,132	**742,750**	3,124,132
Bills and acceptances payable		**189,642**	134,053	**150,433**	120,216
Lease liabilities	23	**209,761**	241,177	**341,591**	407,838
Other liabilities	24	**5,358,784**	5,348,210	**5,066,401**	4,773,705
Derivative financial instruments	10	**909,666**	1,298,513	**879,986**	1,251,096
Recourse obligation on loans/financing sold to Cagamas Berhad ("Cagamas")	25	**1,033,839**	1,049,005	**300,572**	300,567
Tier 2 subordinated bonds	26	**1,502,340**	1,502,224	**1,502,340**	1,502,224
Multi-currency Additional Tier 1 capital securities	27	**806,390**	806,320	**806,390**	806,320
Provision for taxation		**351,990**	189,768	**272,296**	150,979
Total liabilities		**207,670,126**	194,043,618	**166,435,091**	156,721,680
Equity					
Share capital	28	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Reserves	29	**22,439,081**	20,218,580	**14,978,873**	13,969,773
Less: Treasury shares	30	**(719,030)**	(723,344)	**(719,030)**	(723,344)
Total equity		**29,459,114**	27,234,299	**21,998,906**	20,985,492
Total equity and liabilities		**237,129,240**	221,277,917	**188,433,997**	177,707,172
Commitments and contingencies	45	**278,901,435**	147,233,168	**261,848,638**	131,969,797

The accompanying notes form an integral part of the financial statements

Statements of Income

for the financial year ended 30 June 2021

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
Interest income	31a	**5,394,946**	5,912,043	**5,243,512**	5,782,292
Interest income for financial assets at fair value through profit or loss	31b	**161,783**	268,718	**161,783**	268,718
Interest expense	32	**(2,099,027)**	(3,416,377)	**(2,044,559)**	(3,382,940)
Net interest income		**3,457,702**	2,764,384	**3,360,736**	2,668,070
Income from Islamic Banking business	33	**919,402**	846,540	**-**	-
		4,377,104	3,610,924	**3,360,736**	2,668,070
Non-interest income	35	**1,089,769**	1,167,432	**1,310,022**	1,389,660
Net income		**5,466,873**	4,778,356	**4,670,758**	4,057,730
Overhead expenses	36	**(2,077,808)**	(2,103,804)	**(1,771,067)**	(1,792,455)
Operating profit before allowances		**3,389,065**	2,674,552	**2,899,691**	2,265,275
Allowance for impairment losses on loans, advances and financing	37	**(653,819)**	(327,655)	**(492,073)**	(188,333)
(Allowance for)/written back of impairment losses on financial investments and other assets	38	**(260)**	167	**(3,465)**	(1,467)
		2,734,986	2,347,064	**2,404,153**	2,075,475
Share of results of associated companies	14	**735,953**	642,333	**-**	-
Profit before taxation		**3,470,939**	2,989,397	**2,404,153**	2,075,475
Taxation	41	**(610,297)**	(494,800)	**(535,834)**	(421,460)
Net profit for the financial year		**2,860,642**	2,494,597	**1,868,319**	1,654,015
Attributable to:					
Owners of the parent		**2,860,642**	2,494,597	**1,868,319**	1,654,015
Earnings per share for profit attributable to owners of the parent (sen):					
- basic	42	**139.7**	121.9	**91.3**	80.8
- diluted	42	**139.7**	121.9	**91.2**	80.8

The accompanying notes form an integral part of the financial statements

Statements of Comprehensive Income

for the financial year ended 30 June 2021

		The Group		The Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net profit for the financial year		**2,860,642**	2,494,597	**1,868,319**	1,654,015
Other comprehensive income/(loss) in respect of:					
(i) Item that will not be reclassified to profit or loss:					
Equity instruments at fair value through other comprehensive income					
- Net fair value changes		**9,228**	15,763	**9,228**	15,763
(ii) Items that may be reclassified subsequently to profit or loss:					
(a) Share of other comprehensive (loss)/income of associated companies		**(15,019)**	15,976	**-**	-
(b) Currency translation differences		**282,081**	78,085	**(4,182)**	13,621
(c) Debt instruments at fair value through other comprehensive income					
- Net fair value changes	43	**(289,882)**	203,515	**(221,513)**	231,676
- Changes in expected credit losses	43	**198**	502	**211**	601
(d) Net fair value changes in cash flow hedge	43	**3,235**	(7,633)	**3,233**	(7,631)
Income tax relating to components of other comprehensive income/(loss)	43	**68,101**	(43,019)	**51,887**	(49,823)
Other comprehensive income/(loss) for the financial year, net of tax		**57,942**	263,189	**(161,136)**	204,207
Total comprehensive income for the financial year		**2,918,584**	2,757,786	**1,707,183**	1,858,222
Attributable to:					
Owners of the parent		**2,918,584**	2,757,786	**1,707,183**	1,858,222

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2021

		Attributable to owners of the parent					
The Group	**Note**	**Share capital RM'000**	**Treasury shares* RM'000**	**Regulatory reserves ^ RM'000**	**Other reserves RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 July 2020		7,739,063	(723,344)	848,428	1,197,346	18,172,806	27,234,299
Comprehensive income							
Net profit for the financial year		-	-	-	-	2,860,642	2,860,642
Share of other comprehensive loss of associated company		-	-	-	(15,019)	-	(15,019)
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	9,228	-	9,228
- Net gain on disposal		-	-	-	(10)	10	-
- Debt instruments	43						
- Net fair value changes		-	-	-	(221,004)	-	(221,004)
- Changes in expected credit losses		-	-	-	198	-	198
Net fair value changes in cash flow hedge	43	-	-	-	2,458	-	2,458
Currency translation differences		-	-	-	282,081	-	282,081
Total comprehensive income		-	-	-	57,932	2,860,652	2,918,584
Transactions with owners							
Transfer from regulatory reserve		-	-	(424,474)	-	424,474	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2020	44	-	-	-	-	(409,455)	(409,455)
- interim dividend for the financial year ended 30 June 2021	44	-	-	-	-	(302,631)	(302,631)
ESS exercised		-	4,314	-	(5,211)	5,530	4,633
Option charge arising from ESS granted		-	-	-	13,684	-	13,684
Total transactions with owners		-	4,314	(424,474)	8,473	(282,082)	(693,769)
At 30 June 2021		7,739,063	(719,030)	423,954	1,263,751	20,751,376	29,459,114

* Treasury shares consist of two categories which are detailed in Note 30

^ Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM412,709,000 (30 June 2020: RM837,183,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June 2020: RM11,245,000)

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2021

		Attributable to owners of the parent					
The Group	**Note**	**Share capital RM'000**	**Treasury shares* RM'000**	**Regulatory reserves^ RM'000**	**Other reserves RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 July 2019		7,739,063	(727,817)	858,315	918,414	16,686,412	25,474,387
Comprehensive income							
Net profit for the financial year		-	-	-	-	2,494,597	2,494,597
Share of other comprehensive income of associated company		-	-	-	15,976	-	15,976
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	15,763	-	15,763
- Debt instruments	43						
- Net fair value changes		-	-	-	158,626	-	158,626
- Changes in expected credit losses		-	-	-	502	-	502
Net fair value changes in cash flow hedge	43	-	-	-	(5,763)	-	(5,763)
Currency translation differences		-	-	-	78,085	-	78,085
Total comprehensive income		-	-	-	263,189	2,494,597	2,757,786
Transactions with owners							
Transfer from regulatory reserve		-	-	(9,887)	-	9,887	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2019	44	-	-	-	-	(695,813)	(695,813)
- interim dividend for the financial year ended 30 June 2020	44	-	-	-	-	(327,527)	(327,527)
ESS exercised		-	4,473	-	(7,342)	5,250	2,381
Option charge arising from ESS granted		-	-	-	23,085	-	23,085
Total transactions with owners		-	4,473	(9,887)	15,743	(1,008,203)	(997,874)
At 30 June 2020		7,739,063	(723,344)	848,428	1,197,346	18,172,806	27,234,299

* Treasury shares consist of two categories which are detailed in Note 30

^ Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM837,183,000 (30 June 2019: RM847,070,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June 2019: RM11,245,000)

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2021

		Non-distributable				Distributable	
The Bank	Note	Share capital RM'000	Treasury shares* RM'000	Regulatory reserves RM'000	Other reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 July 2020		7,739,063	(723,344)	703,987	604,314	12,661,472	20,985,492
Comprehensive income							
Net profit for the financial year		-	-	-	-	1,868,319	1,868,319
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	9,228	-	9,228
- Net gain on disposal		-	-	-	(10)	10	-
- Debt instruments	43						
- Net fair value changes		-	-	-	(168,849)	-	(168,849)
- Changes in expected credit losses		-	-	-	211	-	211
Net fair value changes in cash flow hedge	43	-	-	-	2,456	-	2,456
Currency translation differences		-	-	-	(4,182)	-	(4,182)
Total comprehensive (loss)/income		-	-	-	(161,146)	1,868,329	1,707,183
Transactions with owners							
Transfer from regulatory reserve		-	-	(316,310)	-	316,310	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2020	44	-	-	-	-	(409,455)	(409,455)
- interim dividend for the financial year ended 30 June 2021	44	-	-	-	-	(302,631)	(302,631)
ESS exercised		-	4,314	-	(5,211)	5,530	4,633
Option charge arising from ESS granted		-	-	-	13,684	-	13,684
Total transactions with owners		-	4,314	(316,310)	8,473	(390,246)	(693,769)
At 30 June 2021		7,739,063	(719,030)	387,677	451,641	14,139,555	21,998,906

* Treasury shares consist of two categories which are detailed in Note 30

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2021

		Non-distributable				Distributable	
The Bank	**Note**	**Share capital RM'000**	**Treasury shares* RM'000**	**Regulatory reserves RM'000**	**Other reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 July 2019		7,739,063	(727,817)	695,197	384,364	12,034,337	20,125,144
Comprehensive income							
Net profit for the financial year		-	-	-	-	1,654,015	1,654,015
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	15,763	-	15,763
- Debt instruments	43						
- Net fair value changes		-	-	-	179,983	-	179,983
- Changes in expected credit losses		-	-	-	601	-	601
Net fair value changes in cash flow hedge	43	-	-	-	(5,761)	-	(5,761)
Currency translation differences		-	-	-	13,621	-	13,621
Total comprehensive income		-	-	-	204,207	1,654,015	1,858,222
Transactions with owners							
Transfer to regulatory reserve		-	-	8,790	-	(8,790)	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2019	44	-	-	-	-	(695,813)	(695,813)
- interim dividend for the financial year ended 30 June 2020	44	-	-	-	-	(327,527)	(327,527)
ESS exercised		-	4,473	-	(7,342)	5,250	2,381
Option charge arising from ESS granted		-	-	-	23,085	-	23,085
Total transactions with owners		-	4,473	8,790	15,743	(1,026,880)	(997,874)
At 30 June 2020		7,739,063	(723,344)	703,987	604,314	12,661,472	20,985,492

* Treasury shares consist of two categories which are detailed in Note 30

The accompanying notes form an integral part of the financial statements

Statements of Cash Flows

for the financial year ended 30 June 2021

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from operating activities				
Profit before taxation	**3,470,939**	2,989,397	**2,404,153**	2,075,475
Adjustments for:				
Depreciation of property and equipment	**126,609**	134,390	**107,867**	115,957
Depreciation of right-of-use assets	**52,702**	55,174	**75,023**	77,643
Amortisation of intangible assets	**56,948**	59,025	**51,190**	53,909
Net gain on disposal of property and equipment	**(5,220)**	(3,996)	**(5,220)**	(3,997)
Share of results of associated companies	**(735,953)**	(642,333)	**-**	-
Property and equipment written off	**2,753**	26,399	**2,725**	26,156
Intangible assets written off	**924**	8,357	**877**	8,352
Amortisation of upfront fees	**131**	632	**131**	632
Net realised (gain)/loss on financial instruments:				
- financial assets at fair value through profit or loss	**(46,630)**	(133,481)	**(44,950)**	(133,481)
- derivatives financial instruments	**154,103**	63,668	**154,819**	63,668
- financial investments at fair value through other comprehensive income	**(225,559)**	(364,324)	**(225,559)**	(364,033)
- financial investments at amortised cost	**(29,385)**	-	**(29,385)**	-
Allowance for impairment losses on loans, advances and financing	**830,999**	501,804	**644,019**	339,746
Impaired loans, advances and financing written off	**16,201**	17,976	**12,620**	12,877
Modification loss on contractual cash flows arising from financial assets	**16,607**	142,467	**7,177**	90,751
Net unrealised (gain)/loss on revaluation of financial instruments:				
- financial assets at fair value through profit or loss	**(2,754)**	(13,199)	**(4,337)**	(13,199)
- derivatives financial instruments	**(246,060)**	131,991	**(243,615)**	131,991
Net realised loss on fair value changes arising from fair value hedges	**7,215**	2,643	**7,215**	2,643
Net loss arising from fair value hedges	**967**	1,051	**967**	1,051
Allowance for/(written back of) impairment losses on financial investments and other assets	**260**	(167)	**3,465**	1,467
Interest expense on:				
- Recourse obligation on loans/financing sold to Cagamas	**36,621**	26,783	**10,441**	6,588
- Tier 2 subordinated bonds	**66,600**	66,752	**66,600**	66,782
- Multi-currency Additional Tier 1 capital securities	**39,366**	39,473	**39,531**	39,639
- Innovative Tier 1 capital securities	**-**	8,413	**-**	8,413
- Lease liabilities	**9,961**	11,307	**16,540**	19,147

Statements of Cash Flows

for the financial year ended 30 June 2021

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income from:				
- financial investments at fair value through other comprehensive income	**(728,770)**	(687,729)	**(729,495)**	(692,225)
- financial investments at amortised cost	**(505,951)**	(416,058)	**(505,288)**	(415,255)
- Multi-currency Additional Tier 1 subordinated sukuk wakalah	**-**	-	**112**	(56)
- Tier 2 subordinated sukuk murabahah	**-**	-	**(46)**	46
Dividend income from:				
- subsidiary company	**-**	-	**(3,500)**	(19,000)
- associated companies	**-**	-	**(239,494)**	(205,332)
- financial assets at fair value through profit or loss	**(121,127)**	(226,380)	**(121,417)**	(226,380)
- financial investments at fair value through other comprehensive income	**(665)**	(3,683)	**(665)**	(3,683)
Share option expenses	**13,684**	23,085	**13,684**	23,085
Operating profit before working capital changes	**2,255,516**	1,819,437	**1,466,185**	1,089,377
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	**1,949,188**	(804,192)	**1,448,503**	(766,697)
Financial assets at fair value through profit or loss	**(127,586)**	4,208,317	**55,793**	3,714,691
Loans, advances and financing	**(10,243,110)**	(9,033,498)	**(6,929,081)**	(4,316,897)
Derivative financial instruments	**81,371**	(814,925)	**55,030**	(764,531)
Other assets	**(154,563)**	(335,664)	**(91,620)**	(310,696)
Amount due from subsidiaries	**-**	-	**90,493**	(93,268)
Statutory deposits with Central Banks	**(75,485)**	4,170,713	**(47,247)**	3,310,242
Increase/(Decrease) in operating liabilities				
Deposits from customers	**9,909,280**	10,424,791	**6,827,219**	6,239,472
Investment accounts of customers	**788,679**	354,240	**-**	-
Deposits and placements of banks and other financial institutions	**5,628,959**	(857,344)	**5,364,056**	(553,693)
Securities sold under repurchase agreements	**(2,381,382)**	790,216	**(2,381,382)**	790,216
Bills and acceptances payable	**55,589**	(258,970)	**30,217**	(242,362)
Derivative financial instruments	**(389,610)**	633,526	**(371,873)**	587,686
Other liabilities	**12,082**	432,921	**293,103**	446,542
Cash flows generated from operations	**7,308,928**	10,729,568	**5,809,396**	9,130,082
Taxation paid	**(567,267)**	(516,455)	**(422,873)**	(367,133)
Net cash generated from operating activities	**6,741,661**	10,213,113	**5,386,523**	8,762,949

Statements of Cash Flows

for the financial year ended 30 June 2021

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from investing activities				
Net purchases of financial investments at fair value through other comprehensive income	**(6,494,062)**	(2,156,673)	**(4,984,250)**	(2,688,182)
Net purchases of financial investments at amortised cost	**(2,998,011)**	(4,532,195)	**(944,799)**	(3,769,345)
Impairment loss in subsidiary	**-**	-	**1,760**	-
Purchase of property and equipment	**(119,588)**	(181,342)	**(102,359)**	(163,150)
Net proceeds from sale of property and equipment	**9,097**	6,251	**9,097**	6,207
Purchase of intangible assets	**(25,456)**	(27,275)	**(24,767)**	(23,471)
Investment in subordinated facilities	**-**	-	**505**	(554)
Dividends received from:				
- subsidiary company	**-**	-	**3,500**	19,000
- financial assets at fair value through profit or loss	**121,127**	226,380	**121,417**	226,380
- financial investments at fair value through other comprehensive income	**665**	3,683	**665**	3,683
Net cash used in investing activities	**(9,506,228)**	(6,661,171)	**(5,919,231)**	(6,389,432)

Statements of Cash Flows

for the financial year ended 30 June 2021

		The Group		The Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from financing activities					
Dividends paid		**(712,086)**	(1,023,340)	**(712,086)**	(1,023,340)
Cash received from ESOS exercised		**4,633**	2,381	**4,633**	2,381
Repayment of Innovative Tier 1 capital securities		**-**	(500,000)	**-**	(500,000)
Repayment of lease liabilities		**(45,219)**	(44,849)	**(63,988)**	(62,629)
Repayment of recourse obligation on loans/financing sold to Cagamas		**(14,957)**	(200,050)	**-**	(200,050)
Proceeds from debt issuance:					
- Recourse obligation on loans/financing sold to Cagamas		**-**	993,447	**-**	300,023
Interest paid:					
- Recourse obligation on loans/financing sold to Cagamas		**(36,830)**	(24,766)	**(10,436)**	(8,948)
- Tier 2 subordinated bonds		**(66,484)**	(66,868)	**(66,484)**	(66,898)
- Multi-currency Additional Tier 1 capital securities		**(39,427)**	(39,468)	**(39,592)**	(39,634)
- Innovative Tier 1 capital securities		**-**	(21,071)	**-**	(21,071)
- Lease liabilities		**(9,961)**	(11,307)	**(16,540)**	(19,147)
Net cash used in financing activities		**(920,331)**	(935,891)	**(904,493)**	(1,639,313)
Net (decrease)/increase in cash and cash equivalents		**(3,684,898)**	2,616,051	**(1,437,201)**	734,204
Effects of exchange rate changes		**(27,505)**	47,433	**(7,245)**	12,059
Cash and cash equivalents at the beginning of financial year		**7,187,221**	4,523,737	**5,005,032**	4,258,769
Cash and cash equivalents at the end of financial year		**3,474,818**	7,187,221	**3,560,586**	5,005,032
Cash and cash equivalents comprise the following:					
Cash and short-term funds	3	**3,466,178**	8,562,169	**3,042,541**	5,543,800
Deposits and placements with banks and other financial institutions	4	**486,779**	1,052,379	**1,426,484**	1,818,174
		3,952,957	9,614,548	**4,469,025**	7,361,974
Less:					
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		**(478,139)**	(2,427,327)	**(908,439)**	(2,356,942)
		3,474,818	7,187,221	**3,560,586**	5,005,032

The accompanying notes form an integral part of the financial statements

Statements of Cash Flows

for the financial year ended 30 June 2021

An analysis of changes in liabilities arising from financing activities is as follows:

The Group	Recourse obligation on loans/ financing sold to Cagamas RM'000	Tier 2 subordinated bonds RM'000	Multi-currency Additional Tier 1 capital securities RM'000	Innovative Tier 1 capital securities RM'000	Lease liabilities RM'000	Total RM'000
2021						
Balance at the beginning of the financial year	**1,049,005**	**1,502,224**	**806,320**	**-**	**241,177**	**3,598,726**
Repayment and redemption	**(14,957)**	**-**	**-**	**-**	**(45,219)**	**(60,176)**
Interest paid	**(36,830)**	**(66,484)**	**(39,427)**	**-**	**(9,961)**	**(152,702)**
Accrued interest	**36,621**	**66,600**	**39,366**	**-**	**9,961**	**152,548**
Amortisation	**-**	**-**	**131**	**-**	**-**	**131**
Other non-cash	**-**	**-**	**-**	**-**	**13,803**	**13,803**
Balance at the end of the financial year	**1,033,839**	**1,502,340**	**806,390**	**-**	**209,761**	**3,552,330**
2020						
Balance at the beginning of the financial year	253,591	1,502,340	806,185	512,268	-	3,074,384
Effect of adopting MFRS 16	-	-	-	-	285,782	285,782
As restated	253,591	1,502,340	806,185	512,268	285,782	3,360,166
Proceeds from issuance	993,447	-	-	-	-	993,447
Repayment and redemption	(200,050)	-	-	(500,000)	(44,849)	(744,899)
Interest paid	(24,766)	(66,868)	(39,468)	(21,071)	(11,307)	(163,480)
Accrued interest	26,783	66,752	39,473	8,413	11,307	152,728
Amortisation	-	-	130	502	-	632
Other non-cash	-	-	-	(112)	244	132
Balance at the end of the financial year	1,049,005	1,502,224	806,320	-	241,177	3,598,726

Statements of Cash Flows
for the financial year ended 30 June 2021

An analysis of changes in liabilities arising from financing activities is as follows: (continued)

The Bank	Recourse obligation on loans/ financing sold to Cagamas RM'000	Tier 2 subordinated bonds RM'000	Multi-currency Additional Tier 1 capital securities RM'000	Innovative Tier 1 capital securities RM'000	Lease liabilities RM'000	Total RM'000
2021						
Balance at the beginning of the financial year	**300,567**	**1,502,224**	**806,320**	**-**	**407,838**	**3,016,949**
Repayment and redemption	**-**	**-**	**-**	**-**	**(63,988)**	**(63,988)**
Interest paid	**(10,436)**	**(66,484)**	**(39,592)**	**-**	**(16,540)**	**(133,052)**
Accrued interest	**10,441**	**66,600**	**39,531**	**-**	**16,540**	**133,112**
Amortisation	**-**	**-**	**131**	**-**	**-**	**131**
Other non-cash	**-**	**-**	**-**	**-**	**(2,259)**	**(2,259)**
Balance at the end of the financial year	**300,572**	**1,502,340**	**806,390**	**-**	**341,591**	**2,950,893**
2020						
Balance at the beginning of the financial year	202,954	1,502,340	806,185	512,268	-	3,023,747
Effect of adopting MFRS 16	-	-	-	-	459,572	459,572
As restated	202,954	1,502,340	806,185	512,268	459,572	3,483,319
Proceeds from issuance	300,023	-	-	-	-	300,023
Repayment and redemption	(200,050)	-	-	(500,000)	(62,629)	(762,679)
Interest paid	(8,948)	(66,898)	(39,634)	(21,071)	(19,147)	(155,698)
Accrued interest	6,588	66,782	39,639	8,413	19,147	140,569
Amortisation	-	-	130	502	-	632
Other non-cash	-	-	-	(112)	10,895	10,783
Balance at the end of the financial year	300,567	1,502,224	806,320	-	407,838	3,016,949

Notes to the Financial Statements

for the financial year ended 30 June 2021

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

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016, in Malaysia.

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

The financial statements incorporate the activities relating to Islamic Banking which have been undertaken by the Group in compliance with Shariah principles. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

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 revenue and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group and the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

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 56.

A Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Bank

The Group and the Bank have applied the following amendments for the first time for the financial year beginning on 1 July 2020:

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

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

The amendments clarify that to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

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

1 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 Bank (continued)

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

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

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

The amendments shall be applied prospectively.

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

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

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

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

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

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

In accordance with the transitional provisions provided in the MFRS 16 amendment, the comparative information for June 2020 was not restated and continued to be reported under the previous accounting policies in accordance with the lease modification principles in MFRS 16. The cumulative effects of initially applying the MFRS 16 amendment were adjusted against retained earnings as at 1 July 2020.

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.

Notes to the Financial Statements

for the financial year ended 30 June 2021

1 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 Bank that have been issued but not yet effective

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

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

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

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

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

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

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

  The amendments shall be applied prospectively.

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

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

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

1 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 Bank that have been issued but not yet effective (continued)

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

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

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

  The amendments shall be applied retrospectively.

* Amendments to MFRS 116 'Proceeds before Intended Use' (effective 1 January 2022)

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

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

  The amendments shall be applied retrospectively.

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

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

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

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

  The amendments shall be applied retrospectively.

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

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

C Changes in regulatory requirements

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

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

I 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:

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

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

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

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:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A 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 Bank 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.

Notes to the Financial Statements

for the financial year ended 30 June 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(i) Subsidiaries (continued)

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

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

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(iv) Joint arrangements (continued)

The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses 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 ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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 ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures 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.

Notes to the Financial Statements

for the financial year ended 30 June 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(v) Associated companies (continued)

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

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

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

(vi) Loss of joint control or significant influence

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

(vii) Investments in subsidiaries and associated companies

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

Investments in debt instruments issued by subsidiary companies at amortised cost are measured in accordance with Note D.

B 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B Recognition of interest/profit income and interest/profit expense (continued)

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 Bank 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).

C Recognition of fees and other income

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

Other income recognition are as follows:

a) 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C Recognition of fees and other income (continued)

b) 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.

D Financial assets

(i) Classification

The Group and the Bank 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 Bank reclassify debt investments when and only when its business model for managing those assets changes. The Group and the Bank 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.

<u>Business model assessment</u>

The Group and the Bank 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.

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

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 Bank assess whether the financial assets' contractual cash flows represent solely payment of principal and interest. In applying the SPPI test, the Group and the Bank 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial assets (continued)

(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 Bank 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 Bank have transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group and the Bank 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 Bank'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 Bank 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/profit 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 37 and Note 38) in the statements of income.

(b) Fair value through other comprehensive income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial assets (continued)

(iii) Measurement (continued)

(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 Bank 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 Bank 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 Bank'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 Bank'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 Bank change their business model for managing the assets. In such cases, the Group and the Bank 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.

E 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E Financial liabilities (continued)

(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 and the Bank have 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 on 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.

F 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 Bank 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 basis to write off the cost of the assets 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 freehold land	2%
Buildings on leasehold land	Over the remaining period of the lease or 50 years (2%) whichever is shorter
Office furniture, fittings, equipment and renovations and computer equipment	10% - 33%
Motor vehicles	25%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F 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 the carrying amount of an asset is greater than its estimated recoverable amount, it is written down 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.

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

G 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 the acquisition date fair value of 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 net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed. 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 allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G 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.

Other intangible assets have finite useful lives as follows:

Core deposit: 7 years
Customer relationships: 10 years

H 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 Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Bank 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 Bank 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 Bank 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 Bank, and affects whether the Group and the Bank 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 Bank 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H 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 Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Bank are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank 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 Bank, an incremental borrowing rate is used in determining the discount rate which assumes the interest/profit rate that the Group and the Bank 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 Bank 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 Bank 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.

I 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I 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.

J 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 profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. 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 statements of financial position and charged to the tax expense in the statements of income as under provision 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 recognised 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 income 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 ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J 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.

K Derivative financial instruments and hedging

The Group and the Bank have elected an accounting policy choice under MFRS 9 to continue to apply the hedge accounting requirements under MFRS 139 for fair value macro hedges on the adoption of MFRS 9 on 1 July 2018.

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 and the Bank 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 and the Bank designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K Derivative financial instruments and hedging (continued)

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the statements of income. Amounts accumulated in equity are recycled to the statements of income in the financial periods in which the hedged item will affect statements of income.

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

(iii) Derivatives that do not qualify for hedge accounting

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

L 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 Bank'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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L Currency translations (continued)

(ii) Foreign currency transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as financial instruments 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 assets at fair value through other comprehensive income are included in the fair value reserve in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of the statements of financial position;
- income and expenses for each statements of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other 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 other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L Currency translations (continued)

(iii) Group companies (continued)

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

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

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group and the Bank has 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 Bank 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 financial period to which they relate. Once the contributions have been paid, the Group and the Bank have 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M Employee benefits (continued)

(iii) Share-based compensation

The Bank operates an equity-settled, share-based compensation plan for the employees of the Bank under which the Bank receives services from employees as consideration for equity instruments (options) of the Bank. 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 Bank revises its estimates of the number of share options that are expected to vest based on the non-market vesting conditions. 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 Executive 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 Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares 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" in equity on the statements of financial position. The cost of operating the ESOS scheme would be charged to the statements of income when incurred in accordance with accounting standards.

When the options are exercised, the Bank transfers the Treasury shares for ESOS scheme to the ESOS holder. The Treasury shares and share options reserve would be adjusted against the retained earnings.

When the options are exercised, the Bank may also 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 earnings.

N Impairment of financial assets

The Group and the Bank assess on a forward looking basis the expected credit losses ("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 Bank assess whether the credit risk on an exposure has increased significantly on an individual or collective basis. The Group and the Bank first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Bank 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.

The Group and the Bank have adopted the general approach for ECL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of financial assets (continued)

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

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

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

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

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

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

(c) Stage 3: Lifetime ECL - credit impaired

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

Significant increase in credit risk

At each reporting date, the Group and the Bank 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 Bank consider both quantitative and qualitative information and assessments based on the Group's and the Bank'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.

Definition of default and credit-impaired financial assets

At each reporting period, the Group and the Bank 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of financial assets (continued)

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)

Definition of default and credit-impaired financial assets (continued)

Where measurement of ECL is relying on external published sources, in determining if a financial asset is credit-impaired, the Group and the Bank 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.

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 Bank 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of financial assets (continued)

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)

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

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

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.

<u>Modification of loans/financing</u>

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

The Group and the Bank 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 and the Bank 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 and the Bank 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 and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in statements of income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest/profit rate (or credit–adjusted effective interest/profit rate for purchased or originated credit-impaired financial assets).

The impact of modifications of financial assets on the expected credit loss calculation is discussed in Note 34.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O 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 Bank under standard repurchase agreements transactions is not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

P 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 an 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.

Q Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Bank 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.

R Foreclosed properties

Foreclosed properties are stated at the lower of carrying amount and fair value less cost to sell.

S Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T Provisions

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

(i) the Group and the Bank 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 Bank 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.

U 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.

V 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W 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

The Bank has repurchased its shares and designated as treasury shares in accordance with MFRS 132 'Financial Instruments: Presentation'. Treasury shares consist of those own shares purchased pursuant to Section 127 of the Companies Act 2016 and those purchased pursuant to ESOS scheme.

Where the Bank or its subsidiaries purchases the Bank’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 Bank’s equity holders as treasury shares until they are cancelled, reissued or disposed off. 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.

X 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y Sale and repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank 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 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 the 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.

Z Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

* the profit attributable to owners of the Bank, 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.

(ii) 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.

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

Notes to the Financial Statements

for the financial year ended 30 June 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AB 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 such schemes that addresses identified costs or expenses incurred by the Group and the Bank 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'.

3 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and balances with banks and other financial institutions	**2,646,875**	2,615,425	**2,116,179**	1,842,619
Money at call and deposit placements maturing within one month	**819,546**	5,946,901	**926,943**	3,702,258
	3,466,421	8,562,326	**3,043,122**	5,544,877
Less: Expected credit losses	**(243)**	(157)	**(581)**	(1,077)
	3,466,178	8,562,169	**3,042,541**	5,543,800

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Licensed banks	**420,045**	919,858	**1,430,454**	1,820,099
Central banks	**66,781**	132,584	**-**	-
	486,826	1,052,442	**1,430,454**	1,820,099
Less: Expected credit losses	**(47)**	(63)	**(3,970)**	(1,925)
	486,779	1,052,379	**1,426,484**	1,818,174

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

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Money market instruments				
Government treasury bills	**392,473**	579,866	**392,473**	579,866
Malaysian Government securities	**622,393**	747,323	**622,393**	747,323
Malaysian Government investment certificates	**1,425,947**	1,135,704	**1,425,947**	1,114,035
Cagamas bonds	**218,267**	166,697	**-**	166,697
Khazanah bonds	**-**	19,999	**-**	19,999
Other Government securities	**32,756**	47,452	**32,756**	47,452
	2,691,836	2,697,041	**2,473,569**	2,675,372
Quoted securities				
Shares in Malaysia	**74,010**	-	**-**	-
Shares outside Malaysia	**41,318**	-	**41,318**	-
Wholesale fund/unit trust	**4,947,955**	4,657,038	**5,035,087**	4,657,038
Foreign currency bonds in Malaysia	**-**	159,401	**-**	159,401
Foreign currency bonds outside Malaysia	**29,755**	145,069	**29,755**	145,069
	7,784,874	7,658,549	**7,579,729**	7,636,880
Unquoted securities				
Government sukuk	**81,315**	-	**81,315**	-
Corporate bonds and sukuk	**6,308**	55,211	**6,308**	55,211
Shares in Malaysia	**348,869**	330,636	**348,869**	330,636
Redeemable preference shares	**25,000**	25,000	**25,000**	25,000
	8,246,366	8,069,396	**8,041,221**	8,047,727

Notes to the Financial Statements

for the financial year ended 30 June 2021

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

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At fair value				
(a) Debt instruments	**34,381,144**	27,222,450	**30,395,787**	24,677,811
(b) Equity instruments	**69,094**	60,094	**69,094**	60,094
	34,450,238	27,282,544	**30,464,881**	24,737,905
(a) Debt instruments				
Money market instruments				
Government treasury bills	**917,859**	487,768	**917,859**	487,768
Malaysian Government securities	**4,199,850**	2,106,857	**4,199,850**	2,106,857
Malaysian Government investment certificates	**12,242,066**	8,287,017	**8,448,049**	6,656,156
Negotiable instruments of deposit	**800,392**	950,404	**1,100,378**	700,603
Other Government securities	**87,514**	312,507	**77,943**	196,152
Cagamas bonds	**1,511,844**	1,687,440	**1,408,914**	1,522,417
Khazanah bonds	**469,874**	529,373	**469,874**	529,373
	20,229,399	14,361,366	**16,622,867**	12,199,326
Quoted securities				
Government sukuk	**903,959**	470,638	**903,959**	470,638
Foreign currency bonds in Malaysia	**2,248,808**	2,131,473	**2,248,808**	2,131,473
Foreign currency bonds outside Malaysia	**1,505,360**	1,353,402	**1,505,360**	1,353,402
	24,887,526	18,316,879	**21,280,994**	16,154,839
Unquoted securities				
Government sukuk	**495,244**	83,486	**495,244**	83,486
Corporate bonds and sukuk	**8,484,648**	8,091,050	**8,105,823**	7,708,451
Foreign currency bonds in Malaysia	**270,932**	306,295	**270,932**	306,295
Foreign currency bonds outside Malaysia	**242,794**	424,740	**242,794**	424,740
	34,381,144	27,222,450	**30,395,787**	24,677,811

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 and the Bank amounting to RM242,393,000 (2020: RM2,925,732,000).

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

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

Movements in expected credit losses of debt instruments at FVOCI are as follows:

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2021				
At 1 July	**2,068**	**-**	**4,287**	**6,355**
New financial assets originated or purchased	**1,316**	**-**	**-**	**1,316**
Financial assets derecognised	**(1,058)**	**-**	**-**	**(1,058)**
Changes due to change in credit risk	**(8)**	**-**	**-**	**(8)**
Changes in models/risk parameters	**(20)**	**-**	**-**	**(20)**
Exchange differences	**(32)**	**-**	**-**	**(32)**
At 30 June	**2,266**	**-**	**4,287**	**6,553**

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2020				
At 1 July	1,566	-	4,287	5,853
New financial assets originated or purchased	1,735	-	-	1,735
Financial assets derecognised	(1,046)	-	-	(1,046)
Changes due to change in credit risk	(197)	-	-	(197)
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	30	-	-	30
At 30 June	2,068	-	4,287	6,355

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

Movements in expected credit losses of debt instruments at FVOCI are as follows: (continued)

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2021				
At 1 July	**2,055**	**-**	**4,287**	**6,342**
New financial assets originated or purchased	**1,316**	**-**	**-**	**1,316**
Financial assets derecognised	**(1,045)**	**-**	**-**	**(1,045)**
Changes due to change in credit risk	**(10)**	**-**	**-**	**(10)**
Changes in models/risk parameters	**(18)**	**-**	**-**	**(18)**
Exchange differences	**(32)**	**-**	**-**	**(32)**
At 30 June	**2,266**	**-**	**4,287**	**6,553**

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2020				
At 1 July	1,454	-	4,287	5,741
New financial assets originated or purchased	1,724	-	-	1,724
Financial assets derecognised	(975)	-	-	(975)
Changes due to change in credit risk	(158)	-	-	(158)
Changes in models/risk parameters	(18)	-	-	(18)
Exchange differences	28	-	-	28
At 30 June	2,055	-	4,287	6,342

	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
(b) Equity instruments				
Unquoted securities:				
Shares in Malaysia	**69,094**	60,094	**69,094**	60,094

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

The Group and the Bank 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 and The Bank	Fair value RM'000	Dividend income recognised during the financial year RM'000
2021		
Securities:		
RAM Holdings Berhad	**9,345**	**493**
Payments Network Malaysia Sdn Bhd	**58,857**	**-**
Others	**892**	**172**
	69,094	**665**

The Group and The Bank	Fair value RM'000	Dividend income recognised during the financial year RM'000
2020		
Securities:		
RAM Holdings Berhad	9,357	3,683
Payments Network Malaysia Sdn Bhd	49,554	-
Others	1,183	-
	60,094	3,683

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7 FINANCIAL INVESTMENTS AT AMORTISED COST

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Money market instruments				
Malaysian Government securities	**3,804,892**	2,764,183	**3,804,892**	2,764,183
Malaysian Government investment certificates	**14,107,056**	10,871,164	**8,501,418**	7,301,857
Khazanah bonds	**19,234**	316,038	**-**	278,110
Other Government securities	**505,500**	456,623	**445,280**	437,425
	18,436,682	14,408,008	**12,751,590**	10,781,575
Quoted securities				
Foreign currency bonds in Malaysia	**816,599**	857,780	**816,599**	857,780
Foreign currency bonds outside Malaysia	**65,232**	145,577	**65,232**	145,577
	19,318,513	15,411,365	**13,633,421**	11,784,932
Unquoted securities				
Government sukuk	**2,580,570**	2,659,375	**1,615,646**	1,695,435
Corporate bonds and sukuk	**1,735,892**	2,030,894	**1,309,682**	1,598,916
	23,634,975	20,101,634	**16,558,749**	15,079,283
Less: Expected credit losses	**(68)**	(202)	**(23)**	(202)
	23,634,907	20,101,432	**16,558,726**	15,079,081

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 and the Bank amounting to RM499,969,000 (2020: RM218,408,000) and RM499,969,000 (2020: RM218,408,000) respectively.

7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

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

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2021				
At 1 July	**202**	**-**	**-**	**202**
New financial assets originated or purchased	**44**	**-**	**-**	**44**
Changes due to change in credit risk	**(171)**	**-**	**-**	**(171)**
Changes in models/risk parameters	**(1)**	**-**	**-**	**(1)**
Exchange differences	**(6)**	**-**	**-**	**(6)**
At 30 June	**68**	**-**	**-**	**68**

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2020				
At 1 July	180	-	827	1,007
Changes due to change in credit risk	20	-	-	20
Amount written off	-	-	(827)	(827)
Exchange differences	2	-	-	2
At 30 June	202	-	-	202

7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

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

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2021				
At 1 July	**202**	**-**	**-**	**202**
Changes due to change in credit risk	**(172)**	**-**	**-**	**(172)**
Changes in models/risk parameters	**(1)**	**-**	**-**	**(1)**
Exchange differences	**(6)**	**-**	**-**	**(6)**
At 30 June	**23**	**-**	**-**	**23**

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2020				
At 1 July	174	-	827	1,001
Changes due to change in credit risk	24	-	-	24
Amount written off	-	-	(827)	(827)
Exchange differences	4	-	-	4
At 30 June	202	-	-	202

7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Movements in the carrying amount of financial investments at amortised cost that contributed to changes in the expected credit losses are as follows:

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2021				
At 1 July	**20,101,634**	**-**	**-**	**20,101,634**
New financial assets originated or purchased	**290,312**	**-**	**-**	**290,312**
Financial assets derecognised	**(4,258,067)**	**-**	**-**	**(4,258,067)**
Changes due to change in credit risk	**7,522,901**	**-**	**-**	**7,522,901**
Exchange differences	**(21,805)**	**-**	**-**	**(21,805)**
At 30 June	**23,634,975**	**-**	**-**	**23,634,975**

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
At 1 July	15,153,379	-	827	15,154,206
New financial assets originated or purchased	5,007,109	-	-	5,007,109
Financial assets derecognised	(75,115)	-	(827)	(75,942)
Changes due to change in credit risk	(13,654)	-	-	(13,654)
Exchange differences	29,933	-	-	29,933
Other movements	(18)	-	-	(18)
At 30 June	20,101,634	-	-	20,101,634

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for the financial year ended 30 June 2021

7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Movements in the carrying amount of financial investments at amortised cost that contributed to changes in the expected credit losses are as follows: (continued)

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2021				
At 1 July	**15,079,283**	**-**	**-**	**15,079,283**
New financial assets originated or purchased	**230,093**	**-**	**-**	**230,093**
Financial assets derecognised	**(3,496,785)**	**-**	**-**	**(3,496,785)**
Changes due to change in credit risk	**4,767,971**	**-**	**-**	**4,767,971**
Exchange differences	**(21,813)**	**-**	**-**	**(21,813)**
At 30 June	**16,558,749**	**-**	**-**	**16,558,749**

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
At 1 July	10,894,679	-	827	10,895,506
New financial assets originated or purchased	4,244,593	-	-	4,244,593
Financial assets derecognised	(75,439)	-	(827)	(76,266)
Changes due to change in credit risk	(14,465)	-	-	(14,465)
Exchange differences	29,933	-	-	29,933
Other movements	(18)	-	-	(18)
At 30 June	15,079,283	-	-	15,079,283

8 LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Overdrafts	**3,371,190**	3,590,801	**2,408,522**	2,751,759
Term loans/financing:				
- Housing and shop loans/financing	**86,120,721**	82,482,204	**67,658,382**	65,361,213
- Hire purchase receivables	**17,107,240**	17,006,512	**13,339,011**	13,297,789
- Ijarah receivables	**160,651**	161,188	**-**	-
- Other term loans/financing and syndicated term loans	**28,034,032**	22,809,899	**19,052,856**	15,167,673
Credit/charge card receivables	**2,830,912**	3,094,683	**2,830,912**	3,094,683
Bills receivable	**1,112,257**	2,711,858	**830,128**	2,187,795
Trust receipts	**533,845**	1,489,965	**372,231**	1,457,824
Claims on customers under acceptance credits	**8,064,076**	5,239,800	**7,079,264**	4,491,520
Revolving credit	**8,347,977**	7,202,385	**6,706,335**	5,803,126
Staff loans/financing	**139,308**	143,067	**123,941**	131,302
Gross loans, advances and financing	**155,822,209**	145,932,362	**120,401,582**	113,744,684
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	**17,665**	21,714	**15,408**	18,955
Allowance for impairment losses:				
- Expected credit losses	**(1,769,167)**	(1,259,126)	**(1,331,296)**	(939,664)
Total net loans, advances and financing	**154,070,707**	144,694,950	**119,085,694**	112,823,975

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group and the Bank amounting to RM1,019,858,000 (2020: RM1,023,078,000) and RM299,455,000 (2020: RM297,169,000) respectively.

Notes to the Financial Statements

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8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Maturing within:				
- one year	**27,650,137**	26,269,928	**23,437,782**	22,339,034
- one year to three years	**5,351,697**	5,687,390	**3,986,006**	4,545,659
- three years to five years	**12,361,350**	10,647,798	**8,974,388**	7,374,925
- over five years	**110,459,025**	103,327,246	**84,003,406**	79,485,066
Gross loans, advances and financing	**155,822,209**	145,932,362	**120,401,582**	113,744,684

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

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Domestic non-bank financial institutions other than stockbroking companies	**1,718,527**	1,434,866	**1,387,673**	1,104,936
Domestic business enterprises:				
- small and medium enterprises	**26,019,272**	22,642,512	**19,961,037**	17,935,809
- others	**22,742,317**	20,648,535	**16,893,803**	15,767,074
Government and statutory bodies	**1,664**	1,892	**-**	44
Individuals	**101,784,773**	98,108,836	**78,894,079**	76,575,340
Other domestic entities	**625,649**	975,756	**536,853**	445,023
Foreign entities	**2,930,007**	2,119,965	**2,728,137**	1,916,458
Gross loans, advances and financing	**155,822,209**	145,932,362	**120,401,582**	113,744,684

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate:				
- Housing and shop loans/financing	**1,499,248**	1,577,765	**948,708**	1,002,819
- Hire purchase receivables	**16,982,798**	16,847,128	**13,246,281**	13,141,515
- Credit card	**2,830,912**	3,094,683	**2,830,912**	3,094,683
- Other fixed rate loans/financing	**5,808,274**	3,446,335	**4,055,333**	1,781,019
Variable rate:				
- Base rate/base lending rate plus	**107,668,954**	102,135,209	**83,743,532**	80,366,038
- Cost plus	**20,942,876**	18,778,914	**15,576,278**	14,358,610
- Other variable rates	**89,147**	52,328	**538**	-
Gross loans, advances and financing	**155,822,209**	145,932,362	**120,401,582**	113,744,684

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

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Purchase of securities	**950,759**	780,571	**664,300**	476,522
Purchase of transport vehicles	**16,768,936**	16,769,096	**12,985,995**	13,009,091
Residential property (housing)	**77,191,454**	73,335,991	**59,824,189**	57,330,388
Non-residential property	**18,524,366**	17,244,621	**15,327,981**	14,575,258
Purchase of fixed assets (excluding landed properties)	**1,431,572**	1,102,078	**1,030,050**	750,932
Personal use	**3,441,092**	3,437,021	**2,145,270**	2,089,238
Credit card	**2,830,912**	3,094,683	**2,830,912**	3,094,683
Construction	**2,823,397**	2,612,109	**2,017,874**	1,685,437
Mergers and acquisition	**-**	151,784	**-**	-
Working capital	**30,258,594**	25,929,408	**22,719,389**	19,821,776
Other purpose	**1,601,127**	1,475,000	**855,622**	911,359
Gross loans, advances and financing	**155,822,209**	145,932,362	**120,401,582**	113,744,684

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8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
In Malaysia	**146,587,325**	138,163,418	**114,214,096**	108,494,268
Outside Malaysia:				
- Singapore	**6,186,948**	5,250,416	**6,186,948**	5,250,416
- Hong Kong	**538**	-	**538**	-
- Vietnam	**1,186,775**	909,213	**-**	-
- Cambodia	**1,860,623**	1,609,315	**-**	-
Gross loans, advances and financing	**155,822,209**	145,932,362	**120,401,582**	113,744,684

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

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Purchase of securities	**304**	284	**221**	284
Purchase of transport vehicles	**71,671**	71,019	**53,227**	53,363
Residential property (housing)	**266,907**	341,175	**198,710**	245,500
Non-residential property	**124,748**	150,277	**111,008**	131,656
Purchase of fixed assets (excluding landed properties)	**600**	4,648	**600**	4,427
Personal use	**44,705**	24,479	**25,023**	12,692
Credit card	**21,096**	24,568	**21,096**	24,568
Construction	**7,976**	9,663	**5,633**	8,632
Working capital	**147,669**	194,803	**136,011**	172,473
Other purpose	**31,731**	68,838	**30,988**	10,172
Gross impaired loans, advances and financing	**717,407**	889,754	**582,517**	663,767

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

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
In Malaysia	**706,692**	881,407	**576,651**	662,511
Outside Malaysia:				
- Singapore	**5,866**	1,256	**5,866**	1,256
- Vietnam	**1,580**	1,808	**-**	-
- Cambodia	**3,269**	5,283	**-**	-
Gross impaired loans, advances and financing	**717,407**	889,754	**582,517**	663,767

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2021				
At 1 July	**549,509**	**435,827**	**273,790**	**1,259,126**
Changes in ECL due to transfer within stages	**(61,549)**	**(99,805)**	**161,354**	**-**
Transfer to Stage 1	**24,523**	**(24,480)**	**(43)**	**-**
Transfer to Stage 2	**(85,956)**	**167,747**	**(81,791)**	**-**
Transfer to Stage 3	**(116)**	**(243,072)**	**243,188**	**-**
New financial assets originated	**58,651**	**603**	**551**	**59,805**
Financial assets derecognised	**(22,604)**	**(42,430)**	**(13,357)**	**(78,391)**
Changes due to change in credit risk	**551,137**	**196,372**	**136,436**	**883,945**
Changes in models/risk parameters	**(16)**	**(30,643)**	**(2)**	**(30,661)**
Amount written off	**-**	**-**	**(323,828)**	**(323,828)**
Exchange difference	**(144)**	**(250)**	**(67)**	**(461)**
Other movements	**-**	**-**	**(368)**	**(368)**
At 30 June	**1,074,984**	**459,674**	**234,509**	**1,769,167**

The Group				
2020				
At 1 July	369,715	498,325	393,599	1,261,639
Changes in ECL due to transfer within stages	(89,938)	(133,376)	223,314	-
Transfer to Stage 1	16,035	(15,930)	(105)	-
Transfer to Stage 2	(105,843)	206,821	(100,978)	-
Transfer to Stage 3	(130)	(324,267)	324,397	-
New financial assets originated	55,031	2,236	1,513	58,780
Financial assets derecognised	(19,751)	(40,717)	(22,042)	(82,510)
Changes due to change in credit risk	262,886	117,887	192,808	573,581
Changes in models/risk parameters	(28,743)	(8,852)	(10,855)	(48,450)
Amount written off	-	-	(501,536)	(501,536)
Exchange difference	309	324	1,313	1,946
Other movements	-	-	(4,324)	(4,324)
At 30 June	549,509	435,827	273,790	1,259,126

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for the financial year ended 30 June 2021

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2021				
At 1 July	**408,715**	**347,084**	**183,865**	**939,664**
Changes in ECL due to transfer within stages	**(43,595)**	**(102,971)**	**146,566**	**-**
Transfer to Stage 1	**19,716**	**(19,676)**	**(40)**	**-**
Transfer to Stage 2	**(63,245)**	**103,350**	**(40,105)**	**-**
Transfer to Stage 3	**(66)**	**(186,645)**	**186,711**	**-**
New financial assets originated	**33,641**	**525**	**474**	**34,640**
Financial assets derecognised	**(7,863)**	**(29,010)**	**(9,420)**	**(46,293)**
Changes due to change in credit risk	**427,359**	**142,014**	**120,403**	**689,776**
Changes in models/risk parameters	**119**	**(30,642)**	**(2)**	**(30,525)**
Amount written off	**-**	**-**	**(255,237)**	**(255,237)**
Exchange difference	**61**	**(239)**	**8**	**(170)**
Other movements	**-**	**-**	**(559)**	**(559)**
At 30 June	**818,437**	**326,761**	**186,098**	**1,331,296**

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2020				
At 1 July	311,663	386,656	313,483	1,011,802
Changes in ECL due to transfer within stages	(74,495)	(88,115)	162,610	-
Transfer to Stage 1	12,762	(12,674)	(88)	-
Transfer to Stage 2	(87,141)	157,992	(70,851)	-
Transfer to Stage 3	(116)	(233,433)	233,549	-
New financial assets originated	22,920	1,701	1,510	26,131
Financial assets derecognised	(4,889)	(24,163)	(11,830)	(40,882)
Changes due to change in credit risk	178,900	76,802	138,440	394,142
Changes in models/risk parameters	(25,488)	(6,057)	(7,782)	(39,327)
Amount written off	-	-	(410,609)	(410,609)
Exchange difference	104	260	1,370	1,734
Other movements	-	-	(3,327)	(3,327)
At 30 June	408,715	347,084	183,865	939,664

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(ix) 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 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2021				
At 1 July	**137,644,761**	**7,397,847**	**889,754**	**145,932,362**
Total transfer within stages	**(4,457,834)**	**4,240,565**	**217,269**	**-**
Transfer to Stage 1	**5,486,623**	**(5,475,716)**	**(10,907)**	**-**
Transfer to Stage 2	**(9,824,392)**	**10,763,849**	**(939,457)**	**-**
Transfer to Stage 3	**(120,065)**	**(1,047,568)**	**1,167,633**	**-**
New financial assets originated	**17,072,667**	**1,005,858**	**416**	**18,078,941**
Financial assets derecognised	**(7,054,933)**	**(739,964)**	**(235,904)**	**(8,030,801)**
Changes due to change in credit risk	**2,158,519**	**(2,164,846)**	**170,039**	**163,712**
Modifications to contractual cash flows and unwinding of modification impact	**116,452**	**(12,458)**	**-**	**103,994**
Amount written off	**-**	**-**	**(324,058)**	**(324,058)**
Exchange difference	**(100,330)**	**(1,502)**	**(109)**	**(101,941)**
At 30 June	**145,379,302**	**9,725,500**	**717,407**	**155,822,209**

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
At 1 July	129,692,478	6,802,794	1,071,111	137,566,383
Total transfer within stages	(2,295,963)	1,713,211	582,752	-
Transfer to Stage 1	1,897,372	(1,875,740)	(21,632)	-
Transfer to Stage 2	(4,089,925)	5,218,887	(1,128,962)	-
Transfer to Stage 3	(103,410)	(1,629,936)	1,733,346	-
New financial assets originated	16,247,228	28,206	1,672	16,277,106
Financial assets derecognised	(3,610,268)	(278,290)	(72,364)	(3,960,922)
Changes due to change in credit risk	(2,134,041)	(825,104)	(191,395)	(3,150,540)
Modifications to contractual cash flows	(432,686)	(43,264)	-	(475,950)
Amount written off	-	-	(503,360)	(503,360)
Exchange difference	178,013	294	1,338	179,645
At 30 June	137,644,761	7,397,847	889,754	145,932,362

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8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(ix) Movements in the gross carrying amount of loans, advances and financing that contributed to changes in the expected credit losses are as follows: (continued)

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2021				
At 1 July	**107,384,842**	**5,696,075**	**663,767**	**113,744,684**
Total transfer within stages	**(3,430,891)**	**3,185,078**	**245,813**	**-**
Transfer to Stage 1	**4,224,229**	**(4,217,320)**	**(6,909)**	**-**
Transfer to Stage 2	**(7,567,133)**	**8,205,714**	**(638,581)**	**-**
Transfer to Stage 3	**(87,987)**	**(803,316)**	**891,303**	**-**
New financial assets originated	**12,065,435**	**18,624**	**416**	**12,084,475**
Financial assets derecognised	**(4,897,693)**	**(562,947)**	**(171,491)**	**(5,632,131)**
Changes due to change in credit risk	**1,269,764**	**(938,027)**	**99,433**	**431,170**
Modifications to contractual cash flows and unwinding of modification impact	**71,610**	**(7,247)**	**-**	**64,363**
Amount written off	**-**	**-**	**(255,467)**	**(255,467)**
Exchange difference	**(34,588)**	**(970)**	**46**	**(35,512)**
At 30 June	**112,428,479**	**7,390,586**	**582,517**	**120,401,582**

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
At 1 July	103,858,790	5,196,645	887,864	109,943,299
Total transfer within stages	(1,832,728)	1,422,508	410,220	-
Transfer to Stage 1	1,500,823	(1,486,640)	(14,183)	-
Transfer to Stage 2	(3,233,992)	4,066,619	(832,627)	-
Transfer to Stage 3	(99,559)	(1,157,471)	1,257,030	-
New financial assets originated	10,817,984	21,125	1,465	10,840,574
Financial assets derecognised	(2,758,168)	(206,458)	(59,333)	(3,023,959)
Changes due to change in credit risk	(2,559,514)	(713,076)	(165,403)	(3,437,993)
Modifications to contractual cash flows	(260,837)	(24,886)	-	(285,723)
Amount written off	-	-	(412,249)	(412,249)
Exchange difference	119,315	217	1,203	120,735
At 30 June	107,384,842	5,696,075	663,767	113,744,684

9 OTHER ASSETS

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Foreclosed properties	**5,508**	18,447	**5,782**	10,985
Sundry debtors and other prepayments	**448,985**	432,457	**396,172**	380,449
Settlement accounts	**387,625**	261,314	**387,625**	261,314
Treasury related receivables	**785,626**	370,435	**734,046**	370,383
Cash collateral pledged for derivative transactions	**299,309**	511,094	**299,309**	511,094
Other receivables	**84,803**	88,769	**50,312**	72,624
	2,011,856	1,682,516	**1,873,246**	1,606,849

10 DERIVATIVE FINANCIAL INSTRUMENTS

		The Group		The Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		**369,560**	529,829	**369,146**	528,967
- cross currency swaps		**147,400**	175,725	**147,145**	175,726
- foreign currency forwards		**383,503**	365,216	**361,293**	310,422
- foreign currency options		**8,993**	6,746	**8,993**	6,746
- futures		**2,143**	500	**2,143**	500
- future options		**743**	-	**743**	-
- equity options		**76,912**	13,493	**76,912**	13,493
- swaption		**-**	-	**835**	1,807
- commodity swap		**2,974**	-	**2,974**	-
- total return swap		**12,095**	19,960	**12,095**	19,960
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	**596**	-	**596**	-
Derivatives designated as fair value hedge:					
- interest rate swaps	(b)	**330**	-	**330**	-
Total derivative financial instruments assets		**1,005,249**	1,111,469	**983,205**	1,057,621

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10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

		The Group		The Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		**(589,181)**	(878,167)	**(581,780)**	(880,432)
- cross currency swaps		**(53,644)**	(133,567)	**(53,653)**	(133,577)
- foreign currency forwards		**(137,750)**	(202,851)	**(117,274)**	(156,207)
- foreign currency options		**(7,995)**	(7,343)	**(7,995)**	(7,343)
- futures		**(1,405)**	(65)	**(1,405)**	(65)
- future options		**(248)**	-	**(248)**	-
- equity options		**(76,915)**	(13,495)	**(76,913)**	(13,493)
- swaption		**(10,270)**	(12,945)	**(10,270)**	(12,945)
- commodity swap		**(2,958)**	-	**(2,958)**	-
- total return swap		**(12,095)**	(19,960)	**(12,095)**	(19,960)
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	**(6,805)**	(11,400)	**(6,805)**	(11,400)
Derivatives designated as fair value hedge:					
- interest rate swaps	(b)	**(10,400)**	(18,720)	**(8,590)**	(15,674)
Total derivative financial instruments liabilities		**(909,666)**	(1,298,513)	**(879,986)**	(1,251,096)

(a) Cash flow hedge

The Group and the Bank's cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on interest incurring liabilities. The amount and timing of the interest cash flows, are projected on the basis of their contractual terms and other relevant factors, including estimates of renewal of interest incurring liabilities. The aggregate projected interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges to forecast transactions. Gains and losses are initially recognised directly in equity, in the cash flow hedge reserve, and are transferred to profit or loss when the forecast cash flows affect the profit or loss.

The effectiveness of hedging relationship is assessed by comparing the changes in fair value of the interest rate swaps with changes in the fair value of the hedged items attributable to the hedged risk to ensure there is an economic relationship between the hedged items and the hedging instruments. As such, the unrealised loss of RM6,031,000 (2020: unrealised loss of RM8,489,000) from the hedging relationship as disclosed in Note 29(e) was recognised through other comprehensive income.

10 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 and The Bank				
	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
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)**
2020					
Cash inflows (hedging instruments)	-	2,022	1,890	3,552	10,814
Cash outflows (hedged items)	-	(1,898)	(1,662)	(3,072)	(9,499)
Net cash inflows	-	124	228	480	1,315

(b) Fair value hedge

The Group and the Bank's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of financial assets due to movement in interest rates. The Group and the Bank have undertaken fair value hedges on interest rate risk of RM729,167,000 (2020: RM657,738,000) at Group and Bank respectively on certain receivables using interest rate swaps. The total fair value loss of the said interest rate swaps related to these hedges amounted to RM8,260,000 (2020: fair value loss of RM15,674,000) at Group and Bank, respectively.

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		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Gain on hedging instruments	**(3,711)**	15,482	**(3,711)**	15,482
Loss on the hedged items attributable to the hedged risks	**2,744**	(16,533)	**2,744**	(16,533)
	(967)	(1,051)	**(967)**	(1,051)

Notes to the Financial Statements

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11 AMOUNT DUE FROM SUBSIDIARIES

	The Bank	
	2021 RM'000	2020 RM'000
Intercompany settlement	**15,870**	106,363

Amount due from subsidiaries is unsecured, interest free, repayable on demand and is denominated in Ringgit Malaysia.

12 STATUTORY DEPOSITS WITH CENTRAL BANKS

The non-interest bearing statutory deposits are maintained by the Bank and its 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. A foreign subsidiary of the Group and a foreign branch of the Bank also maintained non-interest bearing statutory deposits with their respective central banks in compliance with the respective applicable legislations.

13 SUBSIDIARY COMPANIES

	The Bank	
	2021 RM'000	2020 RM'000
Investment in subsidiary companies		
Unquoted shares, at cost:		
- in Malaysia	**961,364**	963,124
- outside Malaysia	**775,989**	775,989
	1,737,353	1,739,113
Subordinated facilities issued by subsidiary companies, at amortised cost:		
Multi-currency Additional Tier 1 subordinated sukuk wakalah financing facility issued by HLISB	**401,743**	401,855
Tier 2 subordinated sukuk murabahah financing facility issued by HLISB	**400,788**	400,742
Subordinated financing facility issued by Hong Leong Bank (Cambodia) PLC	**16,686**	17,191
	819,217	819,788
	2,556,570	2,558,901

13 SUBSIDIARY COMPANIES (CONTINUED)

The subsidiary companies of the Bank are as follows:

Name		Percentage (%) of equity held 2021	2020	Principal activities
(a)	Hong Leong Islamic Bank Berhad ("HLISB")	**100**	100	Islamic Banking business and related financial services
(b)	HLB Principal Investments (L) Limited and its subsidiary company:	**100**	100	Investment holding
	- Promino Sdn Bhd	**100**	100	Holding of pooled motor vehicles for HLBB group's usage
(c)	EB Nominees (Tempatan) Sendirian Berhad	**100**	100	Nominees services
(d)	EB Nominees (Asing) Sendirian Berhad	**100**	100	In member's voluntary liquidation
(e)	EB Realty Sendirian Berhad	**100**	100	In member's voluntary liquidation
(f)	OBB Realty Sdn Bhd	**100**	100	Property investment
(g)	HLF Credit (Perak) Bhd and its subsidiary companies:	**100**	100	Investment holding
	(i) Gensource Sdn Bhd and its subsidiary company:	**100**	100	Investment holding
	- Pelita Terang Sdn Bhd	**100**	100	Dormant
	(ii) Promidah Sdn Bhd (formerly known as Hong Leong Leasing Sdn Bhd)*	**100**	100	Dormant
	(iii) Promizul Sdn Bhd (formerly known as HL Leasing Sdn Bhd)	**100**	100	In member's voluntary liquidation
	(iv) HLB Realty Sdn Bhd	**100**	100	Property investment
(h)	HLB Nominees (Tempatan) Sdn Bhd	**100**	100	Agent and nominee for Malaysian clients
(i)	HLB Nominees (Asing) Sdn Bhd	**100**	100	Agent and nominee for foreign clients
(j)	HL Bank Nominees (Singapore) Pte Ltd*+	**100**	100	In member's voluntary liquidation
(k)	HLB Trade Services (Hong Kong) Limited*+	**100**	100	Ceased operations
(l)	Hong Leong Bank Vietnam Limited*+	**100**	100	Commercial banking business
(m)	Hong Leong Bank (Cambodia) PLC*+	**100**	100	Commercial banking business
(n)	Promilia Berhad	**100**	100	Holding of motor vehicles for HLBB group's usage
(o)	DC Tower Sdn Bhd	**100**	100	Property management
(p)	Unincorporated trust for ESOS Ω *	**-**	-	Special purpose vehicle
(q)	Hong Leong Wholesale Equity Fund 2 Ω	**100**	-	Unit trust funds

* Not audited by PricewaterhouseCoopers PLT
\+ Audited by member firm of PricewaterhouseCoopers International
Ω Deemed subsidiaries pursuant to MFRS 10 'Consolidated Financial Statements'

All the subsidiary companies are incorporated in Malaysia with the exception of HL Bank Nominees (Singapore) Pte Ltd which is incorporated in Singapore, HLB Trade Services (Hong Kong) Limited which is incorporated in Hong Kong, Hong Leong Bank Vietnam Limited which is incorporated in Vietnam and Hong Leong Bank (Cambodia) PLC which is incorporated in Cambodia.

Notes to the Financial Statements
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14 INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Quoted shares outside Malaysia, at cost	**938,311**	938,311	**946,505**	946,505
Unquoted shares in Malaysia, at cost	**20**	20	**20**	20
Unquoted shares outside Malaysia, at cost	**24,657**	24,657	**24,657**	24,657
Cumulative share of results, net of dividends received	**3,748,926**	3,187,738	**-**	-
Cumulative share of changes in other comprehensive income	**14,647**	29,666	**-**	-
Exchange fluctuation reserve	**774,981**	464,135	**-**	-
	5,501,542	4,644,527	**971,182**	971,182

(a) Information about associated companies

Name	Country of incorporation	The Group Percentage (%) of equity held 2021	2020	Principal activities
Bank of Chengdu Co. Ltd. ("BOCD")	China	**18%**	18%	Commercial banking
Community CSR Sdn Bhd ("CCSR")	Malaysia	**20%**	20%	Investment holding
Sichuan Jincheng Consumer Finance Limited Company ("JCCFC")	China	**12%**	12%	Consumer financing

Nature of relationship

(i) BOCD

On 25 October 2007, 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 into the promising and growing financial services sector of China. It will strengthen and diversify the earnings 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 Bank's equity interest of the enlarged capital in BOCD is now reduced to 18% from 20%. BOCD remains an associate by virtue of the representation held on BOCD's Board of Directors.

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

The Group deems BOCD as a material associated company.

14 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(a) Information about associated companies (continued)

Nature of relationship (continued)

(i) BOCD (continued)

As at 30 June 2021, the market value of investment in BOCD was below the carrying amount. The Group has performed impairment assessment on the carrying amount of the investment in BOCD, which confirmed that no impairment is required as at 30 June 2021 as the recoverable amount as determined by a value-in-use ("VIU") calculation was higher than the carrying value. Management believes that any reasonable possible change to the key assumptions applied would not cause the carrying value to exceed its recoverable amount.

The VIU calculation uses discounted cash flows projections based on BOCD management's best estimates of future earnings taking into account of past performance and BOCD's expectation of market development. This calculation uses cash flows projections being the amount attributable to the shareholders based on the budget for the financial year ending 2022 with a further projection of 4 years, which was approved by BOCD management. Cash flows beyond the 5 year period are extrapolated using an estimated growth rate of 5.75% (2020: 4.41%) representing the forecasted Gross Domestic Product growth rate of the country.

The discount rate of 12.4% (2020: 11.5%) used in determining the recoverable amount is derived based on a capital asset pricing model calculation, using available market data.

(ii) CCSR

In 2011, HLB subscribed to RM50 million Cumulative Redeemable Preference Shares ("CRPS") in Jana Pendidikan Malaysia Sdn Bhd. For every RM1 million of subscription of CRPS, the Bank is entitled to subscribe for 1 ordinary share of RM1 each in CCSR. As such, the Bank 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 Rights Issue of RM1 each.

CCSR is a private company and there is no quoted market price available for its shares.

(iii) 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 Bank's strategic partnership in BOCD and affirms the Bank's vision and belief in the huge potential of China.

In March 2017, the Board of Directors had approved the divestment of 37% of the Bank's stake through non-subscription of the issuance of new share capital by JCCFC and selling down the original share capital held by the Bank 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 held on JCCFC's Board of Directors.

Notes to the Financial Statements

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14 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(b) The summarised financial information of the material associated companies which is accounted for using the equity method is as follows:

(i) BOCD

	The Group	
	2021 RM'000	2020 RM'000
Total assets	**472,900,647**	375,244,230
Total liabilities	**(442,862,536)**	(349,865,251)
Net assets	**30,038,111**	25,378,979

	The Group	
	2021 RM'000	2020 RM'000
Interest income	**16,344,249**	13,204,465
Interest expenses	**(8,212,463)**	(6,662,149)
Non-interest income	**2,060,225**	1,484,300
Profit before taxation	**4,698,078**	3,904,320
Profit after taxation	**4,005,497**	3,509,739
Total comprehensive income	**3,922,011**	3,598,544
Dividends declared by the associated company during the financial year	**961,734**	825,275
Share of results of associated companies (%)	**18%**	18%
Share of results of associated companies (RM'000)	**720,589**	631,402
Dividends accrued from the associated company (RM'000)	**173,016**	148,467

(ii) JCCFC

	The Group	
	2021 RM'000	2020 RM'000
Total assets	**6,602,575**	4,419,536
Total liabilities	**(5,788,528)**	(3,762,459)
Net assets	**814,047**	657,077

14 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(b) The summarised financial information of the material associated companies which is accounted for using the equity method is as follows: (continued)

(ii) JCCFC (continued)

	The Group	
	2021 RM'000	2020 RM'000
Interest income	**761,541**	555,086
Interest expenses	**(235,865)**	(177,407)
Non-interest income	**21,322**	32,111
Profit before taxation	**169,291**	118,651
Profit after taxation	**128,033**	91,093
Dividends declared by the associated company during the financial year	**14,583**	11,417
Share of results of associated companies (%)	**12%**	12%
Share of results of associated companies (RM'000)	**15,364**	10,931
Dividends accrued from the associated company (RM'000)	**1,750**	1,370

(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) BOCD

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

Notes to the Financial Statements
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14 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) JCCFC

	The Group	
	2021 RM'000	2020 RM'000
Opening net assets as at 1 July	**657,077**	573,184
Profit for the financial year	**128,033**	91,093
Dividends declared	**(14,583)**	(11,417)
Exchange fluctuation reserve	**43,520**	4,217
Closing net assets as at 30 June	**814,047**	657,077
Interest in associated companies (%)	**12%**	12%
Interest in associated companies (RM'000)	**97,686**	78,849

The information presented above is based on the financial statements of the associated companies after reflecting adjustments made by the Group when using the equity method, such as fair value adjustments made at the time of acquisition and differences in accounting policies between the Group and the associated companies.

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

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15 PROPERTY AND EQUIPMENT

The Group	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years* RM'000	Leasehold land 50 years or more* RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2021											
Cost											
At 1 July	135,545	585,999	1,092	40,805	2,636	113,545	541,482	988,676	6,114	75,764	2,491,658
Additions	-	-	-	-	-	-	4,165	16,529	615	98,279	119,588
Reclassification/Transfer	-	-	-	-	-	-	6,517	7,777	-	(102,324)	(88,030)
Disposals/Write off	(1,698)	(2,966)	-	-	-	-	(8,792)	(42,418)	(848)	(67)	(56,789)
Exchange fluctuation	-	-	-	-	-	-	(649)	(435)	(1)	(137)	(1,222)
At 30 June	133,847	583,033	1,092	40,805	2,636	113,545	542,723	970,129	5,880	71,515	2,465,205
Accumulated depreciation											
At 1 July	-	52,001	455	5,054	1,451	25,003	416,380	687,495	3,917	-	1,191,756
Charge for the financial year	-	11,675	14	426	29	2,128	30,352	81,006	979	-	126,609
Disposals/Write off	-	(801)	-	-	-	-	(8,401)	(40,108)	(848)	-	(50,158)
Exchange fluctuation	-	-	-	-	-	-	(450)	(340)	-	-	(790)
At 30 June	-	62,875	469	5,480	1,480	27,131	437,881	728,053	4,048	-	1,267,417
Net book value as at 30 June 2021	133,847	520,158	623	35,325	1,156	86,414	104,842	242,076	1,832	71,515	1,197,788

* These are the right-of-use assets within the scope of MFRS 16. Refer to accounting policies for leases as disclosed in Note 2H.

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

15 PROPERTY AND EQUIPMENT (CONTINUED)

The Group	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years* RM'000	Leasehold land 50 years or more* RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2020											
Cost											
At 1 July	136,461	587,512	1,092	40,205	2,636	96,023	529,422	1,053,703	6,602	42,397	2,496,053
Additions	-	-	-	600	-	17,522	13,641	24,233	923	124,423	181,342
Reclassification/Transfer	-	-	-	-	-	-	23,214	(68,136)	-	(86,571)	(131,493)
Disposals/Write off	(916)	(1,513)	-	-	-	-	(25,625)	(22,601)	(1,428)	(4,529)	(56,612)
Exchange fluctuation	-	-	-	-	-	-	830	1,477	17	44	2,368
At 30 June	135,545	585,999	1,092	40,805	2,636	113,545	541,482	988,676	6,114	75,764	2,491,658
Accumulated depreciation											
At 1 July	-	40,980	435	4,636	1,435	23,023	387,803	650,668	4,501	-	1,113,481
Charge for the financial year	-	11,723	20	418	16	1,980	33,160	86,247	826	-	134,390
Reclassification/Transfer	-	-	-	-	-	-	(40)	(29,473)	-	-	(29,513)
Disposals/Write off	-	(702)	-	-	-	-	(5,155)	(20,680)	(1,426)	-	(27,963)
Exchange fluctuation	-	-	-	-	-	-	612	733	16	-	1,361
At 30 June	-	52,001	455	5,054	1,451	25,003	416,380	687,495	3,917	-	1,191,756
Net book value as at 30 June 2020	135,545	533,998	637	35,751	1,185	88,542	125,102	301,181	2,197	75,764	1,299,902

* These are the right-of-use assets within the scope of MFRS 16. Refer to accounting policies for leases as disclosed in Note 2H.

Notes to the Financial Statements

for the financial year ended 30 June 2021

15 PROPERTY AND EQUIPMENT (CONTINUED)

The Bank	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years* RM'000	Leasehold land 50 years or more* RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2021											
Cost											
At 1 July	55,183	54,127	628	40,374	3,269	109,118	500,662	949,370	5,051	70,559	1,788,341
Additions	-	-	-	-	-	-	3,739	15,518	615	82,487	102,359
Reclassification/Transfer	-	-	-	-	-	-	6,193	7,557	-	(91,593)	(77,843)
Disposals/Write off	(1,698)	(2,966)	-	-	-	-	(8,680)	(42,325)	(848)	(67)	(56,584)
Exchange fluctuation	-	-	-	-	-	-	20	(17)	10	-	13
At 30 June	53,485	51,161	628	40,374	3,269	109,118	501,934	930,103	4,828	61,386	1,756,286
Accumulated depreciation											
At 1 July	-	18,364	177	5,033	1,119	21,653	392,282	661,111	3,433	-	1,103,172
Charge for the financial year	-	1,050	15	427	89	2,052	26,409	77,027	798	-	107,867
Disposals/Write off	-	(801)	-	-	-	-	(8,316)	(40,016)	(848)	-	(49,981)
Exchange fluctuation	-	-	-	-	-	-	7	(13)	9	-	3
At 30 June	-	18,613	192	5,460	1,208	23,705	410,382	698,109	3,392	-	1,161,061
Net book value as at 30 June 2021	53,485	32,548	436	34,914	2,061	85,413	91,552	231,994	1,436	61,386	595,225

* These are the right-of-use assets within the scope of MRFS 16. Refer to accounting policies for leases as disclosed on Note 2H.

Notes to the Financial Statements

for the financial year ended 30 June 2021

15 PROPERTY AND EQUIPMENT (CONTINUED)

The Bank	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years* RM'000	Leasehold land 50 years or more* RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2020											
Cost											
At 1 July	56,099	55,640	628	39,774	3,269	91,596	497,605	1,013,224	6,153	40,259	1,804,247
Additions	-	-	-	600	-	17,522	9,118	23,466	315	112,129	163,150
Reclassification/Transfer	-	-	-	-	-	-	19,035	(66,297)	-	(77,383)	(124,645)
Disposals/Write off	(916)	(1,513)	-	-	-	-	(25,178)	(21,877)	(1,424)	(4,446)	(55,354)
Exchange fluctuation	-	-	-	-	-	-	82	854	7	-	943
At 30 June	55,183	54,127	628	40,374	3,269	109,118	500,662	949,370	5,051	70,559	1,788,341
Accumulated depreciation											
At 1 July	-	17,967	162	4,616	1,036	19,811	367,624	627,263	4,129	-	1,042,608
Charge for the financial year	-	1,099	15	417	83	1,842	29,502	82,279	720	-	115,957
Reclassification/Transfer	-	-	-	-	-	-	(118)	(28,579)	-	-	(28,697)
Disposals/Write off	-	(702)	-	-	-	-	(4,788)	(20,076)	(1,422)	-	(26,988)
Exchange fluctuation	-	-	-	-	-	-	62	224	6	-	292
At 30 June	-	18,364	177	5,033	1,119	21,653	392,282	661,111	3,433	-	1,103,172
Net book value as at 30 June 2020	55,183	35,763	451	35,341	2,150	87,465	108,380	288,259	1,618	70,559	685,169

* These are the right-of-use assets within the scope of MFRS 16. Refer to accounting policies for leases as disclosed in Note 2H.

16 INTANGIBLE ASSETS

The Group	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2021				
Cost or valuation				
At 1 July	**152,434**	**127,426**	**668,624**	**948,484**
Additions	**-**	**-**	**25,456**	**25,456**
Reclassification	**-**	**-**	**88,030**	**88,030**
Disposals/Write off	**-**	**-**	**(18,143)**	**(18,143)**
Exchange fluctuation	**-**	**-**	**(1,465)**	**(1,465)**
At 30 June	**152,434**	**127,426**	**762,502**	**1,042,362**
Amortisation and impairment				
At 1 July	**152,434**	**116,810**	**491,735**	**760,979**
Amortisation during the financial year	**-**	**10,616**	**46,332**	**56,948**
Disposals/Write off	**-**	**-**	**(17,219)**	**(17,219)**
Exchange fluctuation	**-**	**-**	**(663)**	**(663)**
At 30 June	**152,434**	**127,426**	**520,185**	**800,045**
Net book value as at 30 June 2021	**-**	**-**	**242,317**	**242,317**

The Group	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2020				
Cost or valuation				
At 1 July	152,434	127,426	532,758	812,618
Additions	-	-	27,275	27,275
Reclassification	-	-	131,493	131,493
Disposals/Write off	-	-	(24,244)	(24,244)
Exchange fluctuation	-	-	1,342	1,342
At 30 June	152,434	127,426	668,624	948,484
Amortisation and impairment				
At 1 July	152,434	104,067	430,892	687,393
Amortisation during the financial year	-	12,743	46,282	59,025
Reclassification	-	-	29,513	29,513
Disposals/Write off	-	-	(15,887)	(15,887)
Exchange fluctuation	-	-	935	935
At 30 June	152,434	116,810	491,735	760,979
Net book value as at 30 June 2020	-	10,616	176,889	187,505

Notes to the Financial Statements

for the financial year ended 30 June 2021

16 INTANGIBLE ASSETS (CONTINUED)

The Bank	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2021				
Cost or valuation				
At 1 July	152,434	127,426	613,129	892,989
Additions	-	-	24,767	24,767
Reclassification	-	-	77,843	77,843
Disposals/Write off	-	-	(18,051)	(18,051)
Exchange fluctuation	-	-	(326)	(326)
At 30 June	152,434	127,426	697,362	977,222
Amortisation and impairment				
At 1 July	152,434	116,810	455,685	724,929
Amortisation during the financial year	-	10,616	40,574	51,190
Disposals/Write off	-	-	(17,174)	(17,174)
At 30 June	152,434	127,426	479,085	758,945
Net book value as at 30 June 2021	-	-	218,277	218,277

The Bank	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2020				
Cost or valuation				
At 1 July	152,434	127,426	489,113	768,973
Additions	-	-	23,471	23,471
Reclassification	-	-	124,645	124,645
Disposals/Write off	-	-	(24,190)	(24,190)
Exchange fluctuation	-	-	90	90
At 30 June	152,434	127,426	613,129	892,989
Amortisation and impairment				
At 1 July	152,434	104,067	401,577	658,078
Amortisation during the financial year	-	12,743	41,166	53,909
Reclassification	-	-	28,697	28,697
Disposals/Write off	-	-	(15,838)	(15,838)
Exchange fluctuation	-	-	83	83
At 30 June	152,434	116,810	455,685	724,929
Net book value as at 30 June 2020	-	10,616	157,444	168,060

16 INTANGIBLE ASSETS (CONTINUED)

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

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

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

The discount rate used in discounting incremental cash flows was based on the risk associated with the identified intangible assets. The remaining amortisation period of customer relationships is Nil (2020: 0.8 years).

17 RIGHT-OF-USE ASSETS

The Group

2021	Properties RM'000	Total RM'000
At 1 July	**253,118**	**253,118**
Depreciation charge for the financial year	**(52,702)**	**(52,702)**
Modification	**(6,579)**	**(6,579)**
Addition	**23,193**	**23,193**
Disposals	**(2,259)**	**(2,259)**
Exchange fluctuation	**(45)**	**(45)**
At 30 June	**214,726**	**214,726**

2020	Properties RM'000	Total RM'000
At 1 July	-	-
Effect of adopting MFRS 16	309,219	309,219
At 1 July, as restated	309,219	309,219
Depreciation charge for the financial year	(55,174)	(55,174)
Modification	145	145
Exchange fluctuation	(1,072)	(1,072)
At 30 June	253,118	253,118

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

17 RIGHT-OF-USE ASSETS (CONTINUED)

The Bank

2021	Properties RM'000	Total RM'000
At 1 July	**420,653**	**420,653**
Depreciation charge for the financial year	**(75,023)**	**(75,023)**
Modification	**(6,309)**	**(6,309)**
Addition	**17,972**	**17,972**
Disposals	**(12,904)**	**(12,904)**
Exchange fluctuation	**(2)**	**(2)**
At 30 June	**344,387**	**344,387**

2020	Properties RM'000	Total RM'000
At 1 July	-	-
Effect of adopting MFRS 16	487,342	487,342
At 1 July, as restated	487,342	487,342
Depreciation charge for the financial year	(77,643)	(77,643)
Modification	20	20
Addition	10,738	10,738
Exchange fluctuation	196	196
At 30 June	420,653	420,653

18 GOODWILL

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cost				
As at 1 July/30 June	**1,831,312**	1,831,312	**1,771,547**	1,771,547

18 GOODWILL (CONTINUED)

Allocation of goodwill to cash-generating units ("CGUs")

Goodwill has been allocated to the following CGUs:

	The Group		The Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Personal Financial Services	**1,188,705**	1,188,705	**1,149,911**	1,149,911
Business & Corporate Banking	**479,437**	479,437	**463,791**	463,791
Global Markets	**163,170**	163,170	**157,845**	157,845
	1,831,312	1,831,312	**1,771,547**	1,771,547

Impairment test for goodwill

The recoverable amount of CGUs is determined based on higher of fair value less costs to sell and value-in-use calculations. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, less costs of disposal. This estimate is mainly determined, on 30 June 2021, on the basis of available market information such as the fair value of the underlying assets and liabilities which have been marked-to-market.

Value-in-use is the present value of the future cash flows expected to be derived from the CGUs or groups of CGUs. The recoverable amount of CGUs is determined based on value-in-use calculation. This calculation uses pre-tax cash flow projections based on the budget for the financial year ending 2021, which is approved by the Board of Directors with a further projection of 4 years (2020: 4 years). Cash flows beyond the 5 year period are extrapolated using an estimated growth rate of 3.3% (2020: 3.6%) representing the forecasted Gross Domestic Product 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 and management's expectation of market developments.

The discount rates used are pre-tax and reflect specific risks relating to the CGUs.

The discount rates used in determining the recoverable amount are as follows:

	Discount rate	
	2021 %	**2020 %**
Personal Financial Services	**9.89**	9.20
Business & Corporate Banking	**10.12**	9.45
Global Markets	**10.28**	9.63

Based on the impairment test performed, impairment was not required for goodwill arising from all CGUs for the financial year ended 30 June 2021. Management believes that any reasonable possible change to the key assumptions applied would not cause the carrying value of any CGU to exceed its recoverable amount.

Notes to the Financial Statements

for the financial year ended 30 June 2021

19 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 authority. The following amounts determined after appropriate set off, are shown in the statements of financial position:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets	**275,670**	86,578	**183,513**	55,984

The analysis of deferred tax assets and deferred tax liabilities after appropriate set off is as follows:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets				
- To be recovered within 12 months	**351,775**	228,313	**271,728**	199,295
- To be recovered after more than 12 months	**(76,105)**	(141,735)	**(88,215)**	(143,311)
	275,670	86,578	**183,513**	55,984

19 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year are as follows:

The Group	Note	Property and equipment and right-of-use assets RM'000	Financial instruments at FVOCI RM'000	Cash flow hedge reserve RM'000	Intangible assets RM'000	Expected credit losses RM'000	Provisions RM'000	Total RM'000
Deferred tax assets/ (liabilities)								
2021								
At 1 July		**(66,588)**	**(87,493)**	**2,682**	**(2,554)**	**151,610**	**88,921**	**86,578**
Credited to statements of income	41	**2,953**	**-**	**-**	**2,554**	**98,121**	**17,557**	**121,185**
Credited/(Charged) to equity	43	**-**	**68,878**	**(777)**	**-**	**-**	**-**	**68,101**
Exchange difference		**9**	**(5)**	**-**	**-**	**(185)**	**(13)**	**(194)**
At 30 June		**(63,626)**	**(18,620)**	**1,905**	**-**	**249,546**	**106,465**	**275,670**
2020								
At 1 July		(72,650)	(42,604)	812	(5,606)	73,797	55,775	9,524
Credited to statements of income	41	5,988	-	-	3,052	77,813	33,042	119,895
Credited/(Charged) to equity	43	-	(44,889)	1,870	-	-	-	(43,019)
Exchange difference		74	-	-	-	-	104	178
At 30 June		(66,588)	(87,493)	2,682	(2,554)	151,610	88,921	86,578

Notes to the Financial Statements

for the financial year ended 30 June 2021

19 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year are as follows: (continued)

The Bank	Note	Property and equipment and right-of-use assets RM'000	Financial instruments at FVOCI RM'000	Cash flow hedge reserve RM'000	Intangible assets RM'000	Expected credit losses RM'000	Provisions RM'000	Total RM'000
Deferred tax assets/ (liabilities)								
2021								
At 1 July		**(63,574)**	**(84,788)**	**2,682**	**(2,549)**	**120,584**	**83,629**	**55,984**
Credited to statements of income	41	**1,480**	**-**	**-**	**2,549**	**56,174**	**15,464**	**75,667**
Credited/(Charged) to equity	43	**-**	**52,664**	**(777)**	**-**	**-**	**-**	**51,887**
Exchange difference		**(20)**	**(5)**	**-**	**-**	**-**	**-**	**(25)**
At 30 June		**(62,114)**	**(32,129)**	**1,905**	**-**	**176,758**	**99,093**	**183,513**
2020								
At 1 July		(69,780)	(33,095)	812	(5,607)	53,971	47,193	(6,506)
Credited to statements of income	41	6,206	-	-	3,058	66,613	36,436	112,313
Credited/(Charged) to equity	43	-	(51,693)	1,870	-	-	-	(49,823)
At 30 June		(63,574)	(84,788)	2,682	(2,549)	120,584	83,629	55,984

20 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Amortised cost				
Fixed deposits	**91,901,574**	94,503,266	**68,601,892**	70,442,696
Negotiable instruments of deposits	**7,276,126**	9,049,600	**5,428,430**	7,002,956
Short-term placements	**22,958,925**	20,370,873	**18,245,735**	17,866,840
	122,136,625	123,923,739	**92,276,057**	95,312,492
Demand deposits	**35,373,956**	27,338,992	**30,708,310**	23,903,209
Savings deposits	**23,857,612**	21,018,664	**19,738,092**	17,452,144
Others	**563,080**	748,749	**367,474**	553,397
	181,931,273	173,030,144	**143,089,933**	137,221,242
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	**1,469,078**	463,933	**1,369,038**	413,741
Fair value changes arising from designation at fair value through profit or loss*	**(110,580)**	(1,416)	**(101,936)**	(1,621)
	1,358,498	462,517	**1,267,102**	412,120
	183,289,771	173,492,661	**144,357,035**	137,633,362

* The Group and the Bank have 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.

The carrying amount of the structured deposits of the Group is RM106,292,000 lower than the contractual amount at maturity (2020: RM317,000 lower than the contractual amount at maturity) and the Bank is RM97,688,000 (2020: RM80,000) lower than the contractual amount at maturity.

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

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Due within:				
- six months	**99,382,250**	102,956,857	**74,636,818**	78,557,105
- six months to one year	**20,881,750**	19,785,172	**16,110,724**	15,821,608
- one year to five years	**1,251,960**	999,959	**912,032**	752,028
- more than five years	**620,665**	181,751	**616,483**	181,751
	122,136,625	123,923,739	**92,276,057**	95,312,492

20 DEPOSITS FROM CUSTOMERS (CONTINUED)

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

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Government and statutory bodies	**1,861,951**	8,665,449	**203,960**	4,403,641
Business enterprises	**85,068,834**	69,639,804	**62,535,944**	53,475,665
Individuals	**93,778,846**	92,513,524	**79,706,240**	77,808,532
Others	**2,580,140**	2,673,884	**1,910,891**	1,945,524
	183,289,771	173,492,661	**144,357,035**	137,633,362

21 INVESTMENT ACCOUNTS OF CUSTOMERS

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

22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Licensed banks	**9,727,421**	5,263,923	**9,699,439**	5,639,271
Licensed investment banks	**250,012**	-	**250,012**	-
Central banks (Note)	**1,382,520**	1,176,258	**1,295,760**	1,011,970
Other financial institutions	**770,086**	60,899	**770,086**	-
	12,130,039	6,501,080	**12,015,297**	6,651,241

Note:

Deposits and placements from central banks includes monies received by the Group and the Bank under the various government financing scheme as part of the government support measure in response to COVID-19 pandemic for the purpose of SME lending amounting to RM1,317,291,000 (2020: RM1,011,970,000) and RM1,295,760,000 (2020: RM1,011,970,000) respectively at concession rates.

23 LEASE LIABILITIES

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Lease liabilities	**209,761**	241,177	**341,591**	407,838
Scheduled repayment of lease liabilities				
- Not later than one year	**41,434**	42,113	**64,415**	62,642
- Later than one year and not later than five years	**111,722**	121,831	**221,947**	236,406
- Later than five years	**56,605**	77,233	**55,229**	108,790
	209,761	241,177	**341,591**	407,838

24 OTHER LIABILITIES

		The Group		The Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Zakat		**350**	350	**-**	-
Post employment benefits obligation					
- defined contribution plan		**265**	293	**265**	293
Loan advance payment		**3,795,992**	3,916,289	**3,086,926**	3,161,826
Interbranch clearing and settlement		**-**	-	**47,725**	-
Amount due to subsidiary companies		**-**	-	**432,107**	429,380
Treasury and cheque clearing		**162,604**	210,699	**156,380**	38,282
Cash collateral pledged for derivative transactions		**145,411**	197,219	**145,411**	197,219
Sundry creditors and accruals		**326,753**	306,800	**304,862**	268,483
Provision for bonus and staff related expenses		**179,851**	155,437	**171,870**	146,030
Expected credit losses on financial guarantee contracts	(a)	**4,563**	8,480	**3,148**	6,944
Provision for reinstatement cost		**22,416**	22,614	**27,717**	28,039
Settlement accounts		**525,131**	322,926	**524,969**	323,074
Others		**195,448**	207,103	**165,021**	174,135
		5,358,784	5,348,210	**5,066,401**	4,773,705

24 OTHER LIABILITIES (CONTINUED)

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

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2021				
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 difference	**5**	**(222)**	**-**	**(217)**
Other movements	**-**	**-**	**(1)**	**(1)**
At 30 June	**3,378**	**1,185**	**-**	**4,563**

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

24 OTHER LIABILITIES (CONTINUED)

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

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2021				
At 1 July	**1,731**	**5,213**	**-**	**6,944**
Changes in ECL due to transfer within stages	**59**	**(65)**	**6**	**-**
Transfer to Stage 1	**131**	**(131)**	**-**	**-**
Transfer to Stage 2	**(72)**	**72**	**-**	**-**
Transfer to Stage 3	**-**	**(6)**	**6**	**-**
New financial assets originated	**57**	**-**	**-**	**57**
Financial assets derecognised	**(133)**	**(1)**	**-**	**(134)**
Changes due to change in credit risk	**258**	**(3,667)**	**(5)**	**(3,414)**
Changes in models/risk parameters	**1**	**(89)**	**-**	**(88)**
Exchange difference	**6**	**(222)**	**-**	**(216)**
Other movements	**-**	**-**	**(1)**	**(1)**
At 30 June	**1,979**	**1,169**	**-**	**3,148**

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2020				
At 1 July	1,574	5,521	22	7,117
Changes in ECL due to transfer within stages	(52)	46	6	-
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(56)	56	-	-
Transfer to Stage 3	-	(6)	6	-
New financial assets originated	172	1	-	173
Financial assets derecognised	(23)	(23)	-	(46)
Changes due to change in credit risk	53	(479)	(19)	(445)
Exchange difference	7	147	-	154
Other movements	-	-	(9)	(9)
At 30 June	1,731	5,213	-	6,944

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25 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

This represents the proceeds received from housing loans sold directly to Cagamas Berhad with recourse to the Group and the Bank. Under this agreement, the Group and the Bank undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudential criteria set by Cagamas Berhad. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the statements of financial position. These financial liabilities are stated at amortised cost.

26 TIER 2 SUBORDINATED BONDS

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
RM1.5 billion Tier 2 subordinated notes, at par	**1,500,000**	1,500,000	**1,500,000**	1,500,000
Add: Interest payable	**2,370**	2,254	**2,370**	2,254
	1,502,370	1,502,254	**1,502,370**	1,502,254
Less: Unamortised discounts	**(30)**	(30)	**(30)**	(30)
	1,502,340	1,502,224	**1,502,340**	1,502,224

On 25 June 2018, the Bank issued a second tranche of RM500.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 26 June 2023 (and thereafter) and due on 23 June 2028 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.86% per annum, which is payable semi-annually in arrears from the date of the issue.

On 14 June 2019, the Bank issued a third tranche of RM1.0 billion nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this third tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

27 MULTI-CURRENCY ADDITIONAL TIER 1 CAPITAL SECURITIES

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
RM800 million Multi-currency Additional Tier-1 capital securities at par	**800,000**	800,000	**800,000**	800,000
Add: Interest payable	**6,605**	6,666	**6,605**	6,666
	806,605	806,666	**806,605**	806,666
Less: Unamortised discounts	**(215)**	(346)	**(215)**	(346)
	806,390	806,320	**806,390**	806,320

27 MULTI-CURRENCY ADDITIONAL TIER 1 CAPITAL SECURITIES (CONTINUED)

On 30 November 2017, the Bank issued a nominal value RM400.0 million perpetual Multi-currency Additional Tier 1 capital securities (“Capital Securities”) under the RM10.0 billion Capital Securities Programme of which was fully subscribed by its holding company, HLFG. The Capital Securities, which qualify as Additional Tier 1 capital for the Bank, carry a distribution rate of 5.13% 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 the RM400.0 million Multi-currency Additional Tier 1 subordinated sukuk wakalah issued by HLISB, a wholly-owned subsidiary of the Bank.

On 29 March 2019, the Bank issued a second tranche nominal value of RM400.0 million perpetual Capital Securities fully subscribed by HLFG. The Capital Securities carry a distribution rate of 4.72% per annum and are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance shall be utilised to fulfill the requirements of Additional Tier 1 capital as per BNM's Capital Adequacy Framework (Capital Components) issued on 2 February 2018 and without limitation, to on-lend to HLB's subsidiaries, for investment into HLB's subsidiaries, for working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing financing obligations of HLB and/or any existing capital securities issued under the Capital Securities Programme.

28 SHARE CAPITAL

	The Group and The Bank			
	2021		2020	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Ordinary shares issued and fully paid:				
At 1 July/30 June - ordinary shares with no par value	**2,167,718**	**7,739,063**	2,167,718	7,739,063

Notes to the Financial Statements
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29 RESERVES

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
Retained profits	(a)	**20,751,376**	18,172,806	**14,139,555**	12,661,472
Other reserves:					
Share options reserve	(b)	**63,386**	54,913	**63,386**	54,913
Fair value reserve	(c)				
- Financial investments at FVOCI		**115,212**	341,819	**166,517**	325,937
Exchange fluctuation reserve	(d)	**1,091,184**	809,103	**227,769**	231,951
Cash flow hedge reserve	(e)	**(6,031)**	(8,489)	**(6,031)**	(8,487)
Regulatory reserves	(f)	**423,954**	848,428	**387,677**	703,987
		1,687,705	2,045,774	**839,318**	1,308,301
		22,439,081	20,218,580	**14,978,873**	13,969,773

(a) The Bank can distribute dividends out of its entire retained earnings under the single-tier system.

(b) The share options reserve arose from share options and ordinary shares granted to eligible executives of the Bank pursuant to the Bank's ESS. Terms of the Bank's ESS are disclosed in Note 55 to the financial statements.

(c) Movement of the fair value reserve is as follows:

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
At 1 July		**341,819**	150,952	**325,937**	129,590
Equity instruments					
- Net fair value changes		**9,228**	15,763	**9,228**	15,763
- Net loss on disposal		**(10)**	-	**(10)**	-
Debt instruments					
- Net fair value changes		**(118,457)**	480,401	**(50,088)**	508,341
- Changes in expected credit losses		**198**	502	**211**	601
Reclassification to net profit on disposal and impairment		**(171,425)**	(276,886)	**(171,425)**	(276,665)
Deferred taxation	43	**68,878**	(44,889)	**52,664**	(51,693)
Share of fair value reserve of associated company		**(15,019)**	15,976	**-**	-
Net change in fair value reserve		**(226,607)**	190,867	**(159,420)**	196,347
At 30 June		**115,212**	341,819	**166,517**	325,937

29 RESERVES (CONTINUED)

(d) Currency translation differences arising from translation of the Bank's foreign branches, subsidiaries, associated companies and joint venture are recognised in exchange fluctuation reserve.

(e) Cash flow hedge reserve arises from cash flow hedge activities undertaken by the Bank to hedge the changes in the cash flow of customer deposits arising from the movement of market interest rates. The reserve is non-distributable and is reversed to the statements of income upon maturity or termination of the cash flow hedge.

(f) Regulatory reserves represent the Group's and the Bank'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 Bank and its 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.

During the financial year, an amount of RM424.5 million at Group and RM316.3 million at Bank respectively have been transferred to retained profits from regulatory reserves.

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

30 TREASURY SHARES

		The Group		The Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Purchase of own shares pursuant to Section 127, Companies Act 2016	(a)	**431,829**	431,829	**431,829**	431,829
Treasury shares for ESS	(b)	**287,201**	291,515	**287,201**	291,515
		719,030	723,344	**719,030**	723,344

(a) Purchase of own shares pursuant to Section 127 of the Companies Act 2016

The shareholders of the Bank, via an ordinary resolution passed at the Annual General Meeting held on 23 October 2013, had approved the Bank's plan to purchase its own shares up to 10% of the issued and paid-up share capital. The Directors of the Bank are committed to enhance the value of the Bank to its shareholders and believe that the share buyback plan can be applied in the best interests of the Bank and its shareholders.

As at 30 June 2021, the total number of shares bought was 81,101,700 (2020: 81,101,700) and the shares held were accounted as treasury shares in accordance with the provisions of Section 127 of the Companies Act 2016.

There was no resale or cancellation of treasury shares during the financial year. The number of issued shares with voting rights as at 30 June 2021 after deducting treasury shares purchased is 2,086,616,584 shares (2020: 2,086,616,584). Treasury shares have no rights to vote nor participation in dividends or other distribution.

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30 TREASURY SHARES (CONTINUED)

(b) Treasury shares for ESS

In 2006, the Bank entered into a Trust for ESOS purposes established via the signing of a Trust Deed on 23 January 2006 with an appointed Trustee in conjunction with the establishment of an Executive Share Option Scheme (“ESOS”). The trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank’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, the shares purchased for the benefit of the ESS holders are recorded as "Treasury Shares for ESS" in the equity on the statements of financial position.

During the financial year ended 30 June 2021, a total of 249,138 ordinary shares were vested and transferred while a total of 336,413 share options were exercised pursuant to the Bank’s ESS. As at 30 June 2021, the total number of shares held was 38,989,545 (2020: 39,575,096).

31a INTEREST INCOME

	The Group		The Bank	
	2021 RM’000	2020 RM’000	2021 RM’000	2020 RM’000
Loans, advances and financing	**4,087,788**	4,636,360	**3,915,535**	4,487,576
Money at call and deposit placements with financial institutions	**72,182**	168,338	**92,838**	183,833
Securities purchased under resale agreements	**29**	49	**29**	49
Financial investments at FVOCI	**728,770**	687,729	**729,495**	692,225
Financial investments at amortised cost	**505,951**	416,058	**505,288**	415,255
Others	**226**	3,509	**327**	3,354
	5,394,946	5,912,043	**5,243,512**	5,782,292
Of which:				
Accretion of discount less amortisation of premium	**(147,630)**	150,279	**(147,630)**	150,279
Interest income earned on impaired loans, advances and financing	**604**	3,275	**559**	3,212

31b INTEREST INCOME FOR FINANCIAL ASSETS AT FVTPL

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial assets at FVTPL	**161,783**	268,718	**161,783**	268,718

32 INTEREST EXPENSE

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits and placements of banks and other financial institutions	**71,907**	150,008	**85,612**	161,977
Deposits from customers	**1,719,346**	2,789,184	**1,644,429**	2,735,742
Short-term placements	**181,406**	344,652	**181,406**	344,652
Tier 2 subordinated bonds	**66,600**	66,752	**66,600**	66,782
Multi-currency Additional Tier-1 capital securities	**39,366**	39,473	**39,531**	39,639
Innovative Tier 1 capital securities	**-**	8,413	**-**	8,413
Recourse obligation on loans sold to Cagamas	**10,441**	6,588	**10,441**	6,588
Others	**9,961**	11,307	**16,540**	19,147
	2,099,027	3,416,377	**2,044,559**	3,382,940

33 INCOME FROM ISLAMIC BANKING BUSINESS

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

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

	The Group		The Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
(i) Loss on modification of cash flow				
included in interest income (note 31a)	**(12,508)**	(285,723)	**(12,508)**	(285,723)
included in income from Islamic Banking business (note 33)	**(9,430)**	(190,227)	**-**	-
Subtotal	**(21,938)**	(475,950)	**(12,508)**	(285,723)
(ii) Benefits recognised under the various government schemes				
included in interest income (note 31a)	**5,331**	194,972	**5,331**	194,972
included in income from Islamic Banking business (note 33)	**-**	138,511	**-**	-
Subtotal	**5,331**	333,483	**5,331**	194,972
Net effects of (i) and (ii)				
included in interest income (note 31a)	**(7,177)**	(90,751)	**(7,177)**	(90,751)
included in income from Islamic Banking business (note 33)	**(9,430)**	(51,716)	**-**	-
Total	**(16,607)**	(142,467)	**(7,177)**	(90,751)

Note:

During the financial year 2020, the Group and the Bank granted an automatic moratorium on certain loan/financing repayments/payments, by individuals and small and medium enterprises (SMEs) for a period of six months from 1 April 2020. This, among other measures, was to assist borrowers experiencing temporary financial constraints due to the COVID-19 pandemic and the introduction of the Movement Control Order implemented by the Malaysian Government to control the spread of the pandemic. Subsequent to the auto-moratorium in September 2020, the Group and the Bank continued to provide targeted assistance to clients that are still impacted by the COVID-19 crisis via the various Payment Relief Assistance Plans ("PRAP"). As a result of the payment moratorium and PRAP, the Group and the Bank recognised a loss from the modification of cash flows of the loan/financing.

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

Notes to the Financial Statements

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35 NON-INTEREST INCOME

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fee income				
Commissions	**195,014**	153,694	**193,196**	151,024
Service charges and fees	**41,299**	43,739	**40,452**	43,121
Guarantee fees	**16,321**	13,291	**16,207**	13,131
Credit card related fees	**173,899**	199,483	**173,899**	199,483
Corporate advisory fees	**1,035**	141	**1,035**	141
Commitment fees	**36,946**	33,150	**35,647**	32,100
Fee on loans, advances and financing	**45,099**	37,187	**37,912**	34,197
Other fee income	**60,865**	47,916	**60,561**	47,527
	570,478	528,601	**558,909**	520,724
Net income from securities				
Net realised gain/(loss) on financial instruments:				
- Financial assets at FVTPL	**46,630**	133,481	**44,950**	133,481
- Derivative financial instruments	**(154,103)**	(63,668)	**(154,819)**	(63,668)
- Financial investments at FVOCI	**225,559**	364,324	**225,559**	364,033
- Financial investments amortised cost	**29,385**	-	**29,385**	-
Dividend income from:				
- Subsidiary companies	**-**	-	**3,500**	19,000
- Associated companies	**-**	-	**239,494**	205,332
- Financial assets at FVTPL	**121,127**	226,380	**121,417**	226,380
- Financial investments at FVOCI	**665**	3,683	**665**	3,683
Net unrealised gain/(loss) on revaluation of:				
- Financial assets at FVTPL	**2,754**	13,199	**4,337**	13,199
- Derivative financial instruments	**246,060**	(131,991)	**243,615**	(131,991)
Net realised loss on fair value changes arising from fair value hedges	**(7,215)**	(2,643)	**(7,215)**	(2,643)
Net unrealised loss on fair value changes arising from fair value hedges	**(967)**	(1,051)	**(967)**	(1,051)
	509,895	541,714	**749,921**	765,755

35 NON-INTEREST INCOME (CONTINUED)

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other income				
Foreign exchange (loss)/gain	**(9,763)**	78,151	**(12,144)**	76,099
Rental income	**13,441**	13,880	**7,367**	7,393
Gain on disposal of property and equipment	**5,222**	4,085	**5,222**	4,084
Gain on redemption of redeemable preference shares	**-**	-	**-**	15,000
Other non-operating income	**496**	1,001	**747**	605
	9,396	97,117	**1,192**	103,181
	1,089,769	1,167,432	**1,310,022**	1,389,660

36 OVERHEAD EXPENSES

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Personnel costs	**1,191,577**	1,166,011	**963,532**	940,860
Establishment costs	**509,158**	526,286	**450,605**	468,143
Marketing expenses	**150,002**	153,076	**133,517**	133,192
Administration and general expenses	**227,071**	258,431	**223,413**	250,260
	2,077,808	2,103,804	**1,771,067**	1,792,455

The overhead expenses of the Bank are net of shared services costs charged to subsidiaries.

(i) Personnel costs comprise the following:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Salaries, bonus and allowances	**1,070,445**	1,060,351	**856,228**	853,497
Medical expenses	**32,089**	38,898	**26,175**	32,469
Training and convention expenses	**12,703**	16,316	**11,106**	13,317
Staff welfare	**10,973**	10,004	**9,185**	7,972
Other employees benefits	**65,367**	40,442	**60,838**	33,605
	1,191,577	1,166,011	**963,532**	940,860

36 OVERHEAD EXPENSES (CONTINUED)

The overhead expenses of the Bank are net of shared services costs charged to subsidiaries. (continued)

(ii) Establishment costs comprise the following:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Depreciation of property and equipment	**126,609**	134,390	**107,867**	115,957
Depreciation of right-of-use assets	**52,702**	55,174	**75,023**	77,643
Amortisation of intangible assets	**56,948**	59,025	**51,190**	53,909
Rental of premises	**2,668**	3,914	**2,827**	3,970
Information technology expenses	**186,480**	175,661	**169,436**	158,575
Security services	**22,845**	28,476	**17,356**	22,341
Electricity, water and sewerage	**21,676**	24,007	**17,082**	19,158
Hire of plant and machinery	**13,888**	13,623	**5,345**	5,435
Others	**25,342**	32,016	**4,479**	11,155
	509,158	526,286	**450,605**	468,143

(iii) Marketing expenses comprise the following:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Advertisement and publicity	**26,649**	27,109	**24,939**	23,043
Sales commission and credit card related fees	**110,233**	108,683	**99,039**	96,959
Others	**13,120**	17,284	**9,539**	13,190
	150,002	153,076	**133,517**	133,192

Notes to the Financial Statements

for the financial year ended 30 June 2021

36 OVERHEAD EXPENSES (CONTINUED)

The overhead expenses of the Bank are net of shared services costs charged to subsidiaries. (continued)

(iv) Administration and general expenses comprise the following:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Teletransmission expenses	**22,302**	21,147	**21,804**	20,596
Stationery and printing expenses	**12,464**	13,025	**11,866**	12,492
Professional fees	**83,393**	91,967	**80,919**	90,860
Insurance fees	**25,535**	44,091	**22,239**	38,651
Stamp, postage and courier	**14,711**	14,749	**14,478**	14,460
Travelling and transport expenses	**2,909**	4,256	**2,225**	3,111
Registration and license fees	**8,990**	8,595	**7,841**	7,464
Brokerage and commission	**9,528**	8,534	**5,156**	4,371
Credit card fees	**37,011**	45,282	**37,011**	45,282
Others	**10,228**	6,785	**19,874**	12,973
	227,071	258,431	**223,413**	250,260

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Auditors' remuneration*:				
Malaysian firm				
- statutory audit	**1,937**	1,761	**1,688**	1,499
- regulatory related fees	**390**	731	**275**	496
- tax compliance	**67**	67	**41**	41
- other services	**70**	300	**70**	198
PwC overseas affiliated firms				
- statutory audit	**632**	655	**528**	466
- regulatory related fees	**181**	186	**181**	186
- tax compliance	**91**	91	**91**	91
Loss on disposal of property and equipment	**2**	89	**2**	87
Property and equipment disposal/written off	**2,753**	26,399	**2,725**	26,156
Intangible assets disposal/written off	**924**	8,357	**877**	8,352

* There was no indemnity given to or insurance effected for the Group and the Bank during the financial year.

37 ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Allowance for impairment losses on loans, advances and financing:				
- expected credit losses	**830,999**	501,804	**644,019**	339,746
Impaired loans, advances and financing:				
- written off	**16,201**	17,976	**12,620**	12,877
- recovered from bad debt written off	**(193,381)**	(192,125)	**(164,566)**	(164,290)
	653,819	327,655	**492,073**	188,333

38 ALLOWANCE FOR/(WRITTEN BACK OF) IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS AND OTHER ASSETS

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Expected credit losses and impairment losses on:				
- Financial investments at FVOCI	**230**	472	**243**	573
- Financial investments at amortised cost	**(128)**	20	**(173)**	24
- Other receivables	**(11)**	(34)	**(11)**	(34)
- Cash and short-term funds	**90**	(371)	**(464)**	403
- Deposits and placements with banks and other financial institutions	**79**	(254)	**2,110**	501
- Other non-financial assets	**-**	-	**1,760**	-
	260	(167)	**3,465**	1,467

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

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

The related parties of and their relationships with the Bank are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Share Registration Services Sdn Bhd, HLCM Capital Sdn Bhd, Hong Leong Fund Management Sdn Bhd and HL Management Co Sdn Bhd	Subsidiary companies of ultimate holding company
Hong Leong Financial Group Berhad	Holding company
Subsidiary companies of Hong Leong Financial Group Berhad as disclosed in its financial statements	Subsidiary companies of holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
HLMG Management Co Sdn Bhd (formerly known as HLI-Hume Management Co Sdn Bhd) Hume Cement Sdn Bhd Hume Construction Sdn Bhd Hume Plastics (Malaysia) Sdn Berhad Hume Quarry (Sarawak) Sdn Bhd Hongvilla Development Sdn Bhd HIMB Overseas Limited HIMB Trading Limited and Delta Touch Limited	Subsidiary companies of ultimate holding company
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Southern Steel Berhad and its subsidiary and associated companies	Subsidiary and associated companies of ultimate holding company
Subsidiary companies of the Bank as disclosed in Note 13	Subsidiary companies of the Bank
Associated companies of the Group as disclosed in Note 14	Associated companies of the Group
Key management personnel	The key management personnel of the Bank consists of: - All Directors of the Bank and eight members of senior management of the Bank
Related parties of key management personnel deemed as related to the Bank	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly 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

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances

The Group	Parent company RM'000	Other related companies RM'000	Associated companies RM'000	Key management personnel RM'000
2021				
Income				
Interest:				
- loans	-	4,103	-	39
- redeemable preference shares	-	428	-	-
Commitment fee and bank charges	-	-	-	24
Dividend income	-	99,949	-	-
Commission on Group products/services sold	-	42,117	-	-
Brokerage commission	-	735	-	-
Reimbursement of shared service cost	461	8,544	-	-
	461	155,876	-	63
Expenditure				
Rental and maintenance	-	13,508	-	-
Insurance	58	29,677	-	-
Interest on current accounts and fixed deposits	-	1,049	-	246
Interest on short-term placements	70	7,763	-	2,287
Interest on subordinated notes and capital securities	-	1,395	-	-
Management fees	4,934	30,995	-	-
Other miscellaneous expenses	75	6,473	-	-
	5,137	90,860	-	2,533
Amounts due from				
Current accounts	-	-	22,461	-
Redeemable preference shares	-	25,000	-	-
Loans	-	112,785	-	525
Wholesale funds	-	4,947,955	-	-
Derivative assets	-	38,563	-	-
Credit card balances	-	-	-	341
Advance rental and deposit	-	5,743	-	-
Others	-	511	-	-
	-	5,130,557	22,461	866
Amounts due to				
Current accounts and fixed deposits	-	25,442	-	37,816
Short-term placements	-	67,836	-	104,200
Subordinated notes and capital securities	-	24,993	-	-
Derivative liabilities	-	14,390	-	-
Others	278	15,991	-	-
	278	148,652	-	142,016
Commitments and contingencies				
Derivative related contracts	-	969,774	-	-

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Group	Parent company RM'000	Other related companies RM'000	Associated companies RM'000	Key management personnel RM'000
2020				
Income				
Interest:				
- loans	-	5,956	-	27
- redeemable preference shares	-	4,773	-	-
Commitment fee and bank charges	-	-	-	21
Dividend income	-	214,878	-	-
Commission on Group products/services sold	-	33,843	-	-
Brokerage commission	-	582	-	-
Reimbursement of shared service cost	461	7,138	-	-
	461	267,170	-	48
Expenditure				
Rental and maintenance	-	14,960	-	-
Insurance	54	34,981	-	-
Interest on current accounts and fixed deposits	-	2,347	-	432
Interest on short-term placements	241	8,173	-	4,798
Interest on subordinated notes and capital securities	-	3,287	-	-
Management fees	8,974	31,416	-	-
Other miscellaneous expenses	82	8,837	-	-
	9,351	104,001	-	5,230
Amounts due from				
Current accounts	-	-	20,827	-
Redeemable preference shares	-	25,000	-	-
Loans	-	137,887	-	2,597
Wholesale funds	-	4,657,038	-	-
Derivative assets	-	25,233	-	-
Credit card balances	-	-	-	270
Advance rental and deposit	-	5,743	-	-
Others	-	64	-	-
	-	4,850,965	20,827	2,867
Amounts due to				
Current accounts and fixed deposits	-	61,247	-	34,021
Short-term placements	-	1,402,178	-	142,090
Subordinated notes and capital securities	-	54,991	-	-
Derivative liabilities	-	17,419	-	-
Others	278	16,256	-	-
	278	1,552,091	-	176,111
Commitments and contingencies				
Derivative related contracts	-	712,448	-	-

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank	Parent company RM'000	Subsidiary companies RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
2021					
Income					
Interest:					
- loans	-	9,037	-	4,103	39
- interbank placements	-	8,965	-	-	-
- current accounts	-	-	336	-	-
- negotiable instruments of deposits	-	3,639	-	-	-
- redeemable preference shares	-	-	-	428	-
- subordinated facilities	-	906	-	-	-
Dividend income	-	3,500	239,494	99,949	-
Commitment fee and bank charges	-	-	-	-	24
Commission on Group products/ services sold	-	-	-	42,117	-
Brokerage commission	-	-	-	735	-
Reimbursement of shared service cost	461	188,730	-	8,544	-
	461	214,777	239,830	155,876	63
Expenditure					
Rental and maintenance	-	918	-	13,250	-
Insurance	58	-	-	29,677	-
Interest on current accounts and fixed deposits	-	999	-	-	205
Interest on short-term placements	70	6	-	7,763	2,287
Interest on lease liabilities	-	6,665	-	-	-
Interest on interbank placements	-	6,363	-	-	-
Interest on subordinated notes and capital securities	-	-	-	1,395	-
Management fees	4,934	-	-	30,995	-
Other miscellaneous expenses	75	669	227	6,465	-
	5,137	15,620	227	89,545	2,492

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank	Parent company RM'000	Subsidiary companies RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
2021					
Amounts due from					
Interbank placements	-	776,584	-	-	-
Current accounts	-	-	22,461	-	-
Negotiable instruments of deposits	-	299,435	-	-	-
Redeemable preference shares	-	-	-	25,000	-
Loans	-	339,727	-	112,785	525
Right-of-use assets	-	141,929	-	-	-
Wholesale funds	-	-	-	5,035,087	-
Credit card balances	-	-	-	-	341
Derivative assets	-	32,072	-	38,563	-
Advance rental and deposit	-	8,783	-	5,743	-
Others	-	15,870	-	511	-
	-	1,614,400	22,461	5,217,689	866
Amounts due to					
Current accounts and fixed deposits	-	108,533	-	25,442	33,417
Short-term placements	-	-	-	67,836	104,200
Subordinated notes and capital securities	-	-	-	24,993	-
Derivative liabilities	-	394	-	14,390	-
Lease liabilities	-	143,978	-	-	-
Provision for reinstatement cost	-	6,624	-	-	-
Others	-	479,832	-	-	-
	-	739,361	-	132,661	137,617
Commitments and contingencies					
Derivative related contracts	-	959,685	-	969,774	-

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank	Parent company RM'000	Subsidiary companies RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
2020					
Income					
Interest:					
- loans	-	13,012	-	5,956	27
- interbank placements	-	15,939	-	-	-
- current accounts	-	-	312	-	-
- negotiable instruments of deposits	-	8,851	-	-	-
- redeemable preference shares	-	-	-	4,773	-
- subordinated facilities	-	934	-	-	-
Dividend income	-	19,000	205,332	214,878	-
Commitment fee and bank charges	-	-	-	-	21
Commission on Group products/ services sold	-	-	-	33,843	-
Brokerage commission	-	-	-	582	-
Reimbursement of shared service cost	461	183,030	-	7,138	-
	461	240,766	205,644	267,170	48
Expenditure					
Rental and maintenance	-	918	-	14,673	-
Insurance	54	-	-	34,981	-
Interest on current accounts and fixed deposits	-	1,459	-	4	415
Interest on short-term placements	241	-	-	8,173	4,798
Interest on lease liabilities	-	8,060	-	-	-
Interest on interbank placements	-	10,805	-	-	-
Interest on subordinated notes and capital securities	-	-	-	3,287	-
Management fees	8,974	-	-	31,416	-
Other miscellaneous expenses	82	1,438	-	8,826	-
	9,351	22,680	-	101,360	5,213

Notes to the Financial Statements

for the financial year ended 30 June 2021

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank	Parent company RM'000	Subsidiary companies RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
2020					
Amounts due from					
Interbank placements	-	710,259	-	-	-
Current accounts	-	-	20,827	-	-
Redeemable preference shares	-	-	-	25,000	-
Loans	-	345,834	-	137,887	2,597
Right-of-use assets	-	180,985	-	-	-
Wholesale funds	-	-	-	4,657,038	-
Credit card balances	-	-	-	-	270
Derivative assets	-	30,647	-	25,233	-
Advance rental and deposit	-	8,783	-	5,743	-
Others	-	106,363	-	64	-
	-	1,382,871	20,827	4,850,965	2,867
Amounts due to					
Current accounts and fixed deposits	-	95,461	-	61,247	32,393
Short-term placements	-	-	-	1,402,178	142,090
Subordinated notes and capital securities	-	-	-	54,991	-
Derivative liabilities	-	4,618	-	17,419	-
Lease liabilities	-	179,494	-	-	-
Provision for reinstatement cost	-	6,940	-	-	-
Others	-	429,380	-	-	-
	-	715,893	-	1,535,835	174,483
Commitments and contingencies					
Derivative related contracts	-	1,468,247	-	712,448	-

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

	The Group and The Bank	
	2021 RM'000	2020 RM'000
The approved limit on loans, advances and financing for key management personnel	**5,516**	10,516

(c) Key management personnel

Key management compensation

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Salaries and other short-term employee benefits	**25,448**	24,405	**25,448**	24,405
Director fees	**1,383**	1,288	**1,200**	1,112
ESS expenses	**12,643**	14,152	**12,643**	14,152

Included in the above is the Directors' remuneration which is disclosed in Note 40 to the financial statements.

Loans made to key management personnel of the Group and the Bank will be on similar terms and conditions generally available to other employees within the Group. No impairment allowances were required in 2021 and 2020 for loans made to key management personnel.

(d) Credit transactions and exposures with connected parties

Credit exposures with connected parties as per BNM's revised "Guidelines on Credit Transactions and Exposures with Connected Parties" which became effective on 1 January 2008 are as follows:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Outstanding credit exposures with connected parties	**2,964,510**	2,808,786	**2,901,895**	2,752,204
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**1.69%**	1.72%	**2.13%**	2.16%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.0001%**	0.0002%	**0.0001%**	0.0003%

Notes to the Financial Statements

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39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(e) Intercompany charges

Breakdown of intercompany charges by type of services received and geographical distribution as per BNM's Guidelines on Financial Reporting issued on 27 September 2019 are as follows:

The Bank	Interest on deposits and placements of banks and other financial institutions RM'000	Interest on lease liabilities RM'000	Interest on deposits from customers RM'000	Interest on subordinated notes and capital securities RM'000	Rental and maintenance RM'000	Management fees RM'000	Insurance RM'000	Others RM'000
2021								
Malaysia	-	6,665	8,534	1,395	5,606	35,610	29,725	6,704
Singapore	-	-	287	-	5,791	-	-	-
Hong Kong	-	-	11	-	2,771	319	10	383
Cambodia	6,363	-	6	-	-	-	-	84
Others	-	-	-	-	-	-	-	265
	6,363	6,665	8,838	1,395	14,168	35,929	29,735	7,436
2020								
Malaysia	-	8,060	9,474	3,287	6,145	40,065	35,021	9,789
Singapore	-	-	370	-	6,042	-	-	1
Hong Kong	-	-	33	-	3,404	325	14	425
Cambodia	10,805	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	131
	10,805	8,060	9,877	3,287	15,591	40,390	35,035	10,346

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

40 CHIEF EXECUTIVE OFFICER ("CEO") AND DIRECTORS' REMUNERATION

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

	The Group				The Bank			
	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000
2021								
CEO								
Mr Domenic Fuda	11,229	-	3,332	14,561	11,229	-	3,332	14,561
Executive Director								
Mr Tan Kong Khoon	-	-	-	-	-	-	-	-
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	-	-	-	-	-	-
Mr Kwek Leng Hai	-	-	-	-	-	-	-	-
Ms Chok Kwee Bee	33	275	-	308	33	275	-	308
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	34	285	-	319	34	285	-	319
YBhg Datuk Dr Md Hamzah bin Md Kassim	34	358	-	392	13	175	-	188
Ms Chong Chye Neo	16	190	-	206	16	190	-	206
Ms Lau Souk Huan	38	275	-	313	38	275	-	313
	155#	1,383	-	1,538	134#	1,200	-	1,334
Directors of subsidiaries	2,544	593	47	3,184	-	-	-	-
Total CEO and Directors' remuneration	13,928	1,976	3,379	19,283	11,363	1,200	3,332	15,895

The movement and details of the Directors of the Group and the Bank in office and interests in shares and share options are reported in the Directors' report.

Directors' meeting allowances

Note: During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and the Bank subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the holding company was RM10.0 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group and the Bank was RM65,198 and RM55,071 respectively.

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

40 CHIEF EXECUTIVE OFFICER ("CEO") AND DIRECTORS' REMUNERATION (CONTINUED)

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

	The Group				The Bank			
	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000
2020								
CEO								
Mr Domenic Fuda	10,259	-	6,866	17,125	10,259	-	6,866	17,125
Executive Director								
Mr Tan Kong Khoon	-	-	-	-	-	-	-	-
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	-	-	-	-	-	-
Mr Kwek Leng Hai	-	-	-	-	-	-	-	-
Ms Chok Kwee Bee	32	275	-	307	32	275	-	307
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	33	285	-	318	33	285	-	318
YBhg Datuk Dr Md Hamzah bin Md Kassim	26	343	-	369	9	167	-	176
Ms Chong Chye Neo	9	170	-	179	9	170	-	179
Ms Lau Souk Huan *	26	215	-	241	26	215	-	241
	126#	1,288	-	1,414	109#	1,112	-	1,221
Directors of subsidiaries	3,327	644	-	3,971	-	-	-	-
Total CEO and Directors' remuneration	13,712	1,932	6,866	22,510	10,368	1,112	6,866	18,346

The movement and details of the Directors of the Group and the Bank in office and interests in shares and share options are reported in the Directors' report.

* Appointed on 6 September 2019
\# Directors' meeting allowances

Note: The Directors' Remuneration in the current financial year represents remuneration for Directors of the Group, the Bank and its subsidiaries to comply with the requirements of Companies Act 2016. 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.

During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and the Bank subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the holding company was RM10.0 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group and the Bank was RM58,938 and RM50,825 respectively.

41 TAXATION

		The Group		The Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income tax:					
- Current year		**896,447**	611,471	**763,286**	530,134
- (Over)/Under accrual in prior years		**(164,965)**	3,224	**(151,785)**	3,639
		731,482	614,695	**611,501**	533,773
Deferred tax:					
- Current year		**(255,145)**	(81,426)	**(197,894)**	(73,844)
- Under/(Over) accrual in prior years		**133,960**	(38,469)	**122,227**	(38,469)
	19	**(121,185)**	(119,895)	**(75,667)**	(112,313)
Taxation		**610,297**	494,800	**535,834**	421,460

The effective tax rate for the Group and Bank differed from the statutory rate of taxation due to:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before taxation	**3,470,939**	2,989,397	**2,404,153**	2,075,475
Tax calculated at a rate of 24%	**833,025**	717,455	**576,997**	498,114
Tax effects of:				
- Income not subject to tax	**(50,000)**	(70,964)	**(41,276)**	(74,380)
- Share of net income of foreign associated company and joint venture company	**(176,629)**	(154,160)	**-**	-
- Expenses not deductible for tax purposes	**34,906**	37,714	**29,671**	32,556
Over accrual in prior years	**(31,005)**	(35,245)	**(29,558)**	(34,830)
Taxation	**610,297**	494,800	**535,834**	421,460

	The Group	
	2021 RM'000	2020 RM'000
Unused tax losses from a wholly owned subsidiary for which no deferred tax is recognised in the financial statements *	**28,248**	28,248

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

Notes to the Financial Statements

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42 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share from operations is calculated by dividing the net profit attributable to ordinary equity holders of the Bank after taxation by the weighted average number of ordinary shares in issue during the financial year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net profit attributable to equity holders	**2,860,642**	2,494,597	**1,868,319**	1,654,015
Weighted average number of ordinary shares in issue ('000)	**2,047,375**	2,046,702	**2,047,375**	2,046,702
Basic earnings per share (sen)	**139.7**	121.9	**91.3**	80.8

Diluted earnings per share

The Bank has two categories of dilutive potential ordinary shares, which are the share options and ordinary shares granted under the ESS. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Bank's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net profit attributable to equity holders	**2,860,642**	2,494,597	**1,868,319**	1,654,015
Weighted average number of ordinary shares in issue ('000)	**2,047,375**	2,046,702	**2,047,375**	2,046,702
- adjustment for ESS	**690**	429	**690**	429
	2,048,065	2,047,131	**2,048,065**	2,047,131
Diluted earnings per share (sen)	**139.7**	121.9	**91.2**	80.8

43 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)

	2021			2020		
The Group	**Before tax RM'000**	**Tax benefits RM'000**	**Net of tax amount RM'000**	**Before tax RM'000**	**Tax benefits RM'000**	**Net of tax amount RM'000**
Debt instruments at fair value through other comprehensive income						
- net fair value changes and changes in expected credit losses	**(289,684)**	**68,878**	**(220,806)**	204,017	(44,889)	159,128
Cash flow hedge						
- net fair value gain/(loss)	**3,235**	**(777)**	**2,458**	(7,633)	1,870	(5,763)
The Bank						
Debt instruments at fair value through other comprehensive income						
- net fair value changes and changes in expected credit losses	**(221,302)**	**52,664**	**(168,638)**	232,277	(51,693)	180,584
Cash flow hedge						
- net fair value gain/(loss)	**3,233**	**(777)**	**2,456**	(7,631)	1,870	(5,761)

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

44 DIVIDENDS

	The Group and The Bank			
	2021		2020	
	Gross dividends per share sen	Amount of dividends net of tax RM'000	Gross dividends per share sen	Amount of dividends net of tax RM'000
Final dividend paid				
- for financial year ended 30 June 2020	**20.0**	**409,455**	-	-
- for financial year ended 30 June 2019	**-**	**-**	34.0	695,813
Interim dividend paid				
- for financial year ended 30 June 2021	**14.8**	**302,631**	-	-
- for financial year ended 30 June 2020	**-**	**-**	16.0	327,527
	34.8	**712,086**	50.0	1,023,340

A final single tier dividend of 35.22 sen per share (2020: 20.00 sen single tier per share) has been declared for the financial year ended 30 June 2021. Based on the Bank's adjusted total number of issued shares (excluding 81,101,700 treasury shares held pursuant to Section 127 of the Companies Act 2016 and ESOS scheme of 38,989,545 shares) of 2,047,627,039 shares as at 30 June 2021, the dividend amount would approximately be RM721,174,243. The dividend will be reflected in the financial statements for the financial year ending 30 June 2022.

45 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank 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 amounts of the commitments and contingencies constitute the following:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Direct credit substitutes*	**171,600**	133,166	**116,915**	80,144
Certain transaction related contingent items	**1,676,061**	1,489,056	**1,337,502**	1,283,921
Short-term self liquidating trade related contingencies	**671,759**	538,144	**615,796**	508,190
Irrevocable commitments to extend credit:				
- maturity more than one year	**20,459,242**	17,777,310	**14,682,053**	12,807,826
- maturity less than one year	**23,767,882**	20,856,358	**19,078,814**	17,067,748
Foreign exchange related contracts: ^				
- less than one year	**63,609,452**	40,277,996	**57,286,691**	33,398,925
- one year to less than five years	**5,104,301**	4,089,668	**5,063,539**	4,089,668
- five years and above	**361,486**	288,397	**361,486**	288,397
Interest rate related contracts: ^				
- less than one year	**117,988,593**	18,957,616	**118,114,783**	19,457,616
- one year to less than five years	**31,913,336**	32,060,237	**31,913,336**	32,260,237
- five years and above	**4,387,355**	2,609,803	**4,487,355**	2,571,708
Equity related contracts: ^				
- less than one year	**247,217**	264,263	**247,217**	264,263
- one year to less than five years	**121,419**	136,115	**121,419**	136,115
- five years and above	**255,112**	-	**255,112**	-
Credit related contracts: ^				
- five years and above	**652,187**	291,272	**652,187**	291,272
Commodity related contracts:				
- less than one year	**55,088**	-	**55,088**	-
- one year to less than five years	**39,881**	-	**39,881**	-
Unutilised credit card lines	**7,419,464**	7,463,767	**7,419,464**	7,463,767
	278,901,435	147,233,168	**261,848,638**	131,969,797

^ These derivatives are revalued at gross position basis and the fair value have been reflected in Note 10 to the financial statements as derivatives assets or derivatives liabilities.

* Included in direct credit substitutes above are the financial guarantee contracts of RM121,815,003 and RM71,814,503 at Group and Bank, respectively (2020: RM92,904,339 and RM42,901,839 at Group and Bank, respectively), of which fair value at the time of issuance is nil.

Notes to the Financial Statements

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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		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Authorised and contracted for	**94,184**	186,427	**80,838**	148,227
Authorised but not contracted for	**29,608**	28,052	**24,230**	22,294
	123,792	214,479	**105,068**	170,521

47 HOLDING AND ULTIMATE HOLDING COMPANIES

The holding and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad, respectively. Both companies are incorporated in Malaysia.

48 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

Overview and organisation

Group Risk Management (“GRM”)

The Group has implemented a risk management framework with the objective to ensure the overall financial soundness and stability of the Group’s business operations. The Group's risk management framework outlines the overall governance structure, aspiration, values and risk management strategies which aligns the 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.

From a governance perspective, the Board has the overall responsibility to define the Group's risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is supported by the Board Risk Management Committee ("BRMC") in approving the 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 to oversee the development and the effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

BRMC is supported by the Group Risk Management ("GRM") function. The GRM function has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Group. The core functions of the GRM function is to support line management in identification and management of key and emerging risks for the Group, to measure these risks, to manage the risk positions and to determine the optimum capital allocations. The Group regularly reviews its risk management framework to reflect changes in market, products, regulatory requirements and emerging best market practices.

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 Group.

The Group has established a Board Policy on Credit Risk Governance to ensure that exposure to credit risk is kept within the Bank’s financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines which 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 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 the approving and discretionary authority to the MCC, CSC and the various personnel of the Bank based on job function and designation.

48 FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit Risk Management (continued)

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.

The 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 Group also conducts periodic stress testing of its credit portfolios to ascertain the 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 the 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 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 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 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 limits. In addition, the 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 Group measures Earnings at Risk ("EAR") and economic value or Capital at Risk ("CAR").

The Group also conducts periodic stress testing of the respective portfolios and on an overall basis to ascertain market risk under abnormal market conditions.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (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 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 Requirements, the 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 Group Assets and Liabilities 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 Group has in place a liquidity contingency funding plan and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. The contingency funding plan sets out the crisis escalation process, various strategies to be employed to preserve liquidity and includes an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there is adequate liquidity contingency fund to meet the shortfalls during liquidity crisis scenarios.

Pandemic Related Risk Management

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

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, 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 Bank.

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 Bank proactively seek to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest/Profit rate risk sensitivity analysis

The interest/profit rate sensitivity results below shows the impact on profit after tax and equity of financial assets and financial liabilities bearing floating interest/profit rates and fixed rate financial assets and financial liabilities carried at fair value.

	The Group		The Bank	
2021	**Impact on profit after tax RM'000**	**Impact on equity RM'000**	**Impact on profit after tax RM'000**	**Impact on equity RM'000**
Increase/(Decrease)				
+100 basis points ('bps')	**61,970**	**(857,786)**	**58,081**	**(713,334)**
-100 bps	**(61,970)**	**857,786**	**(58,081)**	**713,334**
2020				
Increase/(Decrease)				
+100 basis points ('bps')	190,924	(614,834)	143,989	(533,714)
-100 bps	(190,924)	614,834	(143,989)	533,714

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis

The Group and the Bank 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 Bank:

The Group	2021 RM'000	2020 RM'000
Asset/(Liability)		
United States Dollar ("USD")	**390,086**	150,046
Euro ("EUR")	**(143,508)**	3,504
Great Britain Pound ("GBP")	**8,670**	10,035
Singapore Dollar ("SGD")	**(134,283)**	(49,285)
Australian Dollar ("AUD")	**(55,589)**	(27,226)
Chinese Yuan Renminbi ("CNY")	**212,176**	6,492
Hong Kong Dollar ("HKD")	**(194,094)**	(97,570)
Others	**244,520**	109,078
	327,978	105,074

The Bank	2021 RM'000	2020 RM'000
Asset/(Liability)		
United States Dollar ("USD")	**530,798**	228,932
Euro ("EUR")	**(146,450)**	(4,676)
Great Britain Pound ("GBP")	**2,108**	1,494
Singapore Dollar ("SGD")	**(150,314)**	(52,631)
Australian Dollar ("AUD")	**(42,185)**	(30,365)
Chinese Yuan Renminbi ("CNY")	**183,539**	(2,368)
Hong Kong Dollar ("HKD")	**(204,300)**	(99,231)
Others	**232,511**	119,536
	405,707	160,691

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48 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 foreign currency exchange rates to the profit after tax are as follows:

The Group	2021 RM'000	2020 RM'000
Increase/(Decrease)		
-1%		
United States Dollar ("USD")	**(2,965)**	(1,140)
Euro ("EUR")	**1,091**	(27)
Great Britain Pound ("GBP")	**(66)**	(76)
Singapore Dollar ("SGD")	**1,021**	375
Australian Dollar ("AUD")	**422**	207
Chinese Yuan Renminbi ("CNY")	**(1,613)**	(49)
Hong Kong Dollar ("HKD")	**1,475**	742
Others	**(1,858)**	(829)
	(2,493)	(797)
+1%		
United States Dollar ("USD")	**2,965**	1,140
Euro ("EUR")	**(1,091)**	27
Great Britain Pound ("GBP")	**66**	76
Singapore Dollar ("SGD")	**(1,021)**	(375)
Australian Dollar ("AUD")	**(422)**	(207)
Chinese Yuan Renminbi ("CNY")	**1,613**	49
Hong Kong Dollar ("HKD")	**(1,475)**	(742)
Others	**1,858**	829
	2,493	797

48 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 foreign currency exchange rates to the profit after tax are as follows: (continued)

The Bank	2021 RM'000	2020 RM'000
Increase/(Decrease)		
-1%		
United States Dollar ("USD")	**(4,034)**	(1,740)
Euro ("EUR")	**1,113**	36
Great Britain Pound ("GBP")	**(16)**	(11)
Singapore Dollar ("SGD")	**1,142**	400
Australian Dollar ("AUD")	**321**	231
Chinese Yuan Renminbi ("CNY")	**(1,395)**	18
Hong Kong Dollar ("HKD")	**1,553**	754
Others	**(1,767)**	(908)
	(3,083)	(1,220)
+1%		
United States Dollar ("USD")	**4,034**	1,740
Euro ("EUR")	**(1,113)**	(36)
Great Britain Pound ("GBP")	**16**	11
Singapore Dollar ("SGD")	**(1,142)**	(400)
Australian Dollar ("AUD")	**(321)**	(231)
Chinese Yuan Renminbi ("CNY")	**1,395**	(18)
Hong Kong Dollar ("HKD")	**(1,553)**	(754)
Others	**1,767**	908
	3,083	1,220

Notes to the Financial Statements

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk

The tables below summarise the Group's and the Bank's exposure to interest/profit rate risks. Included in the tables are the Group's and the Bank's financial assets and financial liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The net interest sensitivity gap for items not recognised in the statements of financial position represents the net notional amounts of all interest/profit rate sensitive derivative financial instruments. As interest rates and yield curves change over time, the Group and the Bank may be exposed to loss in earnings due to the effects of interest rates on the structure of the statement of financial position. Sensitivity to interest/profit rates arises from mismatches in the repricing dates, cash flows and other characteristics of the financial assets and their corresponding financial liabilities funding.

	The Group 2021 Non-trading book							
	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	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	1,448,280	-	-	-	-	2,017,898	-	3,466,178
Deposits and placements with banks and other financial institutions	-	236,969	249,275	-	-	535	-	486,779
Financial assets at fair value through profit or loss	-	-	-	-	-	5,296,824	2,949,542	8,246,366
Financial investments at fair value through other comprehensive income	1,609,764	370,575	1,398,946	22,911,204	8,120,523	39,226	-	34,450,238
Financial investments at amortised cost	799,214	4,999	1,754,675	14,248,131	6,554,653	273,235	-	23,634,907
Loans, advances and financing								
- performing	130,171,819	519,175	856,574	9,062,456	12,977,785	-	-	153,587,809
- impaired ^	84,405	6,077	7,207	45,180	340,029	-	-	482,898
Other assets	37,871	-	-	-	-	1,861,066	-	1,898,937
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,004,323	1,004,323
- hedging derivatives	-	-	-	731	195	-	-	926
Statutory deposits with Central Banks	-	-	-	-	192,177	301,428	-	493,605
Total financial assets	134,151,353	1,137,795	4,266,677	46,267,702	28,185,362	9,790,212	3,953,865	227,752,966

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Group 2021 Non-trading book 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	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	69,858,485	33,997,271	44,399,358	1,511,637	1,607,004	31,916,016	-	183,289,771
Investment accounts of customers	97,691	153,874	886,485	-	-	7,104	-	1,145,154
Deposits and placements of banks and other financial institutions	8,342,907	1,763,659	690,691	1,026,623	290,668	15,491	-	12,130,039
Obligations on securities sold under repurchase agreements	499,969	242,393	-	-	-	388	-	742,750
Bills and acceptances payable	9,683	12,991	8,550	-	-	158,418	-	189,642
Lease liabilities	3,637	7,208	30,589	111,722	56,605	-	-	209,761
Other liabilities	1,346	574	2,643	-	-	5,065,860	-	5,070,423
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	892,461	892,461
- hedging derivatives	1,810	-	3,479	11,916	-	-	-	17,205
Recourse obligation on loans sold to Cagamas	-	-	47,711	979,421	-	6,707	-	1,033,839
Tier 2 subordinated bonds	-	-	-	1,499,970	-	2,370	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	-	799,785	-	6,605	-	806,390
Total financial liabilities	78,815,528	36,177,970	46,069,506	5,941,074	1,954,277	37,178,959	892,461	207,029,775
Net interest sensitivity gap	55,335,825	(35,040,175)	(41,802,829)	40,326,628	26,231,085			
Financial guarantees	-	-	-	-	-	605,213		
Credit related commitments and contingencies	-	-	-	-	-	51,646,588		
Treasury related commitments and contingencies (hedging)	-	-	200,000	879,167	200,000	-		
Net interest sensitivity gap	-	-	200,000	879,167	200,000	52,251,801		

Notes to the Financial Statements
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48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Group 2020 Non-trading book							
	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	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	6,682,659	-	-	-	-	1,879,510	-	8,562,169
Deposits and placements with banks and other financial institutions	-	109,137	941,570	-	-	1,672	-	1,052,379
Financial assets at fair value through profit or loss	-	-	-	-	-	5,012,673	3,056,723	8,069,396
Financial investments at fair value through other comprehensive income	936,181	485,726	1,816,629	15,428,536	7,977,731	637,741	-	27,282,544
Financial investments at amortised cost	218,408	-	951,746	12,895,897	5,735,347	300,034	-	20,101,432
Loans, advances and financing								
- performing	135,501,736	2,737,561	3,226,661	1,719,039	893,989	-	-	144,078,986
- impaired ^	110,030	606	22,432	63,034	419,862	-	-	615,964
Other assets	23,037	-	-	-	-	1,608,216	-	1,631,253
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,111,469	1,111,469
Statutory deposits with Central Banks	-	-	-	-	163,853	254,267	-	418,120
Total financial assets	143,472,051	3,333,030	6,959,038	30,106,506	15,190,782	9,694,113	4,168,192	212,923,712

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

Notes to the Financial Statements

for the financial year ended 30 June 2021

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Group 2020 Non-trading book							
	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	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	70,681,569	32,585,292	42,065,154	941,259	545,147	26,674,240	-	173,492,661
Investment accounts of customers	42,681	304,611	5,137	-	-	4,046	-	356,475
Deposits and placements of banks and other financial institutions	1,766,951	2,717,943	988,736	-	1,011,970	15,480	-	6,501,080
Obligations on securities sold under repurchase agreements	369,972	2,275,663	477,488	-	-	1,009	-	3,124,132
Bills and acceptances payable	2,007	8,130	6,542	-	-	117,374	-	134,053
Lease liabilities	3,503	7,025	31,426	121,286	77,937	-	-	241,177
Other liabilities	5,187	355	2,938	-	-	5,073,338	-	5,081,818
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,268,393	1,268,393
- hedging derivatives	-	-	-	21,096	9,024	-	-	30,120
Recourse obligation on loans sold to Cagamas	-	-	-	1,042,085	-	6,920	-	1,049,005
Tier 2 subordinated bonds	-	-	-	1,499,970	-	2,254	-	1,502,224
Multi-currency Additional Tier 1 Capital Securities	-	-	-	799,655	-	6,665	-	806,320
Total financial liabilities	72,871,870	37,899,019	43,577,421	4,425,351	1,644,078	31,901,326	1,268,393	193,587,458
Net interest sensitivity gap	70,600,181	(34,565,989)	(36,618,383)	25,681,155	13,546,704			
Financial guarantees	-	-	-	-	-	448,212		
Credit related commitments and contingencies	-	-	-	-	-	46,097,435		
Treasury related commitments and contingencies (hedging)	-	-	-	887,500	120,238	-		
Net interest sensitivity gap	-	-	-	887,500	120,238	46,545,647		

Notes to the Financial Statements

for the financial year ended 30 June 2021

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2021 Non-trading book							
	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	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	1,025,957	-	-	-	-	2,016,584	-	3,042,541
Deposits and placements with banks and other financial institutions	-	771,306	249,275	-	405,368	535	-	1,426,484
Financial assets at fair value through profit or loss	-	-	-	-	-	5,383,956	2,657,265	8,041,221
Financial investments at fair value through other comprehensive income	1,600,193	370,575	1,363,329	20,771,281	6,066,222	293,281	-	30,464,881
Financial investments at amortised cost	799,213	4,999	775,313	9,904,764	4,876,607	197,830	-	16,558,726
Loans, advances and financing								
- performing	102,629,200	243,436	506,551	6,663,369	8,646,719	-	-	118,689,275
- impaired ^	76,651	5,971	6,017	36,698	271,082	-	-	396,419
Other assets	37,871	-	-	-	-	1,772,380	-	1,810,251
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	982,279	982,279
- hedging derivatives	-	-	-	731	195	-	-	926
Amount due from subsidiaries	-	-	-	-	-	15,870	-	15,870
Statutory deposits with Central Banks	-	-	-	-	-	301,428	-	301,428
Total financial assets	106,169,085	1,396,287	2,900,485	37,376,843	20,266,193	9,981,864	3,639,544	181,730,301

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

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

v	The Bank 2021 Non-trading book 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	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	53,952,422	25,119,801	34,825,713	1,276,006	1,515,648	27,667,445	-	144,357,035
Deposits and placements of banks and other financial institutions	8,538,079	2,032,236	133,403	1,026,623	269,136	15,820	-	12,015,297
Obligations on securities sold under repurchase agreements	499,969	242,393	-	-	-	388	-	742,750
Bills and acceptances payable	2,056	11,421	7,543	-	-	129,413	-	150,433
Lease liabilities	5,420	10,870	48,125	221,947	55,229	-	-	341,591
Other liabilities	1,312	527	1,309	-	-	4,831,981	-	4,835,129
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	864,591	864,591
- hedging derivatives	-	-	3,479	11,916	-	-	-	15,395
Recourse obligation on loans sold to Cagamas	-	-	-	300,028	-	544	-	300,572
Tier 2 subordinated bonds	-	-	-	1,499,970	-	2,370	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	-	799,785	-	6,605	-	806,390
Total financial liabilities	62,999,258	27,417,248	35,019,572	5,136,275	1,840,013	32,654,566	864,591	165,931,523
Net interest sensitivity gap	43,169,827	(26,020,961)	(32,119,087)	32,240,568	18,426,180			
Financial guarantees	-	-	-	-	-	526,590		
Credit related commitments and contingencies	-	-	-	-	-	41,180,331		
Treasury related commitments and contingencies (hedging)	-	-	200,000	879,167	200,000	-		
Net interest sensitivity gap	-	-	200,000	879,167	200,000	41,706,921		

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2020 Non-trading book							
	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	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	3,657,847	-	-	-	-	1,885,953	-	5,543,800
Deposits and placements with banks and other financial institutions	-	483,291	941,570	-	391,641	1,672	-	1,818,174
Financial assets at fair value through profit or loss	-	-	-	-	-	5,012,673	3,035,054	8,047,727
Financial investments at fair value through other comprehensive income	686,381	485,726	1,649,809	15,076,662	6,225,157	614,170	-	24,737,905
Financial investments at amortised cost	218,408	-	573,438	9,470,984	4,576,302	239,949	-	15,079,081
Loans, advances and financing								
- performing	110,412,589	140,697	250,555	1,325,455	214,777	-	-	112,344,073
- impaired ^	99,944	493	21,742	38,563	319,160	-	-	479,902
Other assets	23,037	-	-	-	-	1,531,406	-	1,554,443
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,057,621	1,057,621
Amount due from subsidiaries	-	-	-	-	-	106,363	-	106,363
Statutory deposits with Central Banks	-	-	-	-	-	254,181	-	254,181
Total financial assets	115,098,206	1,110,207	3,437,114	25,911,664	11,727,037	9,646,367	4,092,675	171,023,270

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2020 Non-trading book							
	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	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	56,077,379	24,804,122	31,962,056	847,910	494,942	23,446,953	-	137,633,362
Deposits and placements of banks and other financial institutions	2,181,665	2,871,812	569,889	-	1,011,970	15,905	-	6,651,241
Obligations on securities sold under repurchase agreements	369,972	2,275,663	477,488	-	-	1,009	-	3,124,132
Bills and acceptances payable	1,762	6,663	5,498	-	-	106,293	-	120,216
Lease liabilities	5,173	10,372	47,097	231,657	113,539	-	-	407,838
Other liabilities	5,115	343	1,486	-	-	4,559,262	-	4,566,206
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,224,022	1,224,022
- hedging derivatives	-	-	-	21,096	5,978	-	-	27,074
Recourse obligation on loans sold to Cagamas	-	-	-	300,024	-	543	-	300,567
Tier 2 subordinated bonds	-	-	-	1,499,970	-	2,254	-	1,502,224
Multi-currency Additional Tier 1 Capital Securities	-	-	-	799,655	-	6,665	-	806,320
Total financial liabilities	58,641,066	29,968,975	33,063,514	3,700,312	1,626,429	28,138,884	1,224,022	156,363,202
Net interest sensitivity gap	56,457,140	(28,858,768)	(29,626,400)	22,211,352	10,100,608			
Financial guarantees	-	-	-	-	-	366,709		
Credit related commitments and contingencies	-	-	-	-	-	37,339,341		
Treasury related commitments and contingencies (hedging)	-	-	-	887,500	120,238	-		
Net interest sensitivity gap	-	-	-	887,500	120,238	37,706,050		

Notes to the Financial Statements

for the financial year ended 30 June 2021

48 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 Bank 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 BNM's New Liquidity Framework and depositor's concentration ratios. The Group and the Bank 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 (including non-financial instruments) as at 30 June 2021 based on the remaining contractual maturity:

	The Group 2021							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	2,120,636	1,345,542	-	-	-	-	-	3,466,178
Deposits and placements with banks and other financial institutions	-	-	237,432	249,347	-	-	-	486,779
Financial assets at fair value through profit or loss	108	92,679	53,586	349,374	196,557	7,163,875	390,187	8,246,366
Financial investments at fair value through other comprehensive income	369,112	940,668	282,579	487,806	920,703	31,380,276	69,094	34,450,238
Financial investments at amortised cost	817,213	4,103	98,702	10,653	1,758,881	20,945,355	-	23,634,907
Loans, advances and financing	11,827,653	7,346,074	4,736,943	2,389,468	904,056	126,866,513	-	154,070,707
Other assets	1,131,696	8,168	190,531	19,759	5,071	140,641	515,990	2,011,856
Derivative financial instruments	29,888	136,732	136,930	79,227	90,837	531,635	-	1,005,249
Statutory deposits with Central Banks	-	-	-	-	-	-	493,605	493,605
Investment in associated companies	-	-	-	-	-	-	5,501,542	5,501,542
Property and equipment	-	-	-	-	-	-	1,197,788	1,197,788
Intangible assets	-	-	-	-	-	-	242,317	242,317
Right-of-use assets	-	-	-	-	-	-	214,726	214,726
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	275,670	275,670
Total assets	16,296,306	9,873,966	5,736,703	3,585,634	3,876,105	187,028,295	10,732,231	237,129,240

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2021 based on the remaining contractual maturity: (continued)

	The Group 2021							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	73,249,737	26,288,107	34,089,463	23,770,680	20,712,536	5,179,248	-	183,289,771
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	5,478,866	3,021,618	1,939,143	307,659	65,462	1,317,291	-	12,130,039
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
Lease liabilities	-	3,637	7,208	10,559	20,031	168,326	-	209,761
Other liabilities	5,089,837	170,820	14,347	705	13,646	-	69,429	5,358,784
Derivative financial instruments	23,826	38,650	62,188	57,774	94,871	632,357	-	909,666
Recourse obligation on loans sold to Cagamas	-	-	5,734	973	47,711	979,421	-	1,033,839
Tier 2 subordinated bonds	-	-	-	2,370	-	1,499,970	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	4,806	1,799	-	799,785	-	806,390
Taxation	-	-	-	-	-	-	351,990	351,990
Total liabilities	83,853,254	30,120,385	36,533,047	24,510,345	21,496,861	10,576,398	579,836	207,670,126
Total equity	-	-	-	-	-	-	29,459,114	29,459,114
Total liabilities and equity	83,853,254	30,120,385	36,533,047	24,510,345	21,496,861	10,576,398	30,038,950	237,129,240
Net liquidity gap	(67,556,948)	(20,246,419)	(30,796,344)	(20,924,711)	(17,620,756)	176,451,897	10,152,395	29,459,114

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2020 based on the remaining contractual maturity:

	The Group 2020							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	7,351,125	1,211,044	-	-	-	-	-	8,562,169
Deposits and placements with banks and other financial institutions	-	-	109,612	942,767	-	-	-	1,052,379
Financial assets at fair value through profit or loss	-	30,189	212,916	545,446	251,679	6,698,530	330,636	8,069,396
Financial investments at fair value through other comprehensive income	56,799	714,461	492,567	344,235	1,339,087	24,275,301	60,094	27,282,544
Financial investments at amortised cost	171,289	218,737	1,564	31,568	1,037,159	18,641,115	-	20,101,432
Loans, advances and financing	13,609,685	5,664,321	3,052,206	2,495,965	890,314	118,982,459	-	144,694,950
Other assets	855,704	157,029	13,287	15,085	162,130	944	478,337	1,682,516
Derivative financial instruments	43,597	125,816	145,417	79,600	39,375	677,664	-	1,111,469
Statutory deposits with Central Banks	-	-	-	-	-	-	418,120	418,120
Investment in associated companies	-	-	-	-	-	-	4,644,527	4,644,527
Property and equipment	-	-	-	-	-	-	1,299,902	1,299,902
Intangible assets	-	-	-	-	-	-	187,505	187,505
Right-of-use assets	-	-	-	-	-	-	253,118	253,118
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	86,578	86,578
Total assets	22,088,199	8,121,597	4,027,569	4,454,666	3,719,744	169,276,013	9,590,129	221,277,917

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2020 based on the remaining contractual maturity: (continued)

	The Group 2020							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	70,662,686	25,547,266	32,731,390	22,338,170	19,850,434	2,362,715	-	173,492,661
Investment accounts of customers	6,562	36,841	307,920	5,152	-	-	-	356,475
Deposits and placements of banks and other financial institutions	331,101	1,620,526	2,689,770	767,018	80,695	1,011,970	-	6,501,080
Obligations on securities sold under repurchase agreements	23,415	346,863	2,276,277	477,577	-	-	-	3,124,132
Bills and acceptances payable	99	1,909	8,130	6,542	-	-	117,373	134,053
Lease liabilities	-	3,503	7,025	10,562	20,864	199,223	-	241,177
Other liabilities	5,092,129	145,093	11,219	567	12,751	-	86,451	5,348,210
Derivative financial instruments	44,698	64,878	63,053	124,718	86,286	914,880	-	1,298,513
Recourse obligation on loans sold to Cagamas	-	-	5,919	1,001	-	1,042,085	-	1,049,005
Tier 2 subordinated bonds	-	-	-	2,254	-	1,499,970	-	1,502,224
Multi-currency Additional Tier 1 Capital Securities	-	-	4,866	1,799	-	799,655	-	806,320
Taxation	-	-	-	-	-	-	189,768	189,768
Total liabilities	76,160,690	27,766,879	38,105,569	23,735,360	20,051,030	7,830,498	393,592	194,043,618
Total equity	-	-	-	-	-	-	27,234,299	27,234,299
Total liabilities and equity	76,160,690	27,766,879	38,105,569	23,735,360	20,051,030	7,830,498	27,627,891	221,277,917
Net liquidity gap	(54,072,491)	(19,645,282)	(34,078,000)	(19,280,694)	(16,331,286)	161,445,515	9,196,537	27,234,299

Notes to the Financial Statements

for the financial year ended 30 June 2021

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2021 based on the remaining contractual maturity:

	The Bank 2021							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	2,652,047	390,494	-	-	-	-	-	3,042,541
Deposits and placements with banks and other financial institutions	-	-	771,768	249,348	-	405,368	-	1,426,484
Financial assets at fair value through profit or loss	108	92,679	53,586	131,107	196,557	7,176,997	390,187	8,041,221
Financial investments at fair value through other comprehensive income	659,527	940,668	282,579	487,806	884,826	27,140,381	69,094	30,464,881
Financial investments at amortised cost	817,213	4,103	98,702	609	781,831	14,856,268	-	16,558,726
Loans, advances and financing	9,518,645	6,441,254	4,298,648	2,263,726	514,833	96,048,588	-	119,085,694
Other assets	1,081,875	8,138	190,472	19,671	4,998	91,550	476,542	1,873,246
Derivative financial instruments	24,875	131,879	131,740	76,719	86,566	531,426	-	983,205
Amount due from subsidiaries	-	-	-	-	-	-	15,870	15,870
Statutory deposits with Central Banks	-	-	-	-	-	-	301,428	301,428
Subsidiary companies	-	-	-	-	-	-	2,556,570	2,556,570
Investment in associated companies	-	-	-	-	-	-	971,182	971,182
Property and equipment	-	-	-	-	-	-	595,225	595,225
Intangible assets	-	-	-	-	-	-	218,277	218,277
Right-of-use assets	-	-	-	-	-	-	344,387	344,387
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Deferred tax assets	-	-	-	-	-	-	183,513	183,513
Total assets	14,754,290	8,009,215	5,827,495	3,228,986	2,469,611	146,250,578	7,893,822	188,433,997

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2021 based on the remaining contractual maturity: (continued)

	The Bank 2021							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	60,203,671	19,229,247	25,185,036	18,739,820	16,147,307	4,851,954	-	144,357,035
Deposits and placements of banks and other financial institutions	5,873,338	2,679,962	2,032,613	68,500	65,124	1,295,760	-	12,015,297
Obligations on securities sold under repurchase agreements	-	500,345	242,405	-	-	-	-	742,750
Bills and acceptances payable	92	1,964	11,421	7,512	31	-	129,413	150,433
Lease liabilities	-	5,420	10,871	16,271	31,853	277,176	-	341,591
Other liabilities	4,337,960	170,805	14,300	675	2,226	479,832	60,603	5,066,401
Derivative financial instruments	19,815	32,637	58,536	52,392	92,038	624,568	-	879,986
Recourse obligation on loans sold to Cagamas	-	-	-	544	-	300,028	-	300,572
Tier 2 subordinated bonds	-	-	-	2,370	-	1,499,970	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	4,806	1,799	-	799,785	-	806,390
Taxation	-	-	-	-	-	-	272,296	272,296
Total liabilities	70,434,876	22,620,380	27,559,988	18,889,883	16,338,579	10,129,073	462,312	166,435,091
Total equity	-	-	-	-	-	-	21,998,906	21,998,906
Total liabilities and equity	70,434,876	22,620,380	27,559,988	18,889,883	16,338,579	10,129,073	22,461,218	188,433,997
Net liquidity gap	(55,680,586)	(14,611,165)	(21,732,493)	(15,660,897)	(13,868,968)	136,121,505	7,431,510	21,998,906

Notes to the Financial Statements

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2020 based on the remaining contractual maturity:

	The Bank 2020							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	3,983,177	1,560,623	-	-	-	-	-	5,543,800
Deposits and placements with banks and other financial institutions	-	-	483,766	942,767	-	391,641	-	1,818,174
Financial assets at fair value through profit or loss	-	30,189	212,916	545,446	251,679	6,676,861	330,636	8,047,727
Financial investments at fair value through other comprehensive income	56,799	464,661	492,567	323,860	1,191,962	22,147,962	60,094	24,737,905
Financial investments at amortised cost	171,289	218,737	1,564	21,922	665,408	14,000,161	-	15,079,081
Loans, advances and financing	12,094,117	4,821,027	2,671,136	1,754,594	543,315	90,939,786	-	112,823,975
Other assets	952,508	156,938	13,226	14,993	109,739	735	358,710	1,606,849
Derivative financial instruments	37,211	117,494	133,691	55,702	35,483	678,040	-	1,057,621
Amount due from subsidiaries	-	-	-	-	-	-	106,363	106,363
Statutory deposits with Central Banks	-	-	-	-	-	-	254,181	254,181
Subsidiary companies	-	-	-	-	-	-	2,558,901	2,558,901
Investment in associated companies	-	-	-	-	-	-	971,182	971,182
Property and equipment	-	-	-	-	-	-	685,169	685,169
Intangible assets	-	-	-	-	-	-	168,060	168,060
Right-of-use assets	-	-	-	-	-	-	420,653	420,653
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Deferred tax assets	-	-	-	-	-	-	55,984	55,984
Total assets	17,295,101	7,369,669	4,008,866	3,659,284	2,797,586	134,835,186	7,741,480	177,707,172

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2020 based on the remaining contractual maturity: (continued)

	The Bank 2020							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	59,080,600	19,361,117	24,916,058	16,177,232	15,879,412	2,218,943	-	137,633,362
Deposits and placements of banks and other financial institutions	626,707	1,568,326	2,873,734	489,809	80,695	1,011,970	-	6,651,241
Obligations on securities sold under repurchase agreements	23,415	346,863	2,276,277	477,577	-	-	-	3,124,132
Bills and acceptances payable	88	1,673	6,663	5,498	-	-	106,294	120,216
Lease liabilities	-	5,173	10,372	15,651	31,446	345,196	-	407,838
Other liabilities	4,112,847	145,045	11,207	549	2,717	429,380	71,960	4,773,705
Derivative financial instruments	38,362	52,293	48,769	113,668	84,505	913,499	-	1,251,096
Recourse obligation on loans sold to Cagamas	-	-	-	543	-	300,024	-	300,567
Tier 2 subordinated bonds	-	-	-	2,254	-	1,499,970	-	1,502,224
Multi-currency Additional Tier 1 Capital Securities	-	-	4,866	1,799	-	799,655	-	806,320
Taxation	-	-	-	-	-	-	150,979	150,979
Total liabilities	63,882,019	21,480,490	30,147,946	17,284,580	16,078,775	7,518,637	329,233	156,721,680
Total equity	-	-	-	-	-	-	20,985,492	20,985,492
Total liabilities and equity	63,882,019	21,480,490	30,147,946	17,284,580	16,078,775	7,518,637	21,314,725	177,707,172
Net liquidity gap	(46,586,918)	(14,110,821)	(26,139,080)	(13,625,296)	(13,281,189)	127,316,549	7,412,247	20,985,492

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

	The Group					
	2021					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	51,386,999	37,575,795	52,198,537	41,731,977	1,422,046	184,315,354
Investment accounts of customers	99,105	160,125	913,760	-	-	1,172,990
Deposits and placements of banks and other financial institutions	8,575,250	1,907,374	407,318	1,026,623	290,667	12,207,232
Obligations on securities sold under repurchase agreements	523,564	247,913	-	-	-	771,477
Bills and acceptances payable	165,760	-	-	-	-	165,760
Lease liabilities	4,960	8,853	36,938	135,231	62,189	248,171
Other liabilities	5,067,206	574	2,643	-	-	5,070,423
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(9,517,046)	(6,052,222)	(7,356,782)	(2,560,880)	(1,158,337)	(26,645,267)
- Outflow	9,563,764	6,094,025	7,409,099	2,611,842	1,167,193	26,845,923
- Net settled derivatives	19,436	36,907	253,051	272,312	104,661	686,367
Recourse obligation on loans sold to Cagamas	-	7,824	76,626	996,758	-	1,081,208
Tier 2 subordinated bonds	-	-	41,220	1,558,386	-	1,599,606
Multi-currency Additional Tier 1 Capital Securities	-	9,518	29,882	848,156	-	887,556
Total financial liabilities	65,888,998	39,996,686	54,012,292	46,620,405	1,888,419	208,406,800

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

	The Group 2020					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	59,248,633	34,276,739	45,842,275	34,989,392	415,296	174,772,335
Investment accounts of customers	42,287	310,389	5,200	-	-	357,876
Deposits and placements of banks and other financial institutions	2,138,608	2,942,481	638,995	1,011,982	-	6,732,066
Obligations on securities sold under repurchase agreements	370,838	2,287,776	478,268	-	-	3,136,882
Bills and acceptances payable	117,373	-	-	-	-	117,373
Lease liabilities	4,453	8,886	39,209	151,203	158,124	361,875
Other liabilities	5,078,525	355	2,938	-	-	5,081,818
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(8,382,799)	(2,878,635)	(7,048,324)	(1,530,965)	(111,431)	(19,952,154)
- Outflow	8,475,338	2,922,880	7,190,505	1,571,395	109,162	20,269,280
- Net settled derivatives	17,595	61,876	344,162	597,971	88,948	1,110,552
Recourse obligation on loans sold to Cagamas	-	8,134	29,190	1,096,958	-	1,134,282
Tier 2 subordinated bonds	-	-	41,220	1,599,606	-	1,640,826
Multi-currency Additional Tier 1 Capital Securities	-	9,518	29,882	887,556	-	926,956
Total financial liabilities	67,110,851	39,950,399	47,593,520	40,375,098	660,099	195,689,967

48 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 Bank 2021					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	37,867,091	28,135,907	41,444,965	36,354,544	1,317,284	145,119,791
Deposits and placements of banks and other financial institutions	8,627,996	2,033,291	134,073	1,026,623	269,136	12,091,119
Obligations on securities sold under repurchase agreements	523,564	247,913	-	-	-	771,477
Bills and acceptances payable	129,412	-	-	-	-	129,412
Lease liabilities	6,656	13,290	58,140	252,401	60,634	391,121
Other liabilities	4,833,293	527	1,309	-	-	4,835,129
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(8,854,877)	(5,584,857)	(5,716,242)	(2,560,880)	(1,158,337)	(23,875,193)
- Outflow	8,893,166	5,623,644	5,770,432	2,611,842	1,167,193	24,066,277
- Net settled derivatives	19,062	37,179	249,863	257,065	96,969	660,138
Recourse obligation on loans sold to Cagamas	-	-	10,498	305,291	-	315,789
Tier 2 subordinated bonds	-	-	41,220	1,558,386	-	1,599,606
Multi-currency Additional Tier 1 Capital Securities	-	9,518	29,882	848,156	-	887,556
Total financial liabilities	52,045,363	30,516,412	42,024,140	40,653,428	1,752,879	166,992,222

48 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 Bank 2020					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	46,615,943	25,850,664	34,790,080	30,648,583	362,186	138,267,456
Deposits and placements of banks and other financial institutions	2,381,887	2,911,518	575,129	1,011,982	-	6,880,516
Obligations on securities sold under repurchase agreements	370,838	2,287,776	478,268	-	-	3,136,882
Bills and acceptances payable	106,292	-	-	-	-	106,292
Lease liabilities	6,668	13,310	59,436	277,957	191,306	548,677
Other liabilities	4,564,377	343	1,486	-	-	4,566,206
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(7,212,297)	(2,050,523)	(5,742,236)	(1,530,965)	(111,431)	(16,647,452)
- Outflow	7,285,891	2,080,719	5,871,037	1,571,395	109,162	16,918,204
- Net settled derivatives	17,007	60,579	339,445	581,890	80,362	1,079,283
Recourse obligation on loans sold to Cagamas	-	-	10,498	315,784	-	326,282
Tier 2 subordinated bonds	-	-	41,220	1,599,606	-	1,640,826
Multi-currency Additional Tier 1 Capital Securities	-	9,518	29,882	887,556	-	926,956
Total financial liabilities	54,136,606	31,163,904	36,454,245	35,363,788	631,585	157,750,128

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's and Bank's commitments and contingencies:

The Group 2021	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	**171,400**	**200**	**171,600**
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**
Unutilised credit card lines	**7,419,464**	**-**	**7,419,464**
Total commitments and contingencies	**31,785,105**	**20,466,696**	**52,251,801**
2020			
Direct credit substitutes	83,166	50,000	133,166
Short-term self liquidating trade related contingencies	315,046	-	315,046
Irrevocable commitments to extend credit	20,856,358	17,777,310	38,633,668
Unutilised credit card lines	7,463,767	-	7,463,767
Total commitments and contingencies	28,718,337	17,827,310	46,545,647

The Bank 2021	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	**116,715**	**200**	**116,915**
Short-term self liquidating trade related contingencies	**402,421**	**7,254**	**409,675**
Irrevocable commitments to extend credit	**19,078,814**	**14,682,053**	**33,760,867**
Unutilised credit card lines	**7,419,464**	**-**	**7,419,464**
Total commitments and contingencies	**27,017,414**	**14,689,507**	**41,706,921**
2020			
Direct credit substitutes	80,144	-	80,144
Short-term self liquidating trade related contingencies	286,565	-	286,565
Irrevocable commitments to extend credit	17,067,748	12,807,826	29,875,574
Unutilised credit card lines	7,463,767	-	7,463,767
Total commitments and contingencies	24,898,224	12,807,826	37,706,050

Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group and the Bank. The Group and the Bank expect that not all of the contingent liabilities and undrawn loan commitments will be drawn before expiry.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(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 Bank 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. The table below shows the maximum exposure to credit risk for the Group and the Bank on financial instruments subject to impairment:

	The Group	
	2021 RM'000	**2020 RM'000**
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	**2,174,284**	7,853,759
Financial assets and investments portfolios (exclude shares):		
- Financial investments at FVOCI	**34,381,144**	27,222,450
- Financial investments at amortised cost	**23,634,907**	20,101,432
Loans, advances and financing	**154,070,707**	144,694,950
Other assets	**1,861,066**	1,608,216
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	**52,251,801**	46,545,647
Total maximum credit risk exposure that are subject to impairment	**268,373,909**	248,026,454

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

	The Bank	
	2021 RM'000	2020 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	**2,878,266**	5,972,509
Financial assets and investments portfolios (exclude shares):		
- Financial investments at FVOCI	**30,395,787**	24,677,811
- Financial investments at amortised cost	**16,558,726**	15,079,081
Loans, advances and financing	**119,085,694**	112,823,975
Other assets	**1,772,380**	1,531,406
Amount due from subsidiaries	**15,870**	106,363
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	**41,706,921**	37,706,050
Total maximum credit risk exposure that are subject to impairment	**212,413,644**	197,897,195

The table below shows the credit exposure of the Group and the Bank on financial instruments that are not subject to impairment:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial assets at FVTPL (exclude shares and wholesale funds)	**2,834,214**	3,081,722	**2,615,947**	3,060,053
Derivative assets	**1,005,249**	1,111,469	**983,205**	1,057,621
	3,839,463	4,193,191	**3,599,152**	4,117,674

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(ii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

(a) Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
(b) Land and buildings
(c) Aircrafts, vessels and automobiles
(d) Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
(e) Endowment life policies with cash surrender value
(f) Other tangible business assets, such as inventory and equipment

The Group and the Bank 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 credit impaired loans, advances and financing under individual assessment for which no allowances is recognised because of collateral as at 30 June 2021 amounted to RM117,720,000 (2020: RM159,402,000) and RM114,054,000 (2020: RM157,931,000) respectively for the Group and the Bank.

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 and the Bank is 86.50% (2020: 86.84%) and 86.10% (2020: 87.13%) respectively. 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 as at 30 June 2021 for the Group and the Bank is 88.64% (2020: 85.91%) and 88.77% (2020: 92.57%) respectively.

(iii) Credit exposure by stage

Financial assets of the Group and the Bank 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 2N.

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality

The Group and the Bank assess credit quality of loans, advances and financing 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.

The credit quality of financial instruments other than loans, advances and financing are determined based on the ratings of counterparties as defined equivalent ratings of other internationals rating agencies as defined below:

Credit Quality	Description
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 asset which are currently not assigned with ratings due to unavailability of ratings models.
Credit impaired	Refers to the asset that is being impaired.

48 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:

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	283,863	-	-	283,863
Investment grade	1,815,327	-	-	1,815,327
Non-investment grade	75,384	-	-	75,384
Gross carrying amount	2,174,574	-	-	2,174,574
Expected credit losses	(290)	-	-	(290)
Net carrying amount	2,174,284	-	-	2,174,284
Financial investments at FVOCI				
Sovereign	23,963,100	-	-	23,963,100
Investment grade	10,240,390	-	-	10,240,390
Non-investment grade	177,654	-	-	177,654
Gross carrying amount	34,381,144	-	-	34,381,144
Expected credit losses	(2,266)	-	-	(2,266)
Financial investments at amortised cost				
Sovereign	22,692,925	-	-	22,692,925
Investment grade	942,050	-	-	942,050
Gross carrying amount	23,634,975	-	-	23,634,975
Expected credit losses	(68)	-	-	(68)
Net carrying amount	23,634,907	-	-	23,634,907
Loans, advances and financing				
Good	125,759,047	276,932	-	126,035,979
Adequate	19,113,301	1,865,286	-	20,978,587
Marginal	-	7,580,673	-	7,580,673
No rating	506,954	2,609	-	509,563
Credit impaired	-	-	717,407	717,407
Gross carrying amount	145,379,302	9,725,500	717,407	155,822,209
Expected credit losses	(1,074,984)	(459,674)	(234,509)	(1,769,167)
Others *	17,665	-	-	17,665
Net carrying amount	144,321,983	9,265,826	482,898	154,070,707

* Included fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)				
Sovereign	3,268,993	-	-	3,268,993
Investment grade	4,396,246	-	-	4,396,246
Non-investment grade	188,740	-	-	188,740
Gross carrying amount	7,853,979	-	-	7,853,979
Expected credit losses	(220)	-	-	(220)
Net carrying amount	7,853,759	-	-	7,853,759
Financial investments at FVOCI				
Sovereign	17,104,883	-	-	17,104,883
Investment grade	9,524,516	-	-	9,524,516
Non-investment grade	593,051	-	-	593,051
Gross carrying amount	27,222,450	-	-	27,222,450
Expected credit losses	(2,068)	-	-	(2,068)
Financial investments at amortised cost				
Sovereign	19,079,080	-	-	19,079,080
Investment grade	1,022,554	-	-	1,022,554
Gross carrying amount	20,101,634	-	-	20,101,634
Expected credit losses	(202)	-	-	(202)
Net carrying amount	20,101,432	-	-	20,101,432
Loans, advances and financing				
Good	122,879,089	226,264	-	123,105,353
Adequate	14,765,672	1,070,469	-	15,836,141
Marginal	-	5,856,829	-	5,856,829
No rating	-	244,285	-	244,285
Credit impaired	-	-	889,754	889,754
Gross carrying amount	137,644,761	7,397,847	889,754	145,932,362
Expected credit losses	(549,509)	(435,827)	(273,790)	(1,259,126)
Others *	21,714	-	-	21,714
Net carrying amount	137,116,966	6,962,020	615,964	144,694,950

* Included fair value changes arising from fair value hedges.

48 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 Bank 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	273,013	-	-	273,013
Investment grade	1,767,106	-	-	1,767,106
Non-investment grade	842,698	-	-	842,698
Gross carrying amount	2,882,817	-	-	2,882,817
Expected credit losses	(4,551)	-	-	(4,551)
Net carrying amount	2,878,266	-	-	2,878,266
Financial investments at FVOCI				
Sovereign	19,790,258	-	-	19,790,258
Investment grade	10,427,875	-	-	10,427,875
Non-investment grade	177,654	-	-	177,654
Gross carrying amount	30,395,787	-	-	30,395,787
Expected credit losses	(2,266)	-	-	(2,266)
Financial investments at amortised cost				
Sovereign	15,676,918	-	-	15,676,918
Investment grade	881,831	-	-	881,831
Gross carrying amount	16,558,749	-	-	16,558,749
Expected credit losses	(23)	-	-	(23)
Net carrying amount	16,558,726	-	-	16,558,726
Loans, advances and financing				
Good	97,888,976	215,922	-	98,104,898
Adequate	14,322,759	1,644,113	-	15,966,872
Marginal	-	5,528,043	-	5,528,043
No rating	216,744	2,508	-	219,252
Credit impaired	-	-	582,517	582,517
Gross carrying amount	112,428,479	7,390,586	582,517	120,401,582
Expected credit losses	(818,437)	(326,761)	(186,098)	(1,331,296)
Others *	15,408	-	-	15,408
Net carrying amount	111,625,450	7,063,825	396,419	119,085,694

* Included fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges.

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48 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 Bank 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)				
Sovereign	538,374	-	-	538,374
Investment grade	4,768,238	-	-	4,768,238
Non-investment grade	668,899	-	-	668,899
Gross carrying amount	5,975,511	-	-	5,975,511
Expected credit losses	(3,002)	-	-	(3,002)
Net carrying amount	5,972,509	-	-	5,972,509
Financial investments at FVOCI				
Sovereign	15,091,422	-	-	15,091,422
Investment grade	8,993,338	-	-	8,993,338
Non-investment grade	593,051	-	-	593,051
Gross carrying amount	24,677,811	-	-	24,677,811
Expected credit losses	(2,055)	-	-	(2,055)
Financial investments at amortised cost				
Sovereign	14,075,927	-	-	14,075,927
Investment grade	1,003,356	-	-	1,003,356
Gross carrying amount	15,079,283	-	-	15,079,283
Expected credit losses	(202)	-	-	(202)
Net carrying amount	15,079,081	-	-	15,079,081
Loans, advances and financing				
Good	96,255,527	196,197	-	96,451,724
Adequate	11,129,315	946,262	-	12,075,577
Marginal	-	4,309,672	-	4,309,672
No rating	-	243,944	-	243,944
Credit impaired	-	-	663,767	663,767
Gross carrying amount	107,384,842	5,696,075	663,767	113,744,684
Expected credit losses	(408,715)	(347,084)	(183,865)	(939,664)
Others *	18,955	-	-	18,955
Net carrying amount	106,995,082	5,348,991	479,902	112,823,975

* Included fair value changes arising from fair value.

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below:

	The Group 2021									
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Other assets RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	177,267	-	2,900,140	-	-	3,077,407	1,118,442	45
Mining and quarrying	-	-	-	-	286,701	-	-	286,701	140,888	-
Manufacturing	-	-	-	-	12,689,435	-	-	12,689,435	8,512,571	213,999
Electricity, gas and water	-	25,609	2,714,089	657,805	648,736	-	-	4,046,239	463,631	3,129
Construction	-	-	453,226	-	4,262,062	-	-	4,715,288	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	-	-	338,573	-	4,804,651	-	-	5,143,224	1,730,336	2,521
Finance, insurance, real estate and business services	1,890,421	253,722	10,724,394	1,894,663	12,248,002	1,857,241	1,005,249	29,873,692	6,148,829	113,540
Government and government agencies	283,863	2,554,883	19,905,447	21,082,439	-	3,825	-	43,830,457	-	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
Others	-	-	-	-	32,890	-	-	32,890	11,335	133
	2,174,284	2,834,214	34,381,144	23,634,907	154,070,707	1,861,066	1,005,249	219,961,571	51,646,588	605,213

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

	The Group 2020									
	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	Other assets RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	134,717	-	2,626,822	-	-	2,761,539	1,146,564	2,715
Mining and quarrying	-	-	-	-	105,756	-	-	105,756	327,537	-
Manufacturing	-	-	-	-	11,055,113	-	-	11,055,113	7,920,108	169,890
Electricity, gas and water	-	20,311	2,462,923	814,992	761,401	-	-	4,059,627	218,450	147
Construction	-	-	422,886	-	3,958,560	-	-	4,381,446	3,227,805	8,100
Wholesale and retail	-	-	44,383	-	11,686,123	-	-	11,730,506	7,564,637	130,586
Transport, storage and communications	-	-	393,661	-	4,203,398	-	-	4,597,059	1,149,634	3,501
Finance, insurance, real estate and business services	4,584,766	468,929	10,952,336	2,073,480	10,119,192	1,598,313	1,111,469	30,908,485	5,149,032	90,426
Government and government agencies	3,268,993	2,592,482	12,811,544	17,212,960	-	9,903	-	35,895,882	-	34,998
Education, health and others	-	-	-	-	1,644,905	-	-	1,644,905	466,979	1,498
Household	-	-	-	-	97,714,466	-	-	97,714,466	18,902,360	3,081
Others	-	-	-	-	819,214	-	-	819,214	24,329	3,270
	7,853,759	3,081,722	27,222,450	20,101,432	144,694,950	1,608,216	1,111,469	205,673,998	46,097,435	448,212

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for the financial year ended 30 June 2021

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

	The Bank 2021										
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	177,267	-	1,600,614	-	-	-	1,777,881	731,362	-
Mining and quarrying	-	-	-	-	88,285	-	-	-	88,285	85,750	-
Manufacturing	-	-	-	-	9,881,401	-	-	-	9,881,401	6,752,392	207,717
Electricity, gas and water	-	25,609	2,687,738	420,160	279,444	-	-	-	3,412,951	247,566	-
Construction	-	-	453,226	-	3,495,361	-	-	-	3,948,587	3,136,568	11,216
Wholesale and retail	-	-	68,148	-	10,922,450	-	-	-	10,990,598	6,403,738	199,835
Transport, storage and communications	-	-	338,573	-	4,405,126	-	-	-	4,743,699	1,565,985	2,521
Finance, insurance, real estate and business services	2,605,253	35,455	10,665,929	1,706,098	9,534,747	1,768,557	15,870	983,205	27,315,114	4,170,606	60,200
Government and government agencies	273,013	2,554,883	16,004,906	14,432,468	-	3,823	-	-	33,269,093	-	42,938
Education, health and others	-	-	-	-	713,370	-	-	-	713,370	258,881	-
Household	-	-	-	-	78,147,193	-	-	-	78,147,193	17,818,947	2,163
Others	-	-	-	-	17,703	-	-	-	17,703	8,536	-
	2,878,266	2,615,947	30,395,787	16,558,726	119,085,694	1,772,380	15,870	983,205	174,305,875	41,180,331	526,590

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for the financial year ended 30 June 2021

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

	The Bank 2020										
	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	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	134,717	-	1,500,127	-	-	-	1,634,844	619,191	2,715
Mining and quarrying	-	-	-	-	94,883	-	-	-	94,883	60,126	-
Manufacturing	-	-	-	-	8,689,710	-	-	-	8,689,710	6,541,991	163,224
Electricity, gas and water	-	20,311	2,436,264	546,738	269,634	-	-	-	3,272,947	152,249	147
Construction	-	-	422,886	-	3,299,508	-	-	-	3,722,394	2,590,326	5,603
Wholesale and retail	-	-	44,383	-	9,747,436	-	-	-	9,791,819	6,314,465	112,268
Transport, storage and communications	-	-	393,661	-	3,941,255	-	-	-	4,334,916	868,076	3,501
Finance, insurance, real estate and business services	5,434,135	468,929	10,279,695	1,909,756	8,210,333	1,521,553	106,363	1,057,621	28,988,385	3,456,953	40,424
Government and government agencies	538,374	2,570,813	10,966,205	12,622,587	-	9,853	-	-	26,707,832	-	34,998
Education, health and others	-	-	-	-	812,342	-	-	-	812,342	209,184	1,498
Household	-	-	-	-	76,242,056	-	-	-	76,242,056	16,519,311	2,331
Others	-	-	-	-	16,691	-	-	-	16,691	7,469	-
	5,972,509	3,060,053	24,677,811	15,079,081	112,823,975	1,531,406	106,363	1,057,621	164,308,819	37,339,341	366,709

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(v) Repossessed collaterals

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Industrial and residential properties, lands and automobiles	**315,415**	378,268	**246,421**	305,385

Repossessed collaterals are made available-for-sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group and the Bank generally do not utilise the repossessed collaterals for its business use.

(vi) Write-off policy

The Group and the Bank 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 and the Bank'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 and the Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's and the Bank's enforcement activities will be written back as bad debts recovered in the statements of income.

The contractual amount outstanding on loans, advances and financing and securities portfolio that were written off during the financial year ended, and are still subject to enforcement activities was RM319.9 million (2020: RM398.3 million) for the Group and RM251.3 million (2020: RM307.2 million) for the Bank.

(vii) 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 and the Bank would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(vii) Modification of contractual cash flows (continued)

Although loans and financing may be modified for non-credit reasons, a significant increase in credit risk may occur. The Group and the Bank 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 and the Bank are RM1,012.8 million (2020: RM15,338.5 million) and RM683.5 million (2020: RM9,977.1 million) respectively.

(viii) Sensitivity analysis

The Group and the Bank 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, banking system credit and gross domestic product 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 and the Bank.

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant:

(a) Retail

2021	Changes	The Group RM'000	The Bank RM'000
Private consumption	+/- 100 bps		
House price index	+/- 100 bps		
Unemployment rate	+/- 200 bps		
Total decrease in ECL on the positive changes in key variables		**(10,113)**	**(8,714)**
Total increase in ECL on the negative changes in key variables		**4,702**	**3,489**

2020	Changes	The Group RM'000	The Bank RM'000
Private consumption	+/- 50 bps		
House price index	+/- 150 bps		
Unemployment rate	+/- 100 bps		
Total decrease in ECL on the positive changes in key variables		(7,238)	(6,557)
Total increase/(decrease) in ECL on the negative changes in key variables		362	(162)

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(viii) Sensitivity analysis (continued)

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant: (continued)

(b) Non-retail

2021	Changes	The Group RM'000	The Bank RM'000
Banking system credit	+/- 100 bps		
Gross domestic product	+/- 100 bps		
Total decrease in ECL on the positive changes in key variables		**(5,201)**	**(3,710)**
Total increase in ECL on the negative changes in key variables		**3,165**	**2,248**
2020	**Changes**		
Banking system credit	+/- 100 bps		
Gross domestic product	+/- 50 bps		
Total decrease in ECL on the positive changes in key variables		(3,615)	(3,124)
Total increase in ECL on the negative changes in key variables		1,466	1,491

(ix) Overlays and adjustments for expected credit losses amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL for the year ended and as at 30 June 2021.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021.

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

The borrowers and customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays and post-model adjustments were estimated at a portfolio level in determining the sufficient level of ECL.

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19. As at 30 June 2021, the impact of these overlays and post-model adjustments remain outside the MFRS 9 ECL Model and amounted to RM812.2 million (2020: RM301.0 million) and RM631.2 million (2020: RM230.6 million) at the Group and the Bank respectively. The overlays and post-model adjustments have been recognised in loans, advances and financings.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of 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 statements 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 Bank 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 are 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 instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques such as discounted cash flow that uses inputs such as 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.

49 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 2021 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 instrument	-	2,691,836	-	2,691,836
- Quoted securities	5,093,038	-	-	5,093,038
- Unquoted securities	-	112,623	348,869	461,492
Financial investments at FVOCI				
- Money market instrument	-	20,229,399	-	20,229,399
- Quoted securities	4,658,127	-	-	4,658,127
- Unquoted securities	-	9,493,618	69,094	9,562,712
Derivative financial instruments	2,886	925,450	76,913	1,005,249
	9,754,051	33,452,926	494,876	43,701,853
Financial Liabilities				
Derivative financial instruments	1,654	831,099	76,913	909,666
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,358,498	-	1,358,498
	1,654	2,189,597	76,913	2,268,164

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2020: RM Nil).

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy: (continued)

	The Group 2020 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets at FVTPL				
- Money market instrument	-	2,697,041	-	2,697,041
- Quoted securities	4,961,508	-	-	4,961,508
- Unquoted securities	-	80,211	330,636	410,847
Financial investments at FVOCI				
- Money market instrument	-	14,361,366	-	14,361,366
- Quoted securities	3,484,875	-	-	3,484,875
- Unquoted securities	-	9,376,209	60,094	9,436,303
Derivative financial instruments	8	1,097,969	13,492	1,111,469
	8,446,391	27,612,796	404,222	36,463,409
Financial Liabilities				
Derivative financial instruments	65	1,284,956	13,492	1,298,513
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	462,517	-	462,517
	65	1,747,473	13,492	1,761,030

49 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 Bank 2021 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 instrument	-	2,473,569	-	2,473,569
- Quoted securities	5,106,160	-	-	5,106,160
- Unquoted securities	-	112,623	348,869	461,492
Financial investments at FVOCI				
- Money market instrument	-	16,622,867	-	16,622,867
- Quoted securities	4,658,127	-	-	4,658,127
- Unquoted securities	-	9,114,793	69,094	9,183,887
Derivative financial instruments	2,886	903,406	76,913	983,205
	9,767,173	29,227,258	494,876	39,489,307
Financial Liabilities				
Derivative financial instruments	1,654	801,419	76,913	879,986
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,267,102	-	1,267,102
	1,654	2,068,521	76,913	2,147,088

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2020: RM Nil).

49 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 Bank 2020 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets at FVTPL				
- Money market instrument	-	2,675,372	-	2,675,372
- Quoted securities	4,961,508	-	-	4,961,508
- Unquoted securities	-	80,211	330,636	410,847
Financial investments at FVOCI				
- Money market instrument	-	12,199,326	-	12,199,326
- Quoted securities	3,484,875	-	-	3,484,875
- Unquoted securities	-	8,993,610	60,094	9,053,704
Derivative financial instruments	8	1,044,121	13,492	1,057,621
	8,446,391	24,992,640	404,222	33,843,253
Financial Liabilities				
Derivative financial instruments	65	1,237,539	13,492	1,251,096
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	412,120	-	412,120
	65	1,649,659	13,492	1,663,216

49 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, is as below:

	Financial Assets			Financial Liability
The Group	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Derivative financial instruments RM'000**	**Derivative financial instruments RM'000**
2021				
At 1 July	330,636	60,094	13,492	13,492
Fair value changes recognised in statements of income	18,233	-	77,666	77,666
Net fair value changes recognised in other comprehensive income	-	9,000	-	-
Purchases	-	-	62,449	62,449
Settlements	-	-	(76,694)	(76,694)
At 30 June	348,869	69,094	76,913	76,913
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2021	18,233	-	77,666	77,666
Total gain recognised in other comprehensive income relating to assets held on 30 June 2021	-	9,000	-	-

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49 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, is as below: (continued)

The Group	Financial Assets: Financial assets at FVTPL RM'000	Financial Assets: Financial investments at FVOCI RM'000	Financial Assets: Derivative financial instruments RM'000	Financial Liability: Derivative financial instruments RM'000
2020				
At 1 July	305,572	44,331	7,812	7,812
Fair value changes recognised in statements of income	25,064	-	(8,397)	(8,397)
Net fair value changes recognised in other comprehensive income	-	15,763	-	-
Purchases	-	-	(9,066)	(9,066)
Settlements	-	-	23,143	23,143
At 30 June	330,636	60,094	13,492	13,492
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2020	25,064	-	(8,397)	(8,397)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2020	-	15,763	-	-

49 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, is as below: (continued)

The Bank	Financial Assets: Financial assets at FVTPL RM'000	Financial Assets: Financial investments at FVOCI RM'000	Financial Assets: Derivative financial instruments RM'000	Financial Liability: Derivative financial instruments RM'000
2021				
At 1 July	330,636	60,094	13,492	13,492
Fair value changes recognised in statements of income	18,233	-	77,666	77,666
Net fair value changes recognised in other comprehensive income	-	9,000	-	-
Purchases	-	-	62,449	62,449
Settlements	-	-	(76,694)	(76,694)
At 30 June	348,869	69,094	76,913	76,913
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2021	18,233	-	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
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49 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, is as below: (continued)

	Financial Assets			Financial Liability
The Bank	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Derivative financial instruments RM'000**	**Derivative financial instruments RM'000**
2020				
At 1 July	305,572	44,331	7,812	7,812
Fair value changes recognised in statements of income	25,064	-	(8,397)	(8,397)
Net fair value changes recognised in other comprehensive income	-	15,763	-	-
Purchases	-	-	(9,066)	(9,066)
Settlements	-	-	23,143	23,143
At 30 June	330,636	60,094	13,492	13,492
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2020	25,064	-	(8,397)	(8,397)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2020	-	15,763	-	-

49 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)

Description	The Group and the Bank Fair value assets RM'000	Fair value liabilities RM'000	Valuation technique(s)	Unobservable input	Range (weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
2021						
Financial assets at FVTPL						
Unquoted shares	**348,869**	**-**	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
2020						
Financial assets at FVTPL						
Unquoted shares	330,636	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments at FVOCI						
Unquoted shares	60,094	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value

49 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)

Description	The Group and the Bank Fair value assets RM'000	The Group and the Bank Fair value liabilities RM'000	Valuation technique(s)	Unobservable input	Range (weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
2020						
Derivative financial instruments						
Equity derivatives	13,492	(13,492)	Monte Carlo Simulation	Equity volatility	4% to 98%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity / FX Correlation between underlyers	-30% to -2%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

Sensitivity analysis for Level 3

The Group and the Bank	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Statements of income Favourable/(Unfavourable) changes RM'000
2021			
Financial assets			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	**802**
		-10%	**(1,009)**
	Equity / FX	+10%	**(504)**
	Correlation	-10%	**(113)**
	Total*		**(824)**
Financial liabilities			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	**(802)**
		-10%	**1,009**
	Equity / FX	+10%	**504**
	Correlation	-10%	**113**
	Total*		**824**

* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Sensitivity analysis for Level 3 (continued)

The Group and the Bank	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Statements of income Favourable/(Unfavourable) changes RM'000
2020			
Financial assets			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	(110)
		-10%	118
	Equity / FX	+10%	26
	Correlation	-10%	16
	Total*		50
Financial liabilities			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	110
		-10%	(118)
	Equity / FX	+10%	(26)
	Correlation	-10%	(16)
	Total*		(50)

* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.

49 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 amounts and fair values of the financial instruments of the Group and the Bank 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 amounts are reasonable approximation of their fair values:

	2021		2020	
The Group	**Carrying Amount RM'000**	**Fair Value RM'000**	**Carrying Amount RM'000**	**Fair Value RM'000**
Financial Assets				
Financial investments at amortised cost				
- Money market	**18,436,682**	**18,428,075**	14,408,008	14,674,737
- Quoted securities	**881,763**	**864,795**	1,003,155	996,921
- Unquoted securities	**4,316,462**	**4,347,253**	4,690,269	4,769,082
Loans, advances and financing	**154,070,707**	**154,932,507**	144,694,950	145,434,265
	177,705,614	**178,572,630**	164,796,382	165,875,005
Financial Liabilities				
Deposits from customers				
- At amortised cost	**181,931,273**	**181,840,668**	173,030,144	173,214,979
Recourse obligation on loans sold to Cagamas	**1,033,839**	**1,066,933**	1,049,005	1,068,699
Tier 2 subordinated bonds	**1,502,340**	**1,574,006**	1,502,224	1,580,033
Multi-currency Additional Tier 1 capital securities	**806,390**	**835,490**	806,320	845,333
	185,273,842	**185,317,097**	176,387,693	176,709,044
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	**12,751,590**	**12,768,073**	10,781,575	10,974,606
- Quoted securities	**881,808**	**864,840**	1,003,155	996,921
- Unquoted securities	**2,925,328**	**2,948,130**	3,294,351	3,350,922
Loans, advances and financing	**119,085,694**	**119,596,705**	112,823,975	113,313,572
	135,644,420	**136,177,748**	127,903,056	128,636,021
Financial Liabilities				
Deposits from customers				
- At amortised cost	**143,089,933**	**142,978,141**	137,221,242	137,371,623
Recourse obligation on loans sold to Cagamas	**300,572**	**303,617**	300,567	303,755
Tier 2 subordinated bonds	**1,502,340**	**1,574,006**	1,502,224	1,580,033
Multi-currency Additional Tier 1 capital securities	**806,390**	**835,490**	806,320	845,333
	145,699,235	**145,691,254**	139,830,353	140,100,744

49 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 Bank's assets and liabilities not measured at fair value at 30 June 2021 but for which fair value is disclosed:

	2021			
	Carrying	Fair Value		
	Amount	Level 1	Level 2	Level 3
The Group	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Financial investments at amortised cost				
- Money market	18,436,682	-	18,428,075	-
- Quoted securities	881,763	-	864,795	-
- Unquoted securities	4,316,462	-	4,347,253	-
Loans, advances and financing	154,070,707	-	154,932,507	-
	177,705,614	-	178,572,630	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	181,931,273	-	181,840,668	-
Recourse obligation on loans sold to Cagamas	1,033,839	-	1,066,933	-
Tier 2 subordinated bonds	1,502,340	-	1,574,006	-
Multi-currency Additional Tier 1 capital securities	806,390	-	835,490	-
	185,273,842	-	185,317,097	-
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	12,751,590	-	12,768,073	-
- Quoted securities	881,808	-	864,840	-
- Unquoted securities	2,925,328	-	2,948,130	-
Loans, advances and financing	119,085,694	-	119,596,705	-
	135,644,420	-	136,177,748	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	143,089,933	-	142,978,141	-
Recourse obligation on loans sold to Cagamas	300,572	-	303,617	-
Tier 2 subordinated bonds	1,502,340	-	1,574,006	-
Multi-currency Additional Tier 1 capital securities	806,390	-	835,490	-
	145,699,235	-	145,691,254	-

49 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 Bank's assets and liabilities not measured at fair value at 30 June 2020 but for which fair value is disclosed:

	2020			
	Carrying	Fair Value		
The Group	Amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial Assets				
Financial investments at amortised cost				
- Money market	14,408,008	-	14,674,737	-
- Quoted securities	1,003,155	-	996,921	-
- Unquoted securities	4,690,269	-	4,769,082	-
Loans, advances and financing	144,694,950	-	145,434,265	-
	164,796,382	-	165,875,005	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	173,030,144	-	173,214,979	-
Recourse obligation on loans sold to Cagamas	1,049,005	-	1,068,699	-
Tier 2 subordinated bonds	1,502,224	-	1,580,033	-
Multi-currency Additional Tier 1 capital securities	806,320	-	845,333	-
	176,387,693	-	176,709,044	-
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	10,781,575	-	10,974,606	-
- Quoted securities	1,003,155	-	996,921	-
- Unquoted securities	3,294,351	-	3,350,922	-
Loans, advances and financing	112,823,975	-	113,313,572	-
	127,903,056	-	128,636,021	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	137,221,242	-	137,371,623	-
Recourse obligation on loans sold to Cagamas	300,567	-	303,755	-
Tier 2 subordinated bonds	1,502,224	-	1,580,033	-
Multi-currency Additional Tier 1 capital securities	806,320	-	845,333	-
	139,830,353	-	140,100,744	-

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(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 Bank establish the fair value by using valuation techniques.

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, 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 obligation 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.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value methodologies and assumptions (continued)

Subordinated obligations and capital securities

The fair value of subordinated obligations 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.

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 Bank would receive to sell or pay to transfer the contracts at the date of statements of financial position.

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50 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:

	The Group					The Bank				
			Related amount not set off in the statements of financial position					Related amount not set off in the statements of financial position		
	Gross amount of recognised financial assets/ liabilities in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000	Gross amount of recognised financial assets/ liabilities in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000
30 June 2021										
Financial assets										
Derivatives/financial instruments	1,005,249	1,005,249	(566,025)	(109,640)	329,584	983,205	983,205	(561,399)	(109,640)	312,166
Total	1,005,249	1,005,249	(566,025)	(109,640)	329,584	983,205	983,205	(561,399)	(109,640)	312,166
Financial liabilities										
Derivatives/financial instruments	909,666	909,666	(566,025)	(258,706)	84,935	879,986	879,986	(561,399)	(258,706)	59,881
Obligations on securities sold under repurchase agreements	742,750	742,750	(742,750)	-	-	742,750	742,750	(742,750)	-	-
Total	1,652,416	1,652,416	(1,308,775)	(258,706)	84,935	1,622,736	1,622,736	(1,304,149)	(258,706)	59,881

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50 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					The Bank				
			Related amount not set off in the statements of financial position					Related amount not set off in the statements of financial position		
	Gross amount of recognised financial assets/ liabilities in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000	Gross amount of recognised financial assets/ liabilities in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000
30 June 2020										
Financial assets										
Derivatives/financial instruments	1,111,469	1,111,469	(643,374)	(144,804)	323,291	1,057,621	1,057,621	(616,247)	(144,804)	296,570
Total	1,111,469	1,111,469	(643,374)	(144,804)	323,291	1,057,621	1,057,621	(616,247)	(144,804)	296,570
Financial liabilities										
Derivatives/financial instruments	1,298,513	1,298,513	(643,374)	(467,438)	187,701	1,251,096	1,251,096	(616,247)	(467,438)	167,411
Obligations on securities sold under repurchase agreements	3,124,132	3,124,132	(3,124,132)	-	-	3,124,132	3,124,132	(3,124,132)	-	-
Total	4,422,645	4,422,645	(3,767,506)	(467,438)	187,701	4,375,228	4,375,228	(3,740,379)	(467,438)	167,411

51 CAPITAL ADEQUACY

The Group's and the Bank's regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components), which set out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirements on Capital Conservation Buffer ("CCB") and Counter-Cyclical Capital Buffer ("CCyB"). The Group and the Bank are also required to maintain CCB of up to 2.500% of total risk-weighted assets ("RWA"). The CCyB, which could range from 0% up to 2.500%, is currently assessed at 0% in Malaysia. The minimum capital adequacy including CCB for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and Total capital ratio for year 2019 onwards are 7.000%, 8.500% and 10.500% respectively.

BNM had issued a letter dated 31 May 2021 on extension of additional measures to assist borrowers/customers affected by the COVID-19 pandemic. These measures allow banking institutions to remain focused on supporting the economy during these exceptional and unprecedented circumstances, by extending loan/financing flexibilities which will allow banking institutions to respond swiftly to the needs of their customers. On 9 December 2020, BNM issued a revision to the Capital Adequacy Framework (Capital Components), which sets out BNM's requirements on the transitional arrangements for regulatory capital treatment of accounting provisions for banking institutions. The transitional arrangements have allowed banking institutions to add back a portion of the Stage 1 and Stage 2 provisions for Expected Credit Losses to CET I over a four year period beginning 2020 or a three year period beginning 2021. Prior to this revision, BNM issued a letter dated 24 March 2020, which has allowed banking institutions to (1) drawdown on the capital conservation buffer of 2.500%; (2) operate below the minimum Liquidity Coverage Ratio of 100%; (3) reduce the regulatory reserves held against expected losses to 0%; and (4) lower minimum Net Stable Funding Ratio to 80%. While regulatory response and support has been encouraging amidst a challenging operating environment, the Bank has opted to not avail itself to BNM's support measures.

The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation in deriving the RWA.

Individual entities within the Group comply with all externally imposed capital requirements to which they are subject to.

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

	The Group		The Bank	
	2021	**2020**	**2021**	**2020**
Before deducting proposed dividends				
CET I capital ratio	**14.030%**	13.950%	**13.911%**	13.761%
Tier I capital ratio	**14.561%**	14.523%	**14.245%**	14.118%
Total capital ratio	**16.703%**	16.750%	**16.301%**	16.245%
After deducting proposed dividends				
CET I capital ratio	**13.552%**	13.657%	**13.307%**	13.395%
Tier I capital ratio	**14.083%**	14.230%	**13.642%**	13.752%
Total capital ratio	**16.224%**	16.456%	**15.697%**	15.879%

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51 CAPITAL ADEQUACY (CONTINUED)

(b) The components of CET I, Tier I and Tier II capital under the revised Capital Components Framework are as follows:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CET I capital				
Share capital	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Retained profits	**20,751,376**	18,172,806	**14,139,555**	12,661,472
Other reserves	**1,217,660**	1,029,080	**366,088**	433,536
Less: Treasury shares	**(719,030)**	(723,344)	**(719,030)**	(723,344)
Less: Deferred tax assets	**(275,670)**	(86,578)	**(183,513)**	(55,984)
Less: Other intangible assets	**(242,317)**	(187,505)	**(218,277)**	(168,060)
Less: Goodwill	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)
Less: Investment in subsidiary companies/associated companies	**(5,501,542)**	(4,644,527)	**(2,725,221)**	(2,727,486)
Total CET I capital	**21,138,228**	19,467,683	**16,627,118**	15,387,650
Additional Tier I capital				
Multi-currency Additional Tier 1 capital securities	**799,785**	799,654	**799,785**	799,654
Additional Tier I capital before regulatory adjustments	**799,785**	799,654	**799,785**	799,654
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	**-**	-	**(400,000)**	(400,000)
Additional Tier I capital after regulatory adjustments	**799,785**	799,654	**399,785**	399,654
Total Tier I capital	**21,938,013**	20,267,337	**17,026,903**	15,787,304
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves #	**1,726,493**	1,607,378	**1,356,795**	1,278,446
Subordinated bonds	**1,499,970**	1,499,970	**1,499,970**	1,499,970
Less: Investment in Tier 2 Subordinated Sukuk Murabahah	**-**	-	**(400,000)**	(400,000)
Total Tier II capital	**3,226,463**	3,107,348	**2,456,765**	2,378,416
Total capital	**25,164,476**	23,374,685	**19,483,668**	18,165,720

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM412,709,000 (2020: RM837,183,000) and RM387,677,000 (2020: RM703,987,000) respectively.

51 CAPITAL ADEQUACY (CONTINUED)

(c) The breakdown of RWA by each major risk category is as follows:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Credit risk *	**138,119,456**	128,590,231	**108,543,591**	102,275,706
Market risk	**3,778,671**	2,496,060	**3,895,661**	2,562,366
Operational risk	**8,761,958**	8,468,140	**7,087,877**	6,983,001
Total RWA	**150,660,085**	139,554,431	**119,527,129**	111,821,073

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM847,370,000 (2020: RM238,775,000) is excluded from the calculation of capital adequacy ratio of the Group.

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	2021	2020
Before deducting proposed dividends		
CET I capital ratio	**11.133%**	10.871%
Tier I capital ratio	**12.535%**	12.432%
Total capital ratio	**15.112%**	15.173%
After deducting proposed dividends		
CET I capital ratio	**11.133%**	10.871%
Tier I capital ratio	**12.535%**	12.432%
Total capital ratio	**15.112%**	15.173%

Notes to the Financial Statements

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52 SEGMENT REPORTING

Business segment reporting

The business segment results are prepared based on the Group's internal management reporting reflective of the organisation's management reporting structure.

The various business segments are described below:

Personal Financial Services focuses mainly on servicing individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

Business & Corporate Banking focuses mainly on corporate and small medium enterprises. Products offered include trade financing, working capital facilities, other term financing and corporate advisory services.

Global Markets refers to the Group's domestic treasury and capital market operations and includes foreign exchange, money market operations as well as capital market securities trading and investments.

Overseas/International Operations refers to Hong Leong Bank Berhad Overseas Branches, Subsidiaries, Associates, Joint Venture and Representative Office. The overseas operations are mainly in commercial banking and treasury business.

Other operations refers to head office and other subsidiaries.

52 SEGMENT REPORTING (CONTINUED)

Business segment reporting (continued)

The Group	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter-Segment Elimination RM'000	Total RM'000
2021							
Revenue							
- external	2,705,557	998,191	1,536,816	302,345	193,333	(269,369)	5,466,873
- inter-segment ^	(103,695)	366,940	(527,619)	-	264,374	-	-
Segment revenue	2,601,862	1,365,131	1,009,197	302,345	457,707	(269,369)	5,466,873
Overhead expenses of which:	(1,286,053)	(359,538)	(114,283)	(226,309)	(78,612)	(13,013)	(2,077,808)
Depreciation of property and equipment	47,335	5,404	3,593	6,198	63,944	135	126,609
Amortisation of intangible assets	7,096	1,517	1,406	10,319	36,610	-	56,948
Allowance for impairment losses on loans, advances and financing	(238,092)	(49,746)	-	(2,231)	(358,385)	(5,365)	(653,819)
(Allowance for)/written back of impairment losses on financial investments and other assets	-	-	(1,657)	(229)	(1,760)	3,386	(260)
Share of results of associated companies	-	-	-	735,953	-	-	735,953
Segment results	1,077,717	955,847	893,257	809,529	18,950	(284,361)	3,470,939
Taxation							(610,297)
Net profit for the financial year							2,860,642
Segment assets	104,389,777	41,748,525	66,254,964	16,343,926	-	-	228,737,192
Unallocated assets							8,392,048
Total assets							237,129,240
Segment liabilities	101,898,369	49,506,485	37,261,447	15,243,836	-	-	203,910,137
Unallocated liabilities							3,759,989
Total liabilities							207,670,126
Other significant segment items							
Capital expenditure	45,993	7,479	9,421	32,006	50,145	-	145,044

^ Inter-segment transfer is based on internally computed cost of funds.

Note:
1. Total segment revenue comprises net interest income, income from Islamic Banking business and non-interest income.
2. Unallocated assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

Notes to the Financial Statements

for the financial year ended 30 June 2021

52 SEGMENT REPORTING (CONTINUED)

Business segment reporting (continued)

The Group	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter-Segment Elimination RM'000	Total RM'000
2020							
Revenue							
- external	2,663,241	675,303	1,440,920	255,479	7,628	(264,215)	4,778,356
- inter-segment ^	(197,603)	495,810	(575,325)	-	277,118	-	-
Segment revenue	2,465,638	1,171,113	865,595	255,479	284,746	(264,215)	4,778,356
Overhead expenses of which:	(1,375,381)	(343,818)	(114,622)	(229,521)	(27,902)	(12,560)	(2,103,804)
Depreciation of property and equipment	53,353	5,513	3,891	6,016	65,482	135	134,390
Amortisation of intangible assets	9,276	1,556	936	9,261	37,996	-	59,025
Written back of/(allowance for) impairment losses on loans, advances and financing	40,799	(72,798)	-	(97,655)	(197,415)	(586)	(327,655)
(Allowance for)/written back of impairment losses on financial investment and other assets	-	-	(1,381)	542	-	1,006	167
Share of results of associated companies	-	-	-	642,333	-	-	642,333
Segment results	1,131,056	754,497	749,592	571,178	59,429	(276,355)	2,989,397
Taxation							(494,800)
Net profit for the financial year							2,494,597
Segment assets	101,402,143	36,483,167	61,533,549	15,563,980	-	-	214,982,839
Unallocated assets							6,295,078
Total assets							221,277,917
Segment liabilities	99,009,237	43,863,396	34,056,539	14,571,564	-	-	191,500,736
Unallocated liabilities							2,542,882
Total liabilities							194,043,618
Other significant segment items							
Capital expenditure	39,192	4,876	124	13,853	150,572	-	208,617

^ Inter-segment transfer is based on internally computed cost of funds.

Note:
1. Total segment revenue comprises net interest income, income from Islamic Banking business and non-interest income.
2. Unallocated assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

52 SEGMENT REPORTING (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, associate and joint venture operations in Singapore, Hong Kong, China, Vietnam and Cambodia. The overseas operations are mainly in commercial banking and treasury business.

The Group	Revenue RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
2021				
Malaysia	**5,164,528**	**220,785,314**	**192,426,290**	**113,038**
Overseas operations	**302,345**	**16,343,926**	**15,243,836**	**32,006**
	5,466,873	**237,129,240**	**207,670,126**	**145,044**
2020				
Malaysia	4,522,877	205,697,109	179,449,719	194,764
Overseas operations	255,479	15,580,808	14,593,899	13,853
	4,778,356	221,277,917	194,043,618	208,617

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 30 November 2020, the Bank announced that HLF Credit (Perak) Bhd, a wholly-owned subsidiary of the Bank, had placed Promizul Sdn Bhd (formerly known as HL Leasing Sdn Bhd) ("Promizul"), its wholly-owned subsidiary, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. Promizul is dormant.

(b) On 16 December 2020, the Bank announced that it had placed HL Bank Nominees (Singapore) Pte. Ltd. ("HL Bank Nominees"), its wholly-owned subsidiary in Singapore, under member's voluntary winding-up. HL Bank Nominees is dormant.

(c) On 2 June 2021, the Bank announced that it had placed EB Realty Sendirian Berhad ("EB Realty"), a wholly-owned subsidiary of the Bank, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. EB Realty is dormant.

(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.

(e) The World Health Organisation declared the outbreak of Coronavirus disease (COVID-19) as a global pandemic in March 2020. The COVID-19 pandemic continues to create uncertainty around the world. The direct and indirect effects of the COVID-19 have impacted the global economy, markets and the Group's and the Bank's counterparties and clients. The process to determine ECL requires numerous estimates and assumptions, some of which require a high degree of judgement, which would be impacted by COVID-19. Changes in the estimates and assumptions can result in significant changes in ECL. The Group and the Bank are not able to predict the COVID-19's potential future direct or indirect effects. However, the Group and the Bank are proactively taking actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

54 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

There are no material subsequent events after the financial year that require disclosure or adjustments to the financial statements except for the following:

On 6 July 2021, BNM announced that individuals, microenterprise borrowers and SMEs affected by the COVID-19 pandemic, may start applying for the six-month moratorium from 7 July 2021 onwards, in line with the Government's Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (PEMULIH). In addition to the moratorium, banks will also offer a reduction in instalments and other packages, including to reschedule and restructure financing and advances to suit the specific financial circumstances of borrowers.

Arising from this, where the original contractual terms of the loans, advances and financing have been modified for credit reasons and the loans, advances and financing have not been derecognised, this may result in modification loss to be recognised in the income statements, with a corresponding decrease in the gross carrying value of the loans, advances and financing.

55 EQUITY COMPENSATION BENEFITS

Executive Share Scheme

The Bank has established and implemented an Executive Share Scheme.

(a) Executive Share Scheme ("ESS")

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

The main features of the ESS are, inter alia, as follows:

1. Eligible executives are persons as defined by the ESS Bye-Laws.

2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Bank in the annual general meeting held on 23 October 2013 and 25 October 2012. The Board, as defined by the ESS Bye-Laws, may from time to time at its absolute discretion select and identify suitable eligible executives to be offered options or grants.

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

4. The exercise of the options under the ESOS or the vesting of shares under the ESGS may, at the absolute discretion of the 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.

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(i) ESOS

The ESOS which was approved by the shareholders of the Bank 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, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the ESOS.

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

The main features of the ESOS are, inter alia, as follows:

1. The option price for the options to be granted under the ESOS shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Bank 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 the Bank.

2. The options granted to an option holder under the ESOS is exercisable by the option holder during his employment or directorship with the HLB Group and upon meeting the vesting conditions of each ESOS plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.

During the financial year ended 30 June 2021, Nil (2020: Nil) share options have been granted under the ESOS with 11,966,502 (2020: 13,702,915) options remain outstanding.

The ordinary share options of the Bank granted under the ESOS that are still outstanding for the financial year ended 30 June 2021 is as follows:

(A) 37,550,000 share options at an exercise price of RM14.24 (exercise price adjusted to RM13.77 for rights issue):

2021 Grant date	Expiry date	As at 1-Jul-20	Adjustment for rights issue	Forfeited	Exercised	Outstanding As at 30-Jun-21	Exercisable As at 30-Jun-21
2 April 2015	28 July 2020	**235,413**	-	-	**(235,413)**	-	-
2 April 2015	28 July 2021	**167,502**	-	-	**(101,000)**	**66,502**	-
		402,915	-	-	**(336,413)**	**66,502**	-

2020 Grant date	Expiry date	As at 1-Jul-19	Adjustment for rights issue	Forfeited	Exercised	Outstanding As at 30-Jun-20	Exercisable As at 30-Jun-20
2 April 2015	28 July 2019	73,358	-	-	(73,358)	-	-
2 April 2015	28 July 2020	335,001	-	-	(99,588)	235,413	-
2 April 2015	28 July 2021	167,502	-	-	-	167,502	-
		575,861	-	-	(172,946)	402,915	-

On 30 November 2015 ("modified grant date"), the options exercise price was adjusted and additional share options of 782,657 were granted due to the rights issue exercise pursuant to the ESS Bye-Laws.

Notes to the Financial Statements
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55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(i) ESOS (continued)

The ordinary share options of the Bank granted under the ESOS that are still outstanding for the financial year ended 30 June 2021 is as follows: (continued)

Adjustments on exercise price due to Rights Issue

The fair value of share options granted on 2 April 2015 ("grant date") and modified grant date was estimated using the Black-Scholes model, taking into account the terms and conditions upon which the options are granted. On modified grant date, the incremental fair value was computed to incorporate the adjustments on exercise price due to rights issue. The value of share options and the key inputs for share options valuation before and after rights issue were as follows:

	2021		2020	
	Before Rights Issue	After Rights Issue	Before Rights Issue	After Rights Issue
Fair value of share options (RM)	**1.48**	**1.64**	1.36-1.48	1.52-1.64
Share price at grant date/modified grant date (RM)	**14.30**	**13.56**	14.30	13.56
Exercise price (RM)	**14.24**	**13.77**	14.24	13.77
Weighted average option life at grant date/ modified grant date (Years)	**1.27**	**1.13**	3.40	3.00
Expected volatility (%)	**11.74**	**12.21**	11.74	12.21
Weighted average dividend yield (%)	**0.67**	**0.70**	1.96	2.04
Weighted average risk free rate (%)	**0.78**	**0.82**	2.31	2.44

The fair value of share options after the rights issue was inclusive of incremental fair value arising from adjusted exercise price pursuant to the ESS Bye-Laws. The expected volatility reflects the assumption that the historical volatility was indicative of future trends, which may not necessarily be the actual outcome.

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range 5.83 years from grant date. The weighted average remaining option life as at 30 June 2021 is 0.02 years.

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(i) ESOS (continued)

The ordinary share options of the Bank granted under the ESOS that are still outstanding for the financial year ended 30 June 2021 is as follows: (continued)

Adjustments on additional options due to Rights Issue
For the additional options granted on modified grant date due to Rights Issue exercise, the fair value of share options was estimated using the Black-Scholes model, taking into account the terms and conditions upon which the options are granted. The value of share options and the key inputs for share options valuation were as follows:

	2021 After Rights Issue	2020 After Rights Issue
Fair value of share options (RM)	**1.22**	1.09-1.22
Share price at grant date/modified grant date (RM)	**13.56**	13.56
Exercise price (RM)	**13.77**	13.77
Weighted average option life at grant date (Years)	**1.13**	3.00
Expected volatility (%)	**12.21**	12.21
Weighted average dividend yield (%)	**0.70**	2.04
Weighted average risk free rate (%)	**0.82**	2.44

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range 5.17 years from grant date. The weighted average remaining option life as at 30 June 2021 is 0.02 years.

(B) 22,750,000 share options at an exercise price of RM16.46:

2021 Grant date	Expiry date	As at 1-Jul-20	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-21	Exercisable As at 30-Jun-21
30 March 2018	31 August 2021	**5,320,000**	**-**	**(560,000)**	**-**	**4,760,000**	**-**
30 March 2018	31 August 2022	**5,320,000**	**-**	**(560,000)**	**-**	**4,760,000**	**-**
30 March 2018	31 August 2023	**2,660,000**	**-**	**(280,000)**	**-**	**2,380,000**	**-**
		13,300,000	**-**	**(1,400,000)**	**-**	**11,900,000**	**-**

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55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(i) ESOS (continued)

The ordinary share options of the Bank granted under the ESOS that are still outstanding for the financial year ended 30 June 2021 is as follows: (continued)

(B) 22,750,000 share options at an exercise price of RM16.46: (continued)

2020 Grant date	Expiry date	As at 1-Jul-19	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-20	Exercisable As at 30-Jun-20
30 March 2018	31 August 2019	2,370,000	-	(2,370,000)	-	-	-
30 March 2018	31 August 2020	2,370,000	-	(2,370,000)	-	-	-
30 March 2018	31 August 2021	1,185,000	-	(1,185,000)	-	-	-
30 March 2018	31 August 2021	5,530,000	-	(210,000)	-	5,320,000	-
30 March 2018	31 August 2022	5,530,000	-	(210,000)	-	5,320,000	-
30 March 2018	31 August 2023	2,765,000	-	(105,000)	-	2,660,000	-
		19,750,000	-	(6,450,000)	-	13,300,000	-

The estimated fair value of each share option granted is between RM3.91 and RM4.45 per share. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM18.72, weighted average option life at grant date of 3.0 years, exercise price of RM16.46, expected volatility of 17.79%, weighted average expected dividend yield of 1.57% and a weighted average risk free interest rate of 2.70%.

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 3.25 to 5.25 years from grant date. The weighted average remaining option life as at 30 June 2021 is 0.68 years.

(ii) ESGS

The ESGS which was approved by the shareholders of the Bank on 23 October 2013, was established on 28 February 2014 and would end on 11 March 2023.

On 10 September 2013, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve in principle the listing of new ordinary shares of the Bank to be issued pursuant to the ESGS.

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

The shares to be vested to a grant holder under the ESGS will be vested to the grant holder only during his employment or directorship with the HLB Group and subject to any other terms and conditions as may be determined by the Board.

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(ii) ESGS (continued)

(A) 696,946 ordinary shares at date of grant:

2021 Grant date	Vesting date	As at 1-Jul-20	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-21	Exercisable As at 30-Jun-21
23 November 2016	29 February 2020	-	-	-	-	-	-

2020 Grant date	Vesting date	As at 1-Jul-19	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-20	Exercisable As at 30-Jun-20
23 November 2016	29 February 2020	139,391	-	-	(139,391)	-	-

(B) 322,580 ordinary shares at date of grant:

2021 Grant date	Vesting date	As at 1-Jul-20	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-21	Exercisable As at 30-Jun-21
18 December 2017	31 January 2020	-	-	-	-	-	-

2020 Grant date	Vesting date	As at 1-Jul-19	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-20	Exercisable As at 30-Jun-20
18 December 2017	31 January 2020	161,290	-	-	(161,290)	-	-

(C) 267,379 ordinary shares at date of grant:

2021 Grant date	Vesting date	As at 1-Jul-20	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-21	Exercisable As at 30-Jun-21
3 December 2018	31 January 2021	**133,690**	**-**	**-**	**(133,690)**	**-**	**-**

2020 Grant date	Vesting date	As at 1-Jul-19	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-20	Exercisable As at 30-Jun-20
3 December 2018	31 January 2020	133,689	-	-	(133,689)	-	-
3 December 2018	31 January 2021	133,690	-	-	-	133,690	-
		267,379	-	-	(133,689)	133,690	-

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(ii) ESGS (continued)

(D) 250,514 ordinary shares at date of grant:

2021 **Grant date**	**Vesting date**	**As at** **1-Jul-20**	**Granted**	**Forfeited**	**Exercised**	**Outstanding** **As at** **30-Jun-21**	**Exercisable** **As at** **30-Jun-21**
8 January 2020	31 December 2020	**115,511**	**-**	**(63)**	**(115,448)**	**-**	**-**
8 January 2020	31 December 2021	**125,257**	**-**	**(10,003)**	**-**	**115,254**	**-**
		240,768	**-**	**(10,066)**	**(115,448)**	**115,254**	**-**

2020 **Grant date**	**Vesting date**	**As at** **1-Jul-19**	**Granted**	**Forfeited**	**Exercised**	**Outstanding** **As at** **30-Jun-20**	**Exercisable** **As at** **30-Jun-20**
8 January 2020	31 December 2020	-	125,257	(9,746)	-	115,511	-
8 January 2020	31 December 2021	-	125,257	-	-	125,257	-
		-	250,514	(9,746)	-	240,768	-

(E) 228,728 ordinary shares at date of grant:

2021 **Grant date**	**Vesting date**	**As at** **1-Jul-20**	**Granted**	**Forfeited**	**Exercised**	**Outstanding** **As at** **30-Jun-21**	**Exercisable** **As at** **30-Jun-21**
15 January 2021	31 December 2021	**-**	**114,364**	**(128)**	**-**	**114,236**	**-**
15 January 2021	31 December 2022	**-**	**114,364**	**-**	**-**	**114,364**	**-**
		-	**228,728**	**(128)**	**-**	**228,600**	**-**

During the financial year ended 30 June 2021, an additional 228,728 ordinary shares have been granted on 15 January 2021 to eligible executives of the Bank.

During the financial year ended 30 June 2021, a total of 249,138 ordinary shares were vested and transferred pursuant to the Bank's ESGS, 10,194 ordinary shares forfeited with 343,854 ordinary shares remain outstanding.

During the financial year ended 30 June 2021, the Group and the Bank had recognised share-based compensation expense arising from ESS amounting to RM13.7 million (2020: RM23.1 million).

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(b) Treasury shares for ESS

A trust has been set up for the ESOS and ESS (collectively "Schemes") and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank'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 Schemes holdings are recorded as "Treasury Shares for ESS" in the Shareholders' Funds on the statements of financial position. The cost of operating the Schemes is charged to the statements of income.

The number and market values of the ordinary shares held by the Trustee are as follows:

	The Group and The Bank			
	2021		2020	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
As at end of the financial year	**38,990**	**729,893**	39,575	557,216

56 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Bank 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 Bank'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 macroeconomic 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.

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

56 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(a) Allowance for ECL (continued)

The sensitivity effect on the macroeconomic factor is further disclosed in Note 48(d)(viii) 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 and the Bank have applied overlays to determine a sufficient overall level of ECL for the financial year ended 30 June 2021.

The details of overlays and adjustments for expected credit losses amid COVID-19 environment are disclosed in Note 48(d)(ix) to the financial statements.

57 GENERAL INFORMATION

The Bank is a public limited liability company that is incorporated and domiciled in Malaysia. The registered office is at Level 30, Menara Hong Leong, No.6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 14 September 2021.

Statement by Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Tan Kong Khoon and Chok Kwee Bee, two of the Directors of Hong Leong Bank Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 155 to 350 are drawn up so as to give a true and fair view of the financial position of the Group and the Bank as at 30 June 2021 and the financial performance and the cash flows of the Group and the Bank for the financial year then ended on that date, 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

Chok Kwee Bee

Kuala Lumpur
14 September 2021

Statutory Declaration
Pursuant to Section 251(1) of the Companies Act 2016

I, Malkiat Singh @ Malkit Singh Maan A/L Delbara Singh, the officer primarily responsible for the financial management of Hong Leong Bank Berhad, do solemnly and sincerely declare that the, financial statements set out on pages 155 to 350 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 Malkiat Singh @)
Malkit Singh Maan A/L Delbara Singh at)
Kuala Lumpur in Wilayah Persekutuan on)
14 September 2021)

Malkiat Singh @ Malkit Singh Maan A/L Delbara Singh
MIA No. CA9305

Before me,

Tan Kim Chooi
Commissioner of Oaths

Independent Auditors' Report

to the members of Hong Leong Bank Berhad

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the financial statements of Hong Leong Bank Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 30 June 2021 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 155 to 350.

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 Bank 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 Bank. 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 Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

Report on the Audit of the Financial Statements (continued)

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 Bank 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 Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Impairment of loans, advances and financing for the Group and the Bank Refer to Note N of the summary of significant accounting policies, Notes 8, 37 and 56 to the financial statements. We focused on this area due to the significant size of the carrying value of loans, advances and financing, which represented 65.0% and 63.2% of total assets for the Group and the Bank, respectively. In addition, the expected credit loss ("ECL") impairment is a highly subjective area as the Group exercised significant judgement on the following areas: Identification of Stage 2 and Stage 3 loans, advances and financing • Assessment of objective evidence of impairment of loans, advances and financing based on obligatory and judgemental triggers for Stage 3 loans, advances and financing; and • Identification of loans, advances and financing that have experienced a significant increase in credit risk for Stage 2 loans, advances and financing (including the borrowers who requested for payment relief assistance due to COVID-19). Individual assessment • Estimates on the amount and timing of future cash flows based on realisation of collateral.	We tested the design and operating effectiveness of the controls over impairment of loans, advances and financing. These controls covered: • Identification of loans, advances and financing that displayed objective evidence of impairment or loans, advances and financing that have experienced significant increase in credit risk (including the borrowers who requested for payment relief assistance due to COVID-19); • Governance over the impairment processes, including model development, model approval and model validation; • Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions used in the respective ECL models; and • Review and approval of the ECL calculation. Individual assessment Where the loans, advances and financing are individually assessed, we performed the following procedures: • Examined a sample of loans, advances and financing focused on loans, advances and financing identified by the Group and the Bank as having lower credit quality, rescheduled and restructured, borrowers in high risk industries impacted by COVID-19, and borrowers who requested for payment relief assistance due to COVID-19, and formed our own judgement as to whether there was a significant increase in credit risk or any objective evidence of impairment; and • Where objective evidence of impairment was identified and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group and the Bank in the impairment loss calculation, challenged the assumptions and compared estimates to external evidence where available. Calculations of the discounted cash flows were also re-performed.

Independent Auditors' Report

to the members of Hong Leong Bank Berhad

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Collective assessment • Choosing the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of model; and • Assumptions used in the ECL models, which are expected future cash flows, forward-looking macroeconomic factors, probability weighted multiple scenarios and model overlay adjustments made, given the economics uncertainty arising from COVID-19 that may impact the future ECL.	Collective assessment To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the Group and the Bank, we have performed the following procedures: • Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9, including the basis used by the Group and the Bank to determine the key assumptions used in respective ECL models; • Assessed and tested the significant modelling assumptions, including the basis or judgement used for management's overlays; • Assessed and considered reasonableness of forward-looking forecasts assumptions, taking into consideration of the economic uncertainty arising from COVID-19; • Assessed and tested the identification and calculation of model overlay adjustments to the ECL due to the impact of COVID-19; and • Tested the accuracy of data inputs used in ECL models and checked the calculation of ECL amount, on a sample basis. Based on the procedures performed, the outcome of our independent testing results were not significantly different from the Group's and the Bank's assessment on impairment of loans, advances and financing.

Information other than the financial statements and auditors' report thereon

The Directors of the Bank 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 Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank 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 Bank, 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 Bank 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.

Report on the Audit of the Financial Statements (continued)

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank 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 Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank'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 Bank 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 Bank 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 Bank, 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 the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditors' Report
to the members of Hong Leong Bank Berhad

Report on the Audit of the Financial Statements (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

(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 Bank'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 Bank 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 Bank to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank 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 Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 13 to the financial statements.

Other Matters

This report is made solely to the members of the Bank, 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

ONG CHING CHUAN
02907/11/2021 J
Chartered Accountant

Kuala Lumpur
14 September 2021

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2021

1. INTRODUCTION

This document discloses Hong Leong Bank Berhad ("HLB" or "the Bank") and its banking subsidiaries' (collectively known as "the Group") risk profile, risk management practices in accordance with the disclosure requirements as outlined in the Guidelines on Risk-Weighted Capital Adequacy Framework (Basel II) ("RWCAF") - Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Bank ("CAFIB") - Disclosure requirements (Pillar 3) issued by BNM.

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components), which set out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirements on Capital Conservation Buffer ("CCB") and Counter-Cyclical Capital Buffer ("CCyB"). The Group and the Bank are also required to maintain CCB of up to 2.500% of total risk-weighted assets ("RWA"). The CCyB, which could range from 0% up to 2.500%, is currently assessed at 0% in Malaysia. The minimum capital adequacy including CCB for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and Total capital ratio for year 2019 onwards are 7.000%, 8.500% and 10.500% respectively.

BNM had issued a letter dated 31 May 2021 on extension of additional measures to assist borrowers/customers affected by the COVID-19 pandemic. These measures allow banking institutions to remain focused on supporting the economy during these exceptional and unprecedented circumstances, by extending loan/financing flexibilities which will allow banking institutions to respond swiftly to the needs of their customers. On 9 December 2020, BNM issued a revision to the Capital Adequacy Framework (Capital Components), which sets out BNM's requirements on the transitional arrangements for regulatory capital treatment of accounting provisions for banking institutions. The transitional arrangements have allowed banking institutions to add back a portion of the Stage 1 and Stage 2 provisions for Expected Credit Losses to CET I over a four year period beginning 2020 or a three year period beginning 2021. Prior to this revision, BNM issued a letter dated 24 March 2020, which has allowed banking institutions to (1) drawdown on the capital conservation buffer of 2.500%; (2) operate below the minimum Liquidity Coverage Ratio of 100%; (3) reduce the regulatory reserves held against expected losses to 0%; and (4) lower minimum Net Stable Funding Ratio to 80%. While regulatory response and support has been encouraging amidst a challenging operating environment, the Bank has opted to not avail itself to BNM's support measures.

The Group and the Bank have adopted the Standardised Approach for the computation of Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation in deriving the RWA.

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

2. SCOPE OF APPLICATION

The capital adequacy ratios of the Group consist of capital base and RWA derived from the consolidated balances of the Bank and its banking subsidiaries, namely Hong Leong Islamic Bank Berhad ("HLISB"), Hong Leong Bank Vietnam Limited and Hong Leong Bank (Cambodia) PLC.

The Group's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, as disclosed in Note 2A to the financial statements, except where deductions from eligible capital are required under BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) or where separation requirements (set by BNM) are met by entities.

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

3. CAPITAL STRUCTURE AND ADEQUACY

The Group monitors the capital adequacy position of the Bank and its banking subsidiaries to ensure compliance with the requirements of BNM and allows for prompt actions to be taken to address projected capital deficiency. The capital position is reviewed on a monthly basis and takes into account the levels and trends of material risks. The sufficiency of capital is assessed against various risks on the balance sheet as well as future capital requirements based on the Group's business plans.

The Group has also formalised an overall capital management and planning policy, which seeks to ensure that it is in line with Basel III Capital Standards.

The following table sets forth details on the capital resources, capital adequacy ratios and risk-weighted assets for the Group and the Bank as at 30 June 2021. BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) set out the minimum capital adequacy ratios for the banking institutions and the methodologies for calculating these ratios. As at 30 June 2021, the Group's and the Bank's CET I, Tier I capital ratio and Total capital ratio were higher than BNM's minimum requirements.

BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) set out the constituents of the total eligible capital for the Group and the Bank. For the main features of these capital instruments, please refer to Note 26 and Note 27 to the financial statements.

Basel III

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

	The Group		The Bank	
	30 June 2021	**30 June 2020**	**30 June 2021**	**30 June 2020**
Before deducting proposed dividends				
CET I capital ratio	**14.030%**	13.950%	**13.911%**	13.761%
Tier I capital ratio	**14.561%**	14.523%	**14.245%**	14.118%
Total capital ratio	**16.703%**	16.750%	**16.301%**	16.245%
After deducting proposed dividends				
CET I capital ratio	**13.552%**	13.657%	**13.307%**	13.395%
Tier I capital ratio	**14.083%**	14.230%	**13.642%**	13.752%
Total capital ratio	**16.224%**	16.456%	**15.697%**	15.879%

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(b) The components of CET I, Tier I and Tier II capital under the revised Capital Components Framework are as follows:

	The Group		The Bank	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
CET I capital				
Share capital	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Retained profits	**20,751,376**	18,172,806	**14,139,555**	12,661,472
Other reserves	**1,217,660**	1,029,080	**366,088**	433,536
Less: Treasury shares	**(719,030)**	(723,344)	**(719,030)**	(723,344)
Less: Deferred tax assets	**(275,670)**	(86,578)	**(183,513)**	(55,984)
Less: Other intangible assets	**(242,317)**	(187,505)	**(218,277)**	(168,060)
Less: Goodwill	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)
Less: Investment in subsidiary companies/associated companies	**(5,501,542)**	(4,644,527)	**(2,725,221)**	(2,727,486)
Total CET I capital	**21,138,228**	19,467,683	**16,627,118**	15,387,650
Additional Tier I capital				
Multi-currency Additional Tier-1 capital securities	**799,785**	799,654	**799,785**	799,654
Additional Tier I capital before regulatory adjustments	**799,785**	799,654	**799,785**	799,654
Less: Investments in Additional Tier 1 perpetual subordinated sukuk wakalah	**-**	-	**(400,000)**	(400,000)
Additional Tier I capital after regulatory adjustments	**799,785**	799,654	**399,785**	399,654
Total Tier I capital	**21,938,013**	20,267,337	**17,026,903**	15,787,304
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves*	**1,726,493**	1,607,378	**1,356,795**	1,278,446
Subordinated bonds	**1,499,970**	1,499,970	**1,499,970**	1,499,970
Less: Investment in Tier 2 Subordinated Sukuk Murabahah	**-**	-	**(400,000)**	(400,000)
Total Tier II capital	**3,226,463**	3,107,348	**2,456,765**	2,378,416
Total Capital	**25,164,476**	23,374,685	**19,483,668**	18,165,720

* Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM412,709,000 (2020: RM837,183,000) and RM387,677,000 (2020: RM703,987,000) respectively.

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2021

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(c) The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

	The Group		The Bank	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Credit risk *	**138,119,456**	128,590,231	**108,543,591**	102,275,706
Market risk	**3,778,671**	2,496,060	**3,895,661**	2,562,366
Operational risk	**8,761,958**	8,468,140	**7,087,877**	6,983,001
Total RWA	**150,660,085**	139,554,431	**119,527,129**	111,821,073

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM 847,370,000 (2020: RM 238,775,000) is excluded from the calculation of capital adequacy ratio of the Group.

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	30 June 2021	30 June 2020
Before deducting proposed dividends		
CET I capital ratio	**11.133%**	10.871%
Tier I capital ratio	**12.535%**	12.432%
Total capital ratio	**15.112%**	15.173%
After deducting proposed dividends		
CET I capital ratio	**11.133%**	10.871%
Tier I capital ratio	**12.535%**	12.432%
Total capital ratio	**15.112%**	15.173%

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows:

The Group	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
30 June 2021				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	48,050,050	48,050,050	-	-
Public Sector Entities	82,664	82,664	16,533	1,323
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	9,019,015	9,019,015	3,528,226	282,258
Insurance Cos, Securities Firms ("SF") and Fund Managers ("FM")	555,666	554,820	554,820	44,386
Corporates	46,493,931	44,244,950	40,378,202	3,230,256
Regulatory Retail	47,718,375	47,327,761	35,877,524	2,870,202
Residential Mortgages	63,872,052	63,830,895	32,829,293	2,626,343
Higher Risk Assets	73,381	73,381	110,071	8,806
Other Assets	11,027,071	11,027,071	8,007,843	640,627
Defaulted Exposures	485,513	484,729	557,601	44,608
Total On-Balance Sheet Exposures	227,377,718	224,695,336	121,860,113	9,748,809
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") Derivatives	2,223,885	2,223,885	1,148,378	91,870
Credit Derivatives	32,609	32,609	6,522	522
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	17,601,971	17,375,507	15,091,207	1,207,297
Defaulted Exposures	8,754	8,753	13,236	1,059
Total Off-Balance Sheet Exposures	19,867,219 ^	19,640,754	16,259,343	1,300,748
Total On and Off-Balance Sheet Exposures	247,244,937	244,336,090	138,119,456	11,049,557
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	77,113,059	83,985,169	2,377,251	190,180
Foreign Currency Risk	1,198,988	723,744	1,276,716	102,137
Option Risk	-	-	11,080	886
Total	78,353,365	84,708,913	3,778,671	302,293
Operational Risk			8,761,958	700,957
Total RWA and Capital Requirements			150,660,085	12,052,807

Note:
CRM - credit risk mitigation
^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 392.

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3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Group	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
30 June 2020				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	40,954,628	40,954,628	-	-
Public Sector Entities	163,152	163,152	32,630	2,610
Banks, DFIs and MDBs	10,894,274	10,894,274	4,235,745	338,860
Insurance Cos, SF and FM	84,699	83,874	83,874	6,710
Corporates	41,717,461	40,029,696	36,556,929	2,924,554
Regulatory Retail	50,123,920	49,738,250	37,677,275	3,014,182
Residential Mortgages	57,049,871	57,000,634	27,694,609	2,215,569
Higher Risk Assets	75,562	75,562	113,343	9,067
Other Assets	9,589,379	9,589,379	7,273,554	581,884
Defaulted Exposures	696,397	676,675	824,516	65,961
Total On-Balance Sheet Exposures	211,349,343	209,206,124	114,492,475	9,159,397
Off-Balance Sheet Exposures				
OTC Derivatives	1,657,050	1,657,050	780,556	62,444
Credit Derivatives	14,564	14,564	2,913	233
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	15,510,163	15,310,609	13,274,772	1,061,982
Defaulted Exposures	26,992	26,112	39,515	3,161
Total Off-Balance Sheet Exposures	17,208,769 ^	17,008,335	14,097,756	1,127,820
Total On and Off-Balance Sheet Exposures	228,558,112	226,214,459	128,590,231	10,287,217
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	61,150,796	58,446,602	2,058,271	164,662
Foreign Currency Risk	378,612	288,015	434,250	34,740
Option Risk	-	-	3,539	283
Total	61,529,408	58,734,617	2,496,060	199,685
Operational Risk			8,468,140	677,451
Total RWA and Capital Requirements			139,554,431	11,164,353

Note:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 393.

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Bank	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
30 June 2021				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	36,130,954	36,130,954	-	-
Public Sector Entities	82,664	82,664	16,533	1,323
Banks, DFIs and MDBs	9,736,843	9,736,843	3,559,749	284,780
Insurance Cos, SF and FM	555,455	554,609	554,609	44,369
Corporates	36,477,329	34,536,099	31,371,447	2,509,716
Regulatory Retail	35,758,254	35,394,685	26,658,847	2,132,708
Residential Mortgages	50,443,397	50,408,275	25,367,491	2,029,399
Higher Risk Assets	73,381	73,381	110,071	8,806
Other Assets	10,595,236	10,595,236	7,814,845	625,188
Defaulted Exposures	400,442	399,780	466,755	37,340
Total On-Balance Sheet Exposures	180,253,955	177,912,526	95,920,347	7,673,629
Off-Balance Sheet Exposures				
OTC Derivatives	2,039,590	2,039,590	1,070,201	85,616
Credit Derivatives	32,609	32,609	6,522	522
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	13,541,878	13,331,110	11,535,367	922,829
Defaulted Exposures	7,407	7,406	11,154	892
Total Off-Balance Sheet Exposures	15,621,484 ^	15,410,715	12,623,244	1,009,859
Total On and Off-Balance Sheet Exposures	195,875,439	193,323,241	108,543,591	8,683,488
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	76,207,798	83,298,176	2,653,042	212,243
Foreign Currency Risk	1,117,915	564,944	1,117,915	89,433
Equity Risk	41,318	-	113,624	9,090
Option Risk	-	-	11,080	886
Total	77,367,031	83,863,120	3,895,661	311,652
Operational Risk			7,087,877	567,030
Total RWA and Capital Requirements			119,527,129	9,562,170

Note:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 394.

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3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Bank	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
30 June 2020				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	30,446,930	30,446,930	-	-
Public Sector Entities	163,152	163,152	32,630	2,610
Banks, DFIs and MDBs	11,647,820	11,647,820	4,233,616	338,689
Insurance Cos, SF and FM	83,702	82,876	82,876	6,630
Corporates	33,271,431	31,859,130	28,810,421	2,304,834
Regulatory Retail	38,686,604	38,326,253	28,849,757	2,307,981
Residential Mortgages	44,735,448	44,693,763	21,248,234	1,699,859
Higher Risk Assets	74,237	74,237	111,356	8,908
Other Assets	9,162,467	9,162,467	7,231,979	578,558
Defaulted Exposures	561,364	560,646	700,588	56,047
Total On-Balance Sheet Exposures	168,833,155	167,017,274	91,301,457	7,304,116
Off-Balance Sheet Exposures				
OTC Derivatives	1,432,726	1,432,726	685,121	54,810
Credit Derivatives	14,564	14,564	2,913	233
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,126,150	11,941,311	10,276,307	822,104
Defaulted Exposures	7,391	6,510	9,908	793
Total Off-Balance Sheet Exposures	13,580,831 ^	13,395,111	10,974,249	877,940
Total On and Off-Balance Sheet Exposures	182,413,986	180,412,385	102,275,706	8,182,056
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	59,860,151	57,177,626	2,218,754	177,500
Foreign Currency Risk	340,073	193,839	340,073	27,206
Option Risk	-	-	3,539	283
Total	60,200,224	57,371,465	2,562,366	204,989
Operational Risk			6,983,001	558,640
Total RWA and Capital Requirements			111,821,073	8,945,685

Note:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 395.

4. RISK MANAGEMENT

The Group has implemented a risk management framework with the objective to ensure the overall financial soundness and stability of the Group's business operations. The Group's risk management framework outlines the overall governance structure, aspiration, values and risk management strategies which aligns the 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.

As part of the risk management framework, the Group has formulated and implemented an Internal Capital Adequacy Assessment Process ("ICAAP") and a capital management and planning policy to ensure that it maintains the appropriate level of capital, the appropriate quality and structure of capital and the appropriate risk profile to support its strategic objectives. This also includes determining the Group's minimum capital threshold and target capital levels.

From a governance perspective, the Board has the overall responsibility to define the 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 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 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.

Operationally, the Group operates multiple lines of defences to effect a robust control framework. The business units being the first line of defence are responsible for identifying, mitigating and managing risks within their lines of business. The Group Risk Management ("GRM") function being the second line of defence, is responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and mitigation of risks. In addition, GRM undertakes validation to ensure that the business and operating units are in compliance to the Group's risk appetite thresholds and to the regulatory requirements. The GRM function cover the oversight of the following areas, at the minimum: Market Risk, Interest Rate Risk in the Banking Book, Liquidity Risk, Credit Portfolio Risk, Technology Risk, Operational Risk, ICAAP and Integrated Stress Testing and Islamic Banking Risk.

The Group Internal Audit function, being the third line of defence, is responsible to provide independent assurance on the effective functioning of the risk management framework for the Group.

The risk management process for each key risk area of the Group and the various risk exposures are described in the following sections of the Pillar 3 disclosures.

(A) Credit risk

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 Group.

The Group has established a Board Policy on Credit Risk Governance to ensure that exposure to credit risk is kept within the Bank's financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines which 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.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

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 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 the approving and discretionary authority to the MCC, CSC and the various personnel of the Bank based on job function and designation.

Independent Credit Review Team conducts independent post approval reviews on sampling basis to ensure that the 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 Group's Management.

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.

The Group's exposure to credit risk is mainly from its retail customers, 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.

Under the Basel II Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk weighted assets. This is applicable for exposures to sovereigns, central banks, public sector entities, banking institutions, corporates as well as certain other specific portfolios.

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

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

In addition, the Group also conducts periodic stress testing of its credit portfolios to ascertain the credit risk impact to capital under the relevant stress scenarios.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure

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

The Group	Malaysia RM'000	Other countries RM'000	Total RM'000
30 June 2021			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	**2,538,865**	**295,349**	**2,834,214**
Financial investments at fair value through other comprehensive income*	**30,550,969**	**3,830,175**	**34,381,144**
Financial investments at amortised cost	**23,064,219**	**570,688**	**23,634,907**
Loans, advances and financing	**144,857,874**	**9,212,833**	**154,070,707**
Derivative financial instruments	**978,493**	**26,756**	**1,005,249**
Total On-Balance Sheet Exposures	**201,990,420**	**13,935,801**	**215,926,221**
Off-Balance Sheet Exposures^			
OTC Derivatives	**2,177,063**	**46,822**	**2,223,885**
Credit Derivatives	**32,609**	**-**	**32,609**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**17,471,072**	**139,653**	**17,610,725**
Total Off-Balance Sheet Exposures	**19,680,744**	**186,475**	**19,867,219**
Total On and Off-Balance Sheet Exposures	**221,671,164**	**14,122,276**	**235,793,440**
30 June 2020			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	2,852,986	228,736	3,081,722
Financial investments at fair value through other comprehensive income*	24,015,697	3,206,753	27,222,450
Financial investments at amortised cost	19,499,232	602,200	20,101,432
Loans, advances and financing	136,946,878	7,748,072	144,694,950
Derivative financial instruments	1,046,912	64,557	1,111,469
Total On-Balance Sheet Exposures	184,361,705	11,850,318	196,212,023
Off-Balance Sheet Exposures^			
OTC Derivatives	1,530,584	126,466	1,657,050
Credit Derivatives	14,564	-	14,564
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	15,351,411	185,744	15,537,155
Total Off-Balance Sheet Exposures	16,896,559	312,210	17,208,769
Total On and Off-Balance Sheet Exposures	201,258,264	12,162,528	213,420,792

Note:

(1) For this table, the Group and the Bank have allocated the loans, advances and financing to geographical areas based on the country where the loans, advances and financing were provided.

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 392 and page 393.

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

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

The Bank	Malaysia RM'000	Other countries RM'000	Total RM'000
30 June 2021			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	**2,320,598**	**295,349**	**2,615,947**
Financial investments at fair value through other comprehensive income*	**26,575,183**	**3,820,604**	**30,395,787**
Financial investments at amortised cost	**16,048,213**	**510,513**	**16,558,726**
Loans, advances and financing	**112,908,868**	**6,176,826**	**119,085,694**
Derivative financial instruments	**956,704**	**26,501**	**983,205**
Total On-Balance Sheet Exposures	**158,809,566**	**10,829,793**	**169,639,359**
Off-Balance Sheet Exposures ^			
OTC Derivatives	**1,996,722**	**42,868**	**2,039,590**
Credit Derivatives	**32,609**	**-**	**32,609**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**13,531,478**	**17,807**	**13,549,285**
Total Off-Balance Sheet Exposures	**15,560,809**	**60,675**	**15,621,484**
Total On and Off-Balance Sheet Exposures	**174,370,375**	**10,890,468**	**185,260,843**
30 June 2020			
On-Balance Sheet Exposures			
Financial assets fair value through profit or loss*	2,831,317	228,736	3,060,053
Financial investments at fair value through other comprehensive income*	21,587,413	3,090,398	24,677,811
Financial investments at amortised cost	14,496,079	583,002	15,079,081
Loans, advances and financing	107,581,098	5,242,877	112,823,975
Derivative financial instruments	993,065	64,556	1,057,621
Total On-Balance Sheet Exposures	147,488,972	9,209,569	156,698,541
Off-Balance Sheet Exposures^			
OTC Derivatives	1,310,857	121,869	1,432,726
Credit Derivatives	14,564	-	14,564
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,054,403	79,138	12,133,541
Total Off-Balance Sheet Exposures	13,379,824	201,007	13,580,831
Total On and Off-Balance Sheet Exposures	160,868,796	9,410,576	170,279,372

Note:
(1) For this table, the Group and the Bank have allocated the loans, advances and financing to geographical areas based on the country where the loans, advances and financing were provided.
* Excludes equity securities.
^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 394 and page 395.

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

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

The Group	Financial assets at fair value through profit or loss* RM'000	Financial investments at fair value through other comprehensive income* RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2021										
Agriculture	-	177,267	-	2,900,140	-	3,077,407	-	364,313	364,313	3,441,720
Mining and quarrying	-	-	-	286,701	-	286,701	-	46,730	46,730	333,431
Manufacturing	-	-	-	12,689,435	-	12,689,435	-	3,073,449	3,073,449	15,762,884
Electricity, gas and water	25,609	2,714,089	657,805	648,736	-	4,046,239	-	165,691	165,691	4,211,930
Construction	-	453,226	-	4,262,062	-	4,715,288	-	1,362,269	1,362,269	6,077,557
Wholesale and retail	-	68,148	-	13,761,363	-	13,829,511	-	3,005,941	3,005,941	16,835,452
Transport, storage and communications	-	338,573	-	4,804,651	-	5,143,224	-	545,327	545,327	5,688,551
Finance, insurance, real estate and business services	253,722	10,724,394	1,894,663	12,248,002	1,005,249	26,126,030	2,256,494	2,276,819	4,533,313	30,659,343
Government and government agencies	2,554,883	19,905,447	21,082,439	-	-	43,542,769	-	74,105	74,105	43,616,874
Education, health and others	-	-	-	1,584,308	-	1,584,308	-	175,988	175,988	1,760,296
Household	-	-	-	100,852,419	-	100,852,419	-	6,513,964	6,513,964	107,366,383
Others	-	-	-	32,890	-	32,890	-	6,129	6,129	39,019
Total On and Off-Balance Sheet Exposures	2,834,214	34,381,144	23,634,907	154,070,707	1,005,249	215,926,221	2,256,494	17,610,725	19,867,219	235,793,440

* Excludes equity securities.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

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

The Group	Financial assets at fair value through profit or loss* RM'000	Financial investments at fair value through other comprehensive income* RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2020										
Agriculture	-	134,717	-	2,626,822	-	2,761,539	-	385,485	385,485	3,147,024
Mining and quarrying	-	-	-	105,756	-	105,756	-	118,351	118,351	224,107
Manufacturing	-	-	-	11,055,113	-	11,055,113	-	2,866,794	2,866,794	13,921,907
Electricity, gas and water	20,311	2,462,923	814,992	761,401	-	4,059,627	-	71,030	71,030	4,130,657
Construction	-	422,886	-	3,958,560	-	4,381,446	-	1,041,655	1,041,655	5,423,101
Wholesale and retail	-	44,383	-	11,686,123	-	11,730,506	-	2,636,912	2,636,912	14,367,418
Transport, storage and communications	-	393,661	-	4,203,398	-	4,597,059	-	375,505	375,505	4,972,564
Finance, insurance, real estate and business services	468,929	10,952,336	2,073,480	10,119,192	1,111,469	24,725,406	1,671,614	1,892,911	3,564,525	28,289,931
Government and government agencies	2,592,482	12,811,544	17,212,960	-	-	32,616,986	-	78,617	78,617	32,695,603
Education, health and others	-	-	-	1,644,905	-	1,644,905	-	163,264	163,264	1,808,169
Household	-	-	-	97,714,466	-	97,714,466	-	5,897,946	5,897,946	103,612,412
Others	-	-	-	819,214	-	819,214	-	8,685	8,685	827,899
Total On and Off-Balance Sheet Exposures	3,081,722	27,222,450	20,101,432	144,694,950	1,111,469	196,212,023	1,671,614	15,537,155	17,208,769	213,420,792

* Excludes equity securities.

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

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

The Bank	Financial assets at fair value through profit or loss* RM'000	Financial investments at fair value through other comprehensive income* RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2021										
Agriculture	-	177,267	-	1,600,614	-	1,777,881	-	224,494	224,494	2,002,375
Mining and quarrying	-	-	-	88,285	-	88,285	-	26,321	26,321	114,606
Manufacturing	-	-	-	9,881,401	-	9,881,401	-	2,431,165	2,431,165	12,312,566
Electricity, gas and water	25,609	2,687,738	420,160	279,444	-	3,412,951	-	75,991	75,991	3,488,942
Construction	-	453,226	-	3,495,361	-	3,948,587	-	982,139	982,139	4,930,726
Wholesale and retail	-	68,148	-	10,922,450	-	10,990,598	-	2,310,541	2,310,541	13,301,139
Transport, storage and communications	-	338,573	-	4,405,126	-	4,743,699	-	485,036	485,036	5,228,735
Finance, insurance, real estate and business services	35,455	10,665,929	1,706,098	9,534,747	983,205	22,925,434	2,072,199	1,384,081	3,456,280	26,381,714
Government and government agencies	2,554,883	16,004,906	14,432,468	-	-	32,992,257	-	74,105	74,105	33,066,362
Education, health and others	-	-	-	713,370	-	713,370	-	79,465	79,465	792,835
Household	-	-	-	78,147,193	-	78,147,193	-	5,473,327	5,473,327	83,620,520
Others	-	-	-	17,703	-	17,703	-	2,620	2,620	20,323
Total On and Off-Balance Sheet Exposures	2,615,947	30,395,787	16,558,726	119,085,694	983,205	169,639,359	2,072,199	13,549,285	15,621,484	185,260,843

* Excludes equity securities.

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

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

The Bank	Financial assets at fair value through profit or loss* RM'000	Financial investments at fair value through other comprehensive income* RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2020										
Agriculture	-	134,717	-	1,500,127	-	1,634,844	-	193,647	193,647	1,828,491
Mining and quarrying	-	-	-	94,883	-	94,883	-	18,212	18,212	113,095
Manufacturing	-	-	-	8,689,710	-	8,689,710	-	2,348,169	2,348,169	11,037,879
Electricity, gas and water	20,311	2,436,264	546,738	269,634	-	3,272,947	-	46,445	46,445	3,319,392
Construction	-	422,886	-	3,299,508	-	3,722,394	-	797,176	797,176	4,519,570
Wholesale and retail	-	44,383	-	9,747,436	-	9,791,819	-	2,164,792	2,164,792	11,956,611
Transport, storage and communications	-	393,661	-	3,941,255	-	4,334,916	-	270,798	270,798	4,605,714
Finance, insurance, real estate and business services	468,929	10,279,695	1,909,756	8,210,333	1,057,621	21,926,334	1,447,290	1,137,889	2,585,179	24,511,513
Government and government agencies	2,570,813	10,966,205	12,622,587	-	-	26,159,605	-	78,617	78,617	26,238,222
Education, health and others	-	-	-	812,342	-	812,342	-	66,725	66,725	879,067
Household	-	-	-	76,242,056	-	76,242,056	-	5,008,809	5,008,809	81,250,865
Others	-	-	-	16,691	-	16,691	-	2,262	2,262	18,953
Total On and Off-Balance Sheet Exposures	3,060,053	24,677,811	15,079,081	112,823,975	1,057,621	156,698,541	1,447,290	12,133,541	13,580,831	170,279,372

* Excludes equity securities.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

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

The Group	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
30 June 2021				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	692,304	1,507,413	634,497	2,834,214
Financial investments at fair value through other comprehensive income*	3,000,868	23,185,884	8,194,392	34,381,144
Financial investments at amortised cost	2,689,552	14,335,141	6,610,214	23,634,907
Loans, advances and financing	27,204,194	17,964,691	108,901,822	154,070,707
Derivative financial instruments	473,614	351,879	179,756	1,005,249
Total On-Balance Sheet Exposures	34,060,532	57,345,008	124,520,681	215,926,221
Off-Balance Sheet Exposures ^				
OTC Derivatives	1,812,822	113,912	297,151	2,223,885
Credit Derivatives	-	-	32,609	32,609
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	7,412,412	10,198,313	-	17,610,725
Total Off-Balance Sheet Exposures	9,225,234	10,312,225	329,760	19,867,219
Total On and Off-Balance Sheet Exposures	43,285,766	67,657,233	124,850,441	235,793,440
30 June 2020				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	1,040,230	1,829,145	212,347	3,081,722
Financial investments at fair value through other comprehensive income*	2,947,149	16,217,859	8,057,442	27,222,450
Financial investments at amortised cost	1,460,317	12,847,669	5,793,446	20,101,432
Loans, advances and financing	25,712,491	16,555,903	102,426,556	144,694,950
Derivative financial instruments	433,805	519,326	158,338	1,111,469
Total On-Balance Sheet Exposures	31,593,992	47,969,902	116,648,129	196,212,023
Off-Balance Sheet Exposures^				
OTC Derivatives	1,452,642	100,259	104,149	1,657,050
Credit Derivatives	-	-	14,564	14,564
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	6,683,725	8,853,430	-	15,537,155
Total Off-Balance Sheet Exposures	8,136,367	8,953,689	118,713	17,208,769
Total On and Off-Balance Sheet Exposures	39,730,359	56,923,591	116,766,842	213,420,792

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 392 and page 393.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

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

The Bank	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
30 June 2021				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	**474,037**	**1,507,412**	**634,498**	**2,615,947**
Financial investments at fair value through other comprehensive income*	**3,255,406**	**21,022,556**	**6,117,825**	**30,395,787**
Financial investments at amortised cost	**1,702,458**	**9,938,840**	**4,917,428**	**16,558,726**
Loans, advances and financing	**23,037,106**	**12,797,590**	**83,250,998**	**119,085,694**
Derivative financial instruments	**451,779**	**351,623**	**179,803**	**983,205**
Total On-Balance Sheet Exposures	**28,920,786**	**45,618,021**	**95,100,552**	**169,639,359**
Off-Balance Sheet Exposures ^				
OTC Derivatives	**1,690,742**	**113,912**	**234,936**	**2,039,590**
Credit Derivatives	**-**	**-**	**32,609**	**32,609**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**6,213,643**	**7,335,642**	**-**	**13,549,285**
Total Off-Balance Sheet Exposures	**7,904,385**	**7,449,554**	**267,545**	**15,621,484**
Total On and Off-Balance Sheet Exposures	**36,825,171**	**53,067,575**	**95,368,097**	**185,260,843**
30 June 2020				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	1,040,230	1,829,144	190,679	3,060,053
Financial investments at fair value through other comprehensive income*	2,529,849	15,862,736	6,285,226	24,677,811
Financial investments at amortised cost	1,078,920	9,379,605	4,620,556	15,079,081
Loans, advances and financing	21,884,189	11,823,176	79,116,610	112,823,975
Derivative financial instruments	379,581	520,811	157,229	1,057,621
Total On-Balance Sheet Exposures	26,912,769	39,415,472	90,370,300	156,698,541
Off-Balance Sheet Exposures ^				
OTC Derivatives	1,297,691	96,594	38,441	1,432,726
Credit Derivatives	-	-	14,564	14,564
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	5,730,046	6,403,495	-	12,133,541
Total Off-Balance Sheet Exposures	7,027,737	6,500,089	53,005	13,580,831
Total On and Off-Balance Sheet Exposures	33,940,506	45,915,561	90,423,305	170,279,372

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 394 and page 395.

Basel II Pillar 3 Disclosures
for the financial year ended 30 June 2021

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing

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

The Group	Past due loans, advances and financing RM'000	Credit impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses- not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	Charges/ (write back) lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2021							
Agriculture	5,572	4,677	14,727	1,820	551	758	360
Mining and quarrying	1,588	98	836	470	98	(487)	231
Manufacturing	30,256	51,193	66,695	40,905	26,744	(22,001)	3,668
Electricity, gas and water	1,080	1,266	9,348	485	665	2	26
Construction	54,610	70,032	34,834	9,172	17,721	16,518	25,920
Wholesale and retail	85,927	74,966	95,744	26,308	23,202	17,849	18,023
Transport, storage and communications	15,926	2,886	13,575	2,971	1,729	1,515	1,027
Finance, insurance, real estate and business services	85,047	107,998	72,247	18,634	19,106	12,790	1,507
Education, health and others	17,980	1,554	7,037	1,394	353	9	712
Household	5,758,476	402,737	759,335	357,358	144,340	258,045	272,323
Others	953	-	606	157	-	(10)	31
	6,057,415	717,407	1,074,984	459,674	234,509	284,988	323,828

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2021

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

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

The Group	Past due loans, advances and financing RM'000	Credit impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	Charges/(write back) lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2020							
Agriculture	37,883	14,226	3,506	3,915	361	(62)	49
Mining and quarrying	1,170	2,889	287	259	900	(1,641)	20,332
Manufacturing	34,214	112,754	36,549	13,308	53,061	(1,186)	47,762
Electricity, gas and water	991	1,416	4,477	205	713	860	313
Construction	126,567	83,381	14,219	8,708	28,578	17,500	4,436
Wholesale and retail	73,277	103,523	44,190	18,150	25,642	101,246	128,173
Transport, storage and communications	10,061	7,399	7,483	2,476	1,329	(627)	9,597
Finance, insurance, real estate and business services	133,958	85,840	43,470	20,263	9,052	52,596	10,582
Education, health and others	13,414	4,857	3,153	1,125	1,036	(25)	72
Household	4,657,884	473,429	389,799	366,180	153,077	216,164	279,705
Others	6,442	40	2,376	1,238	41	(100)	515
	5,095,861	889,754	549,509	435,827	273,790	384,725	501,536

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2021

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

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

The Bank	Past due loans, advances and financing RM'000	Credit impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	Charges/ (write back) lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2021							
Agriculture	5,451	4,677	7,886	1,353	551	644	246
Mining and quarrying	1,581	98	535	369	98	(487)	231
Manufacturing	26,466	49,023	53,138	14,172	26,323	24,345	3,668
Electricity, gas and water	1,080	129	4,645	485	81	(89)	20
Construction	49,735	63,651	26,814	8,283	14,750	14,833	25,839
Wholesale and retail	64,595	66,850	68,318	22,377	21,367	17,116	17,710
Transport, storage and communications	13,011	2,884	11,406	2,515	1,727	1,501	1,014
Finance, insurance, real estate and business services	69,962	102,367	53,024	17,577	18,534	12,881	1,477
Education, health and others	16,216	1,554	4,016	618	353	233	708
Household	4,231,498	291,284	588,387	258,855	102,314	187,060	204,293
Others	350	-	268	157	-	(10)	31
	4,479,945	582,517	818,437	326,761	186,098	258,027	255,237

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2021

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

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

The Bank	Past due loans, advances and financing RM'000	Credit impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses- not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	Charges/ (write back) lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2020							
Agriculture	35,719	14,226	1,937	3,348	361	(15)	49
Mining and quarrying	1,150	2,889	238	144	900	(1,641)	-
Manufacturing	29,057	41,623	27,982	12,414	6,230	(796)	47,715
Electricity, gas and water	991	268	1,804	193	189	329	313
Construction	62,601	79,547	11,063	8,000	27,074	15,947	4,205
Wholesale and retail	48,162	93,865	31,351	16,404	24,080	100,582	128,165
Transport, storage and communications	10,033	7,397	6,631	2,409	1,328	(625)	9,597
Finance, insurance, real estate and business services	81,715	80,102	34,607	19,173	8,116	5,230	10,582
Education, health and others	8,178	3,249	1,854	525	843	(245)	42
Household	3,304,518	340,561	291,222	283,242	114,703	164,253	209,426
Others	1,965	40	26	1,232	41	(84)	515
	3,584,089	663,767	408,715	347,084	183,865	282,935	410,609

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

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

The Group	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2021					
Malaysia	**5,995,351**	**706,692**	**1,055,971**	**457,482**	**233,663**
Other countries	**62,064**	**10,715**	**19,013**	**2,192**	**846**
	6,057,415	**717,407**	**1,074,984**	**459,674**	**234,509**
The Bank					
30 June 2021					
Malaysia	**4,457,905**	**576,651**	**808,513**	**326,513**	**185,610**
Other countries	**22,040**	**5,866**	**9,924**	**248**	**488**
	4,479,945	**582,517**	**818,437**	**326,761**	**186,098**
The Group					
30 June 2020					
Malaysia	4,919,597	881,407	533,567	432,546	272,144
Other countries	176,264	8,347	15,942	3,281	1,646
	5,095,861	889,754	549,509	435,827	273,790
The Bank					
30 June 2020					
Malaysia	3,514,775	662,511	403,072	345,774	183,279
Other countries	69,314	1,256	5,643	1,310	586
	3,584,089	663,767	408,715	347,084	183,865

Notes:

(1) A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.

(2) For description of approaches adopted by the Group and the Bank for the determination of expected credit losses/individual and collective assessment impairment allowances, refer to Note 2N to the financial statements.

Basel II Pillar 3 Disclosures
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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows:

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 30 June 2021				
At 1 July	549,509	435,827	273,790	1,259,126
Changes in ECL due to transfer within stages	(61,549)	(99,805)	161,354	-
Transfer to Stage 1	24,523	(24,480)	(43)	-
Transfer to Stage 2	(85,956)	167,747	(81,791)	-
Transfer to Stage 3	(116)	(243,072)	243,188	-
New financial assets originated	58,651	603	551	59,805
Financial assets derecognised	(22,604)	(42,430)	(13,357)	(78,391)
Changes due to change in credit risk	551,137	196,372	136,436	883,945
Changes in models/risk parameters	(16)	(30,643)	(2)	(30,661)
Amount written off	-	-	(323,828)	(323,828)
Exchange difference	(144)	(250)	(67)	(461)
Other movements	-	-	(368)	(368)
At 30 June	1,074,984	459,674	234,509	1,769,167

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows: (continued)

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 30 June 2021				
At 1 July	408,715	347,084	183,865	939,664
Changes in ECL due to transfer within stages	(43,595)	(102,971)	146,566	-
Transfer to Stage 1	19,716	(19,676)	(40)	-
Transfer to Stage 2	(63,245)	103,350	(40,105)	-
Transfer to Stage 3	(66)	(186,645)	186,711	-
New financial assets originated	33,641	525	474	34,640
Financial assets derecognised	(7,863)	(29,010)	(9,420)	(46,293)
Changes due to change in credit risk	427,359	142,014	120,403	689,776
Changes in models/risk parameters	119	(30,642)	(2)	(30,525)
Amount written off	-	-	(255,237)	(255,237)
Exchange difference	61	(239)	8	(170)
Other movements	-	-	(559)	(559)
At 30 June	818,437	326,761	186,098	1,331,296

Basel II Pillar 3 Disclosures
for the financial year ended 30 June 2021

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows: (continued)

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 30 June 2020				
At 1 July	369,715	498,325	393,599	1,261,639
Changes in ECL due to transfer within stages	(89,938)	(133,376)	223,314	-
Transfer to Stage 1	16,035	(15,930)	(105)	-
Transfer to Stage 2	(105,843)	206,821	(100,978)	-
Transfer to Stage 3	(130)	(324,267)	324,397	-
New financial assets originated	55,031	2,236	1,513	58,780
Financial assets derecognised	(19,751)	(40,717)	(22,042)	(82,510)
Changes due to change in credit risk	262,886	117,887	192,808	573,581
Changes in models/risk parameters	(28,743)	(8,852)	(10,855)	(48,450)
Amount written off	-	-	(501,536)	(501,536)
Exchange difference	309	324	1,313	1,946
Other movements	-	-	(4,324)	(4,324)
At 30 June	549,509	435,827	273,790	1,259,126

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows: (continued)

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 30 June 2020				
At 1 July	311,663	386,656	313,483	1,011,802
Changes in ECL due to transfer within stages	(74,495)	(88,115)	162,610	-
Transfer to Stage 1	12,762	(12,674)	(88)	-
Transfer to Stage 2	(87,141)	157,992	(70,851)	-
Transfer to Stage 3	(116)	(233,433)	233,549	-
New financial assets originated	22,920	1,701	1,510	26,131
Financial assets derecognised	(4,889)	(24,163)	(11,830)	(40,882)
Changes due to change in credit risk	178,900	76,802	138,440	394,142
Changes in models/risk parameters	(25,488)	(6,057)	(7,782)	(39,327)
Amount written off	-	-	(410,609)	(410,609)
Exchange difference	104	260	1,370	1,734
Other movements	-	-	(3,327)	(3,327)
At 30 June	408,715	347,084	183,865	939,664

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposures by risk weight

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

The Group
30 June 2021

	Exposures after Netting and Credit Risk Mitigation										
Risk Weight	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, SF and FM RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	48,143,919	-	-	-	-	-	-	-	1,812,963	49,956,882	-
20%	-	302,988	3,681,901	-	3,814,673	-	-	-	1,537,832	9,337,394	1,866,364
35%	-	-	-	-	-	-	35,264,026	-	-	35,264,026	12,342,409
50%	-	-	6,830,419	-	866,787	28,360	15,854,667	-	-	23,580,233	11,772,105
75%	-	-	-	-	-	53,671,175	89,220	-	-	53,760,395	40,320,296
100%	-	-	-	885,078	48,328,463	2,247,803	12,812,552	-	7,706,277	71,980,173	71,980,172
150%	-	-	-	-	274,240	109,359	-	73,388	-	456,987	685,480
Total	48,143,919	302,988	10,512,320	885,078	53,284,163	56,056,697	64,020,465	73,388	11,057,072	244,336,090	138,966,826
Risk Weighted Assets by Exposure	-	60,598	4,132,461	885,078	49,936,151	42,679,403	33,149,210	110,082	8,013,843	138,966,826	
Average Risk Weight	0%	20.00%	39.31%	100.00%	93.72%	76.14%	51.78%	150.00%	72.48%	56.88%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposures by risk weight (continued)

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

The Group
30 June 2020

Risk Weight	Exposures after Netting and Credit Risk Mitigation										
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, SF and FM RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	40,997,504	-	-	-	-	-	-	-	1,848,611	42,846,115	-
20%	-	338,403	4,646,666	-	3,945,908	-	-	-	614,018	9,544,995	1,987,273
35%	-	-	-	-	-	-	36,011,120	-	-	36,011,120	12,603,892
50%	-	-	7,491,139	-	581,227	19,556	11,744,185	-	-	19,836,107	9,897,310
75%	-	-	-	-	-	55,507,213	87,367	-	-	55,594,580	41,695,935
100%	-	-	-	275,078	42,902,669	2,033,281	9,487,656	-	7,156,751	61,855,435	61,855,435
150%	-	-	-	-	314,681	135,855	-	75,571	-	526,107	789,161
Total	40,997,504	338,403	12,137,805	275,078	47,744,485	57,695,905	57,330,328	75,571	9,619,380	226,214,459	128,829,006
Risk Weighted Assets by Exposure	-	67,681	4,732,432	275,078	44,454,486	43,877,251	28,029,166	113,357	7,279,555	128,829,006	
Average Risk Weight	0%	20.00%	38.99%	100.00%	93.11%	76.05%	48.89%	150.00%	75.68%	56.95%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2021

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposures by risk weight (continued)

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

The Bank
30 June 2021

Risk Weight	Exposures after Netting and Credit Risk Mitigation										
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, SF and FM RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	36,224,823	-	-	-	-	-	-	-	1,603,618	37,828,441	-
20%	-	255,599	4,806,030	-	3,491,151	-	-	-	1,480,966	10,033,746	2,006,749
35%	-	-	-	-	-	-	29,212,988	-	-	29,212,988	10,224,545
50%	-	-	6,280,975	-	865,074	21,391	12,077,596	-	-	19,245,036	9,622,518
75%	-	-	-	-	-	41,673,492	75,456	-	-	41,748,948	31,311,710
100%	-	-	-	841,129	36,970,967	487,639	9,185,719	-	7,520,654	55,006,108	55,006,108
150%	-	-	-	-	86,763	87,830	-	73,381	-	247,974	371,961
Total	36,224,823	255,599	11,087,005	841,129	41,413,955	42,270,352	50,551,759	73,381	10,605,238	193,323,241	108,543,591
Risk Weighted Assets by Exposure	-	51,120	4,101,693	841,129	38,231,878	31,885,199	25,505,655	110,072	7,816,845	108,543,591	
Average Risk Weight	0%	20.00%	37.00%	100.00%	92.32%	75.43%	50.45%	150.00%	73.71%	56.15%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2021

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposures by risk weight (continued)

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

The Bank
30 June 2020

Risk Weight	Exposures after Netting and Credit Risk Mitigation										
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, SF and FM RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	30,489,806	-	-	-	-	-	-	-	1,463,274	31,953,080	-
20%	-	321,012	5,664,948	-	3,506,229	-	-	-	594,018	10,086,207	2,017,241
35%	-	-	-	-	-	-	29,771,046	-	-	29,771,046	10,419,866
50%	-	-	6,997,850	-	577,450	14,007	8,224,677	-	-	15,813,984	7,906,992
75%	-	-	-	-	-	44,107,085	76,458	-	-	44,183,543	33,137,657
100%	-	-	-	222,145	33,541,267	467,930	6,879,164	-	7,115,172	48,225,678	48,225,679
150%	-	-	-	-	192,858	111,751	-	74,238	-	378,847	568,271
Total	30,489,806	321,012	12,662,798	222,145	37,817,804	44,700,773	44,951,345	74,238	9,172,464	180,412,385	102,275,706
Risk Weighted Assets by Exposure	-	64,202	4,631,915	222,145	34,820,525	33,722,874	21,468,712	111,357	7,233,976	102,275,706	
Average Risk Weight	0%	20.00%	36.58%	100.00%	92.07%	75.44%	47.76%	150.00%	78.87%	56.69%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by External Credit Assessment Institutions ("ECAIs") as follows:

(i) Ratings of Public Sector Entities, Insurance Cos, SF and FM and Corporates by approved ECAIs

	Moody's S&P Fitch RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB-	B1 to C B+ to D B+ to D B to D B+ to D	Unrated Unrated Unrated Unrated Unrated
The Group		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
30 June 2021						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		**82,664**	**-**	**-**	**-**	**220,324**
Insurance Cos, SF and FM		**-**	**-**	**79,397**	**-**	**805,681**
Corporates		**3,710,310**	**861,048**	**230,218**	**186,812**	**48,295,775**
		3,792,974	**861,048**	**309,615**	**186,812**	**49,321,780**
30 June 2020						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		163,152	-	-	-	175,251
Insurance Cos, SF and FM		-	-	28,179	-	246,899
Corporates		3,724,637	574,254	363,075	100,580	42,981,939
		3,887,789	574,254	391,254	100,580	43,404,089

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

(i) Ratings of Public Sector Entities, Insurance Cos, SF and FM and Corporates by approved ECAIs (continued)

The Bank	Moody's S&P Fitch RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B to D B+ to D RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
30 June 2021						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		**82,664**	**-**	**-**	**-**	**172,935**
Insurance Cos, SF and FM		**-**	**-**	**79,397**	**-**	**761,732**
Corporates		**3,386,789**	**859,348**	**210,218**	**-**	**36,957,600**
		3,469,453	**859,348**	**289,615**	**-**	**37,892,267**
30 June 2020						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		163,152	-	-	-	157,860
Insurance Cos, SF and FM		-	-	28,179	-	193,966
Corporates		3,439,209	574,254	262,490	-	33,541,851
		3,602,361	574,254	290,669	-	33,893,677

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs

The Group	Moody's S & P Fitch RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- RM'000	Caa1 to C CCC+ to D CCC+ to D C1 to D C+ to D RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
30 June 2021							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		**2,468,487**	**147,038**	**109,966**	**192,177**	**-**	**45,226,251**
Banks, DFIs and MDBs		**1,250,374**	**3,663,477**	**1,332,762**	**75,384**	**-**	**4,190,323**
		3,718,861	**3,810,515**	**1,442,728**	**267,561**	**-**	**49,416,574**
30 June 2020							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		1,973,791	279,345	173,277	163,853	-	38,407,238
Banks, DFIs and MDBs		846,548	5,468,359	1,567,019	-	-	4,255,879
		2,820,339	5,747,704	1,740,296	163,853	-	42,663,117

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs (continued)

The Bank	Moody's S & P Fitch RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- RM'000	Caa1 to C CCC+ to D CCC+ to D C1 to D C+ to D RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
30 June 2021							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		**2,468,487**	**147,038**	**-**	**-**	**-**	**33,609,298**
Banks, DFIs and MDBs		**2,888,975**	**3,530,299**	**1,077,735**	**-**	**-**	**3,589,996**
		5,357,462	**3,677,337**	**1,077,735**	**-**	**-**	**37,199,294**
30 June 2020							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		1,973,791	279,345	-	-	-	28,236,670
Banks, DFIs and MDBs		2,916,883	5,304,942	1,431,110	-	-	3,009,863
		4,890,674	5,584,287	1,431,110	-	-	31,246,533

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation

The Group grants credit facilities on the basis of the borrower's credit standing, repayment and debt servicing ability. Where possible, collateral is taken to mitigate and reduce any credit risk for the particular credit facility extended. The value of the collateral is monitored periodically and where applicable, a revised valuation may be requested from the borrower. The types of collateral accepted include cash, marketable securities, properties, machineries, equipments, inventories and receivables. In certain cases, corporate guarantees are obtained where the credit worthiness of the corporate borrower is insufficient for the amount sought. There are policies and processes in place to monitor collateral concentration. For Credit Risk Management ("CRM") purposes, only collateral or guarantees that are legally enforceable are taken into account. The credit exposures are computed on a net basis only when there is a legally enforceable netting arrangements for loans and deposits. The Group and the Bank use the Comprehensive Approach for computation of the adjusted exposures.

The following table summarises the breakdown of CRM by exposure as follows:

The Group	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2021			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	48,050,050	-	-
Public Sector Entities	82,664	-	-
Banks, DFIs and MDBs	9,019,015	-	-
Insurance Cos, SF and FM	555,666	-	846
Corporates	46,493,931	-	2,248,981
Regulatory Retail	47,718,375	-	390,614
Residential Mortgages	63,872,052	-	41,157
Higher Risk Assets	73,381	-	-
Other Assets	11,027,071	-	-
Defaulted Exposures	485,513	-	784
Total On-Balance Sheet Exposures	227,377,718	-	2,682,382
Off-Balance Sheet Exposures			
OTC Derivatives	2,223,885	-	-
Credit Derivatives	32,609	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	17,601,971	-	226,464
Defaulted Exposures	8,754	-	1
Total Off-Balance Sheet Exposures	19,867,219	-	226,465
Total On and Off-Balance Sheet Exposures	247,244,937	-	2,908,847

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (continued)

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Group	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2020			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	40,954,628	-	-
Public Sector Entities	163,152	-	-
Banks, DFIs and MDBs	10,894,274	-	-
Insurance Cos, SF and FM	84,699	-	825
Corporates	41,717,461	-	1,687,765
Regulatory Retail	50,123,920	-	385,670
Residential Mortgages	57,049,871	-	49,237
Higher Risk Assets	75,562	-	-
Other Assets	9,589,379	-	-
Defaulted Exposures	696,397	-	19,722
Total On-Balance Sheet Exposures	211,349,343	-	2,143,219
Off-Balance Sheet Exposures			
OTC Derivatives	1,657,050	-	-
Credit Derivatives	14,564	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	15,510,163	-	199,554
Defaulted Exposures	26,992	-	880
Total Off-Balance Sheet Exposures	17,208,769	-	200,434
Total On and Off-Balance Sheet Exposures	228,558,112	-	2,343,653

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (continued)

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Bank	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2021			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	36,130,954	-	-
Public Sector Entities	82,664	-	-
Banks, DFIs and MDBs	9,736,843	-	-
Insurance Cos, SF and FM	555,455	-	846
Corporates	36,477,329	-	1,941,230
Regulatory Retail	35,758,254	-	363,569
Residential Mortgages	50,443,397	-	35,122
Higher Risk Assets	73,381	-	-
Other Assets	10,595,236	-	-
Defaulted Exposures	400,442	-	662
Total On-Balance Sheet Exposures	180,253,955	-	2,341,429
Off-Balance Sheet Exposures			
OTC Derivatives	2,039,590	-	-
Credit Derivatives	32,609	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	13,541,878	-	210,768
Defaulted Exposures	7,407	-	1
Total Off-Balance Sheet Exposures	15,621,484	-	210,769
Total On and Off-Balance Sheet Exposures	195,875,439	-	2,552,198

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (continued)

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Bank	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2020			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	30,446,930	-	-
Public Sector Entities	163,152	-	-
Banks, DFIs and MDBs	11,647,820	-	-
Insurance Cos, SF and FM	83,702	-	826
Corporates	33,271,431	-	1,412,301
Regulatory Retail	38,686,604	-	360,351
Residential Mortgages	44,735,448	-	41,685
Higher Risk Assets	74,237	-	-
Other Assets	9,162,467	-	-
Defaulted Exposures	561,364	-	718
Total On-Balance Sheet Exposures	168,833,155	-	1,815,881
Off-Balance Sheet Exposures			
OTC Derivatives	1,432,726	-	-
Credit Derivatives	14,564	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,126,150	-	184,839
Defaulted Exposures	7,391	-	881
Total Off-Balance Sheet Exposures	13,580,831	-	185,720
Total On and Off-Balance Sheet Exposures	182,413,986	-	2,001,601

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk

Counterparty credit risk is the risk of trading counterparties' failure to honour its obligations to the Group and the Bank. To control over-exposure of counterparty credit risk, credit limits are established for each trading counterparty. The credit limits are determined individually based on its credit strength and profile, which also takes into consideration the Group's and the Bank's risk appetite and trading strategies.

Appropriate methodologies have been implemented to measure counterparty credit risk against credit limits of each trading counterparty. These measurement methodologies implemented are in line with BNM's Capital Adequacy Framework on the treatment of counterparty credit risk.

The Group and the Bank also engage in netting and margining agreements with major trading counterparties to mitigate counterparty credit risks. Under these agreements, the counterparty credit exposures are mitigated with collaterals whenever the exposures exceed the margin threshold.

Nature of commitments and contingencies

Direct credit substitutes comprise guarantees undertaken by the Group and the Bank to support the financial obligations of their customers to third parties.

Non credit related contingent items represent financial products such as Performance Guarantee whose crystallisations are dependent on specific events other than default payment by the customers.

Short term self liquidating trade-related contingencies relate to bills of exchange which have been accepted by the Group and the Bank and represent liabilities in the event of default by the acceptors and the drawers of the bills.

Assets sold with recourse and commitments with certain drawdown represents assets sold by the Group and the Bank with recourse in the event of defects in the assets, and investment or purchase commitments entered into by the Group and the Bank, where drawdown is certain to occur.

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

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

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

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

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows:

The Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
30 June 2021				
Commitments and Contingent Liabilities				
Direct credit substitutes	171,600	-	171,599	170,611
Transaction related contingent items	1,676,061	-	838,030	796,097
Short term self liquidating trade related contingencies	671,759	-	134,352	132,037
Irrevocable commitments to extend credit:				
- More than one year	20,459,242	-	10,229,274	8,667,814
- Less than one year	23,767,882	-	4,753,577	4,224,005
Unutilised credit card lines	7,419,464	-	1,483,893	1,113,879
	54,166,008	-	17,610,725	15,104,443
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	63,609,452	401,593	1,782,529	807,900
- One year to less than five years	5,104,301	131,970	67,349	66,126
- Five years and above	361,486	6,338	-	-
Interest/profit rate related contracts:				
- Less than one year	117,988,593	64,422	3,577	1,642
- One year to less than five years	31,913,336	228,062	25,362	23,014
- Five years and above	4,387,355	80,883	208,499	180,597
Equity related contracts:				
- Less than one year	247,217	5,002	16,165	8,832
- One year to less than five years	121,419	8,770	18,484	6,716
- Five years and above	255,112	63,140	88,652	44,326
Credit related contracts:				
- Five years and above	652,187	12,095	32,609	6,522
Commodity related contracts				
- Less than one year	55,088	2,597	8,106	5,977
- One year to less than five years	39,881	377	5,162	3,248
	224,735,427	1,005,249	2,256,494	1,154,900
	278,901,435	1,005,249	19,867,219	16,259,343

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

Basel II Pillar 3 Disclosures
for the financial year ended 30 June 2021

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

The Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
30 June 2020				
Commitments and Contingent Liabilities				
Direct credit substitutes	133,166	-	133,165	130,943
Transaction related contingent items	1,489,056	-	744,528	701,707
Short term self liquidating trade related contingencies	538,144	-	107,629	104,767
Irrevocable commitments to extend credit:				
- More than one year	17,777,310	-	8,887,808	7,538,635
- Less than one year	20,856,358	-	4,171,272	3,717,435
Unutilised credit card lines	7,463,767	-	1,492,753	1,120,800
	48,257,801	-	15,537,155	13,314,287
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	40,277,996	372,203	1,429,422	629,757
- One year to less than five years	4,089,668	169,709	52,158	50,276
- Five years and above	288,397	5,772	-	-
Interest/profit rate related contracts:				
- Less than one year	18,957,616	49,632	1,700	1,116
- One year to less than five years	32,060,237	373,309	39,453	12,837
- Five years and above	2,609,803	107,391	104,149	70,613
Equity related contracts:				
- Less than one year	264,263	11,970	17,755	9,751
- One year to less than five years	136,115	1,523	12,413	6,206
Credit related contracts:				
- Five years and above	291,272	19,960	14,564	2,913
	98,975,367	1,111,469	1,671,614	783,469
	147,233,168	1,111,469	17,208,769	14,097,756

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

The Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
30 June 2021				
Commitments and Contingent Liabilities				
Direct credit substitutes	116,915	-	116,915	115,927
Transaction related contingent items	1,337,502	-	668,751	629,650
Short term self liquidating trade related contingencies	615,796	-	123,159	121,141
Irrevocable commitments to extend credit:				
- More than one year	14,682,053	-	7,340,804	6,191,791
- Less than one year	19,078,814	-	3,815,763	3,374,133
Unutilised credit card lines	7,419,464	-	1,483,893	1,113,879
	43,250,544	-	13,549,285	11,546,521
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	57,286,691	379,385	1,663,338	765,482
- One year to less than five years	5,063,539	131,708	64,904	64,903
- Five years and above	361,486	6,338	-	-
Interest/profit rate related contracts:				
- Less than one year	118,114,783	64,795	3,133	1,420
- One year to less than five years	31,913,336	210,768	25,362	23,014
- Five years and above	4,487,355	98,230	146,284	146,284
Equity related contracts:				
- Less than one year	247,217	5,002	16,165	8,832
- One year to less than five years	121,419	8,770	18,484	6,716
- Five years and above	255,112	63,140	88,652	44,326
Credit related contracts:				
- Five years and above	652,187	12,095	32,609	6,522
Commodity related contracts				
- Less than one year	55,088	2,597	8,106	5,977
- One year to less than five years	39,881	377	5,162	3,247
	218,598,094	983,205	2,072,199	1,076,723
	261,848,638	983,205	15,621,484	12,623,244

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

Basel II Pillar 3 Disclosures
for the financial year ended 30 June 2021

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

The Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
30 June 2020				
Commitments and Contingent Liabilities				
Direct credit substitutes	80,144	-	80,144	77,922
Transaction related contingent items	1,283,921	-	641,961	601,579
Short term self liquidating trade related contingencies	508,190	-	101,638	99,090
Irrevocable commitments to extend credit:				
- More than one year	12,807,826	-	6,403,495	5,350,033
- Less than one year	17,067,748	-	3,413,550	3,036,791
Unutilised credit card lines	7,463,767	-	1,492,753	1,120,800
	39,211,596	-	12,133,541	10,286,215
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	33,398,925	317,413	1,279,936	571,325
- One year to less than five years	4,089,668	169,708	48,393	48,393
- Five years and above	288,397	5,772	-	-
Interest/profit rate related contracts:				
- Less than one year	19,457,616	50,198	-	-
- One year to less than five years	32,260,237	349,580	35,788	11,005
- Five years and above	2,571,708	131,497	38,441	38,441
Equity related contracts:				
- Less than one year	264,263	11,970	17,755	9,751
- One year to less than five years	136,115	1,523	12,413	6,206
Credit related contracts:				
- Five years and above	291,272	19,960	14,564	2,913
	92,758,201	1,057,621	1,447,290	688,034
	131,969,797	1,057,621	13,580,831	10,974,249

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

4. RISK MANAGEMENT (CONTINUED)

(B) Market risk

Market risk is the risk of loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest rates, foreign exchange rates, equities, spreads, volatilities and/or correlations.

The Bank 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"). The amount of market risk that the Bank is prepared to take for each financial year is based on the budget, business direction, its risk-taking strategies, the impact on earnings and capital utilisation. These factors are used as a basis for setting market risk limits for the Group and the Bank.

Market risk limits, the monitoring and escalation processes, delegation of authority, model validation and valuation methodologies are built into the Bank's market risk policies, which are reviewed and concurred by the Group Assets and Liabilities Management Committee ("Group ALCO"), endorsed by the BRMC and approved by the Board.

The main market risk limits are stop loss limits, VaR limits, counterparty limits, sensitivity limits, position/instrument limits and holding period limits.

VaR is defined as the maximum loss at a specific confidence level over a specified period of time under normal market conditions. The Bank computes the Historical Simulation VaR on a daily basis based on the recent 250-days of market observations at a 99.0% confidence level.

Over the course of the financial year, the VaR of the banking group's trading book is as follows:

Financial Year Ending 30 June 2021

	VaR (RM mil)
Minimum	(6.8)
Maximum	(23.9)
Average	(13.3)

The Bank performs backtesting on VaR on a hypothetical and actual basis and the results are tabled to the Group ALCO.

In addition, stress tests are conducted regularly on the trading book. In performing stress-testing, the Bank uses the following:

(1) Scenario analysis, which is a combination of expected movements on risk factors.

(2) Historical crisis event, which is based on actual movements that occurred in the relevant risk factors. The main risk factors that are stressed are the KL Financial Bursa Composite Index, interest rates movements (for MYR, USD and other major currencies), ratings migration and Foreign Exchange spot and volatilities.

In managing interest rate risk in the banking book, the Group measures Earnings at Risk ("EAR") and economic value or Capital at Risk ("CAR").

4. RISK MANAGEMENT (CONTINUED)

(C) Market Conduct Risk

Market Conduct risk is the risk that arise from either an individual or group of individual dealers of the Bank, who through non-compliant behaviour and/or behaviour that lack integrity or honesty, subjects the Bank to adverse consequences in terms of monetary losses, reputational damage and regulatory fines.

Independent market conduct risk monitoring and surveillance is carried out to detect attempts on market misconduct by Global Markets. Management oversight on market conduct is effected through the Risk and Compliance Governance Committee ("RCGC"). A robust and comprehensive market conduct surveillance policy has been established by the Bank to ensure all activities in Global Markets are in conformity with market best practices and compliance requirements, which is reviewed and concurred by the RCGC, endorsed by the BRMC and approved by the Board.

(D) Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet financial obligations as they fall due. Financial obligations arise from withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Bank'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 Requirements, the Bank 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 Group ALCO, 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 liquid assets, diversification of funding sources and maintaining a liquidity compliance buffer to meet any unexpected cash outflow.

The Bank has in place a liquidity contingency funding plan and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. The contingency funding plan sets out the crisis escalation process, various strategies to be employed to preserve liquidity and includes an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there is adequate liquidity contingency fund to meet any shortfalls during liquidity crisis scenarios.

(E) Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which also include outsourcing and business continuity risks.

Management oversight on Operational Risk Management ("ORM") matters are effected through the RCGC whilst Board oversight is effected through the BRMC.

The Group's ORM strategy is based on a framework of continuous improvements, good governance structure, policies and procedures as well as the employment of risk mitigation strategies. The objective is to create a strong risk and internal control culture by ensuring awareness of the significance of operational risk, its methodology of identification, analysis, assessment, control and monitoring.

The Group adopts ORM tools such as loss event reporting, risk and control self assessment and key risk indicators to manage operational risks and are used to assess risk by taking into consideration key business conditions, strategies and internal controls. The ultimate aim is to enhance economic performance, achievement of corporate goals and the aspirations of stakeholders.

4. RISK MANAGEMENT (CONTINUED)

(E) Operational risk (continued)

These tools are based on international best practices for the management of operational risks and are explained in more detail below:

(i) Risk and Control Self Assessment ("RCSA") is an assessment process on severity of potential risk and control effectiveness.

(ii) Key Risk Indicators ("KRI") is a set of measures to allow the Group to monitor and facilitate early detection of operational risks.

(iii) Loss Event Reporting ("LER") is a process for collecting and reporting operational risk events. These are further used for analysis of operational risks for the purpose of developing mitigating controls.

The operational risk mitigation strategies that are implemented include:

(i) Policies and Standard Operating Procedures that define the roles and responsibilities of personnel and their respective operating limits.

(ii) Insurance against operational losses as a form of risk mitigation especially for risks which are deemed as high severity.

(iii) System of controls, established to provide reasonable assurance of effective and efficient operation.

(iv) Business Continuity Management to facilitate the continuance of business activities in the event of disaster or crisis situations by means of ensuring appropriate redundancy of systems are available.

(v) Outsourcing Management to ensure proper due diligence review is performed prior to engaging outsource service providers and continuous tracking of existing outsource service providers' performance, code of conduct, compliance, and business viability.

(F) Financial hedges to mitigate interest rate risks

The following actions describe the accounting treatment for financial hedges that may be entered into to mitigate the interest rate risk exposures of the Bank.

(i) Financial instruments designated as fair value through profit and loss

The Group and the Bank use derivative hedge instruments, such as interest rate swaps to undertake economic hedges on part of their existing fixed rate loans to reduce the exposure on interest rate risk as part of its risk management strategy.

(ii) Fair value hedges

The Group and the Bank use interest rate swap as the hedge instruments to hedge the interest rate risk of fixed rate loans exposure. The interest rate swap contracts used for the hedging are contracted with other financial institutions.

4. RISK MANAGEMENT (CONTINUED)

(F) Financial hedges to mitigate interest rate risks (continued)

(iii) Cash flow hedges

The Group and the Bank use interest rate swaps as hedge instruments to hedge the variability of future cash flows on fixed deposits.

Further information relating to the cash flow hedges are disclosed in Note 10(a) to the financial statements.

(iv) The accounting policies on derivative financial instruments and hedge accounting are disclosed in Note 2K to the financial statements.

5. EQUITY EXPOSURES IN BANKING BOOK

The Group's and the Bank's banking book's equity investments consist of equity holdings in organisations which are set up for specific socio-economic reasons and equity holdings and equity instruments received as a result of loan/financing restructuring or loan/financing conversion.

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

Details of the Group and Bank's financial investments at fair value through other comprehensive income are set out in Note 6 to the financial statements.

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

	The Group		The Bank	
	Exposures subject to risk-weighting RM'000	Risk weights %	Exposures subject to risk-weighting RM'000	Risk weights %
30 June 2021				
Financial investments at fair value through other comprehensive income				
Unquoted equity securities	**69,094**	**150%**	**69,094**	**150%**
30 June 2020				
Financial investments at fair value through other comprehensive income				
Unquoted equity securities	60,094	150%	60,094	150%

There are no unrealised gains/(losses) for equity securities that have not been reflected in the statements of income of the Group and the Bank but have been recognised under other comprehensive income of the Group and the Bank for the financial year ended 30 June 2021.

6. INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK ("IRRBB"/"RORRBB")

The Group evaluates the impact of IRRBB/RORRBB via the earnings and the underlying economic value perspectives.

The earnings perspective focuses on the short-term effect of IRRBB/RORRBB via reduction in earnings arising from changes in interest rate/rate of returns. Components affecting the earnings perspective include the timing of repricing, yield curve risk and option positions.

The economic value perspective focuses on the long-term impact of IRRBB/RORRBB. This perspective evaluates changes in the Group's economic value by present valueing the Group's future cash flows. The future cash flow projections are used to estimate economic exposures and provides a pro forma estimate of the future income generated by the Group's current position. In general, measuring the present value of instruments will be able to provide an overview of the Group's economic value of equity ("EVE") over a longer time period.

	Impact on positions 100 basis points parallel shift	
The Group	**Increase/(Decline) in Earnings RM'000**	**Increase/(Decline) in Economic Value RM'000**
30 June 2021		
100 bps upward		
Ringgit Malaysia	**52,736**	**(409,998)**
100 bps downward		
Ringgit Malaysia	**(294,242)**	**434,578**
30 June 2020		
100 bps upward		
Ringgit Malaysia	28,711	(818,119)
100 bps downward		
Ringgit Malaysia	(252,320)	870,464

6. INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (“IRRBB”/“RORRBB”) (CONTINUED)

The Bank	Impact on positions 100 basis points parallel shift	
	Increase/(Decline) in Earnings RM’000	Increase/(Decline) in Economic Value RM’000
30 June 2021		
100 bps upward		
Ringgit Malaysia	**86,379**	**(108,100)**
100 bps downward		
Ringgit Malaysia	**(287,661)**	**116,348**
30 June 2020		
100 bps upward		
Ringgit Malaysia	32,530	(523,831)
100 bps downward		
Ringgit Malaysia	(222,154)	559,071

7. SHARIAH GOVERNANCE DISCLOSURE

In October 2010, BNM issued the Shariah Governance Framework (“SGF”) to guide Islamic financial institutions to establish a comprehensive governance policy framework that sets out the strategic roles and functions of each organ of governance and mechanism in ensuring that the overall Islamic financial system operates in accordance with Shariah principles. On 30 June 2013, Islamic Financial Services Act (“IFSA”) 2013 came into force. It is a statute that requires Islamic financial institutions to ensure that their aim, operation, business, affairs and activities are Shariah-compliant at all times. It statutorily enforces the management of Shariah non-compliance risk.

On 20 September 2019, Bank Negara Malaysia has issued the policy document on Shariah Governance (“SGPD”) for Islamic financial institutions to replace the SGF. The policy document aims to further strengthen the effectiveness of Shariah governance implementation and reinforce a closer integration of Shariah considerations in the business and risk strategies of the Islamic financial institutions. The policy document takes effect from 1 April 2020.

HLISB has enhanced its own Board Policy on Shariah Governance to ensure the structure and management of Shariah Governance matters in the Bank is of the highest standard and in line with SGPD and IFSA.

The Bank's Board Policy on Shariah Governance governs and guides HLISB on the on-going development and enhancement of its Shariah governance functions and infrastructure which includes interaction, effective communication and reporting. It forms the basic foundation upon which Shariah governance policies are to be developed, Shariah governance structure is to be operated in, and Shariah governance initiatives are to be carried out.

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eightieth Annual General Meeting ("AGM") of Hong Leong Bank Berhad ("Bank") will be held on fully virtual basis through live streaming and online remote voting from the online meeting platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657) provided by Boardroom Share Registrars Sdn Bhd on Wednesday, 27 October 2021 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 2021.

2. To approve the payment of Director Fees of RM1,334,000 for the financial year ended 30 June 2021 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM209,000 from the 80th AGM to the 81st AGM of the Bank. **(Resolution 1)**

3. To re-elect Mr Kwek Leng Hai as Director pursuant to the Bank's Constitution. **(Resolution 2)**

4. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix their remuneration. **(Resolution 3)**

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as resolutions:

5. **Ordinary Resolution**
   Authority to Directors to Allot Shares
   "**THAT** subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Bank's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to allot shares in the Bank, grant rights to subscribe for shares in the Bank, convert any security into shares in the Bank, or allot shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Bank 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 Bank." **(Resolution 4)**

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 Bank and/or its 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 (B) of the Bank's Circular to Shareholders dated 28 September 2021 ("the Circular") with HLCM, GCA and persons connected with them ("Hong Leong Group"), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public and are not, in the Bank'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 Bank 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 Bank 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 Bank 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 5)**

7. 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
28 September 2021

NOTES:

1. The Eightieth AGM of the Bank will be conducted on fully virtual basis through live streaming and online remote voting using remote participation and electronic voting facilities provided by Boardroom Share Registrars Sdn Bhd via its online meeting platform at https://meeting.boardroomlimited.my. Please refer to the Administrative Notes to members for the detailed steps on remote participation and electronic voting.

2. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 20 October 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

3. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Bank. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.

4. Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.

5. The Form of Proxy must be deposited at the Registered Office of the Bank at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlfg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.

6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to a vote by way of a poll.

EXPLANATORY NOTES

1. Resolution 1 on Director Fees and Other Benefits

- Director Fees of RM1,334,000 are inclusive of Board Committee Fees of RM450,000 and Meeting Allowances of RM134,000.
- Directors' Other Benefits refer to Directors' & Officers' Liability Insurance coverage based on premium paid/payable, and Directors' training benefits of up to RM209,000.

2. Resolution 4 on Authority to Directors to Allot Shares

The proposed Ordinary Resolution, if passed, will renew the general mandate given to the Directors of the Bank to issue ordinary shares of the Bank from time to time and expand the mandate to grant rights to subscribe for shares in the Bank, convert any security into shares in the Bank, 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 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 Bank 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 Bank.

As at the date of this Notice, no new shares in the Bank were issued and allotted pursuant to the general mandate given to the Directors at the last AGM held on 30 October 2020 and which will lapse at the conclusion of the 80th AGM. The Renewed General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issuance and allotment of new shares, grant of rights to subscribe for shares, conversion of any security into shares, or allotment of shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

3. Resolution 5 on Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution, if passed, will empower the Bank and its subsidiaries ("HLB Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLB 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 Hong Leong Group than those generally available to the public and are not, in the Bank's opinion, detrimental to the minority shareholders of the Bank ("Proposed Shareholders' Mandate").

Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 28 September 2021 which is available on the Bank's Corporate website (https://www.hlb.com.my/agm2021).

Statement Accompanying Notice of **Annual General Meeting**

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- **Details of individuals who are standing for election as Directors**

  No individual is seeking election as a Director at the forthcoming Eightieth Annual General Meeting of the Bank.

- **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 Bank pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 2 of the Notice of Eightieth 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 Bank 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 the Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2021

Total number of issued shares	: 2,167,718,284
Adjusted total number of issued shares (after deducting treasury shares pursuant to Section 127 of the Companies Act 2016)	: 2,086,616,584
Class of shares	: Ordinary shares
Voting rights	: 1 vote for each share held

DISTRIBUTION SCHEDULE OF SHAREHOLDERS AS AT 30 AUGUST 2021

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	398	3.45	8,367	0.00
100 – 1,000	3,240	28.06	1,866,804	0.09
1,001 – 10,000	6,196	53.65	21,063,329	1.01
10,001 – 100,000	1,281	11.09	39,368,211	1.89
100,001 – less than 5% of issued shares	431	3.73	483,341,371	23.16
5% and above of issued shares	2	0.02	1,540,968,502	73.85
	11,548	100.00	2,086,616,584	100.00

* *Excluding 81,101,700 shares bought back and retained by the Bank as treasury shares.*

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 30 AUGUST 2021

Name of Shareholder	No. of Shares	%
1. Hong Leong Financial Group Berhad	1,340,137,681	64.23
2. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	200,830,821	9.62
3. AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	39,127,700	1.88
4. MTrustee Berhad - Exempt AN for Hong Leong Bank Berhad (ESOS)	38,807,956	1.86
5. Kumpulan Wang Persaraan (Diperbadankan)	32,843,800	1.57
6. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West Clt OD67)	16,076,580	0.77
7. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Rakaman Anggun Sdn Bhd (PB)	14,294,300	0.68
8. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	13,873,520	0.66
9. Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	13,267,980	0.64
10. Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	11,491,400	0.55

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2021 (CONTINUED)

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 30 AUGUST 2021

Name of Shareholder	No. of Shares	%
11. AmanahRaya Trustees Berhad - Amanah Saham Malaysia	11,000,000	0.53
12. AmanahRaya Trustees Berhad - Amanah Saham Bumiputera 2	9,982,300	0.48
13. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	8,973,872	0.43
14. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	8,456,882	0.41
15. HLIB Nominees (Tempatan) Sdn Bhd - Chew Brothers Development Corporation Sdn Bhd	6,485,863	0.31
16. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	5,769,396	0.28
17. HLB Nominees (Asing) Sdn Bhd - Kwek Leng Hai (Custodian)	5,510,000	0.26
18. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Norges Bank (FI 17)	5,086,800	0.24
19. Citigroup Nominees (Asing) Sdn Bhd - UBS AG	4,550,742	0.22
20. DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for People's Bank Of China (SICL Asia EM)	4,434,096	0.21
21. Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	4,216,140	0.20
22. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Affin-Hwg)	4,199,100	0.20
23. Cartaban Nominees (Asing) Sdn Bhd - State Street London Fund U8T8 for Pinebridge Asia Ex Japan Small Cap Equity Fund (Pinebridge GL F)	4,179,700	0.20
24. AmanahRaya Trustees Berhad - Amanah Saham Malaysia 2 – Wawasan	4,118,100	0.20
25. HSBC Nominees (Asing) Sdn Bhd - J.P. Morgan Securities PLC	4,039,900	0.19
26. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts	3,663,220	0.18
27. Permodalan Nasional Berhad	3,245,000	0.16
28. HSBC Nominees (Asing) Sdn Bhd - HSBC-FS for Manulife Pacific Asia Equity Fund	3,160,300	0.15
29. HSBC Nominees (Asing) Sdn Bhd - HSBC BK PLC for Abu Dhabi Investment Authority (Insea)	3,132,262	0.15
30. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund TRJS for Teacher Retirement System Of Texas	3,011,400	0.14
	1,827,966,811	**87.60**

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2021 (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders, the substantial shareholders of the Bank as at 30 August 2021 are as follows:

	Direct Interest		Indirect Interest	
Name of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Hong Leong Financial Group Berhad	1,340,137,681	64.23	3,057,504	0.15[(a)]
Hong Leong Company (Malaysia) Berhad	–	–	1,343,195,185	64.37[(b)]
HL Holdings Sdn Bhd	–	–	1,343,195,185	64.37[(c)]
Tan Sri Quek Leng Chan	–	–	1,346,027,209	64.51[(d)]
Hong Realty (Private) Limited	–	–	1,345,971,529	64.50[(d)]
Hong Leong Investment Holdings Pte Ltd	–	–	1,345,971,529	64.50[(d)]
Kwek Holdings Pte Ltd	–	–	1,345,971,529	64.50[(d)]
Kwek Leng Beng	–	–	1,345,971,529	64.50[(d)]
Davos Investment Holdings Private Limited	–	–	1,345,971,529	64.50[(d)]
Kwek Leng Kee	282,344	0.01	1,345,971,529	64.50[(d)]
GuoLine Overseas Limited	–	–	1,343,195,185	64.37[(b)]
Guoco Group Limited	–	–	1,343,195,185	64.37[(b)]
GuoLine Capital Assets Limited	–	–	1,345,971,529	64.50[(e)]
Employees Provident Fund Board	209,373,821	10.03	–	–

Notes:
[(a)] *Held through subsidiary*
[(b)] *Held through Hong Leong Financial Group Berhad ("HLFG")*
[(c)] *Held through Hong Leong Company (Malaysia) Berhad ("HLCM")*
[(d)] *Held through HLCM and company(ies) in which the substantial shareholder has interests*
[(e)] *Held through a subsidiary and HLFG*

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2021

Subsequent to the financial year end, there is no change, as at 30 August 2021, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares or convertible bonds of the Bank and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 148 to 150 as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 59 of the Companies Act 2016.

4. GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S INTEREST AS AT 30 AUGUST 2021

Direct Interest	Number of ordinary shares/shares issued or to be issued or acquired arising from the exercise of options*	%
Mr Domenic Fuda	684,318	0.03
	111,630#	N/A
	5,600,000*	N/A

Free ordinary shares to be vested pursuant to the Executive Share Scheme of HLB

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2021

	Location	Tenure	Description of Property Held	Gross Area (Sq-ft)	Approx. Age (Years)	Net Book Value (RM'000)	Date of Acquisition
1	No. 1, Light Street, Georgetown, 10200 Pulau Pinang	Freehold	Branch premises	20,594	87	7,416	30/12/1986
2	No. 15-G-1, 15-1-1 & 15-2-1, Medan Kampung Relau, Bayan Point, 11900 Pulau Pinang	Freehold	Branch premises	9,968	22	2,005	26/06/1997
3	No. 42, Jalan Pending, 93450 Kuching, Sarawak	Leasehold - 859 years (31/12/2779)	Branch premises	4,425	39	1,316	27/12/1983
4	No. 133, 135 & 137, Jalan Kampong Nyabor, 96000 Sibu, Sarawak	Freehold	Branch premises	4,871	29	2,805	28/12/1992
5	Jungle land at Sungai Limut Rajang, Sarawak Occupation Ticket 612 of 1931	Leasehold - 99 years (31/12/2026)	Jungle land	1,217,938	n/a	1	31/12/1938
6	No. 25 & 27, Jalan Tun Ismail, 25000 Kuantan, Pahang Darul Makmur	Freehold	Branch premises	1,600	30	1,072	29/06/1996
7	No. 69, 70 & 71, Jalan Dato' Bandar Tunggal, 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,375	27/12/1994
8	No. 26, Lorong Rahim Kajai 14, Taman Tun Dr Ismail, 60000 Kuala Lumpur	Freehold	Branch premises	3,750	35	481	30/12/1986
9	No. 120-122, Jalan Mersing, 86000 Kluang, Johor Darul Takzim	Leasehold - 99 years (22/8/2063)	Branch premises	3,355	55	495	31/05/1990
10	No. 100, Jalan Gurney, 72100 Bahau, Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	35	1,971	25/06/1992

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2021 (CONTINUED)

	Location	Tenure	Description of Property Held	Gross Area (Sq-ft)	Approx. Age (Years)	Net Book Value (RM'000)	Date of Acquisition
11	No. 12, 14 & 16, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Takzim	Freehold	Branch premises	4,174	30	3,401	25/06/1992
12	No. 63 & 65, Jalan SS 23/15, 47400 Petaling Jaya, Selangor Darul Ehsan	Freehold	Vacant	4,760	26	3,085	28/04/1997
13	No. 24, Medan Taming 2, Taman Taming Jaya, 43300 Balakong, Selangor Darul Ehsan	Freehold	Branch premises	3,037	25	927	28/04/1997
14	No. 1, Jalan Takal 15/21, Seksyen 15, 40000 Shah Alam, Selangor Darul Ehsan	Leasehold - 99 years (29/6/2086)	Branch premises	2,625	34	1,069	26/06/1997
15	Lots 3594 & 3595, Jalan Baru Pak Sabah, 23000 Dungun, Terengganu Darul Iman	Leasehold - 84 years (2/2/2079)	Branch premises	3,199	27	181	26/06/1997
16	Lot 3073 & 3074, Jalan Abang Galau, 97000 Bintulu, Sarawak	Leasehold - 60 years (12/2/2056)	Branch premises	2,582	24	894	26/06/1997
17	Lot 34, Putra Industrial Park, 47000 Sungai Buloh, Selangor Darul Ehsan	Freehold	Warehouse	96,219	25	2,547	26/01/1995
18	No. 1540, Jalan Sultan Badlishah, 05000 Alor Setar, Kedah Darul Aman	Leasehold - 60 years (19/7/2030)	Vacant	10,619	46	18	30/06/1977
19	No. 9A & 9B, Jalan Kampong Baru, 08000 Sungai Petani, Kedah Darul Aman	Freehold	Branch premises	9,320	28	720	01/01/1994
20	No. 45, Jalan Burma, 10500 Pulau Pinang	Freehold	Vacant	14,277	43	1,735	24/11/1978

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2021 (CONTINUED)

	Location	Tenure	Description of Property Held	Gross Area (Sq-ft)	Approx. Age (Years)	Net Book Value (RM'000)	Date of Acquisition
21	No. 33A-C, Lintang Angsana, Bandar Baru Air Hitam, 11500 Pulau Pinang	Leasehold - 83 years (8/4/2082)	Vacant	4,394	26	321	26/12/1995
22	No. 55 - 57, Jalan Yang Kalsom, 30250 Ipoh, Perak Darul Ridzuan	Freehold	Vacant	11,720	42	905	01/10/1984
23	No. 27, Jalan Dewangsa, 31000 Batu Gajah, Perak Darul Ridzuan	Leasehold - 70 years (26/2/2078)	Branch premises	4,694	26	228	24/11/1995
24	No. 75, Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan	Freehold	Branch premises	1,900	24	581	15/06/1998
25	No. 80 & 82, Jalan Othman 1/14, 46000 Petaling Jaya, Selangor Darul Ehsan	Leasehold - 90 years (15/6/2089)	Branch premises	9,062	31	797	01/06/1994
26	No. 19, Jalan 54, Desa Jaya, 52100 Kepong, Selangor Darul Ehsan	Leasehold - 99 years (8/3/2081)	Branch premises	5,859	39	306	29/11/1985
27	Lot 111, Jalan Mega Mendung, Kompleks Bandar, Off Jalan Klang Lama, 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Vacant	4,978	41	371	31/07/1988
28	No. 161, Jalan Imbi, 55100 Kuala Lumpur	Freehold	Vacant	2,454	25	2,669	14/02/1996
29	No. 8A-D, Jalan Station, 80000 Johor Bahru, Johor Darul Takzim	Freehold	Vacant	12,854	28	311	22/10/1977
30	No. 109, Main Road, 83700 Yong Peng, Johor Darul Takzim	Freehold	Branch premises	2,740	33	199	01/09/1988

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2021 (CONTINUED)

	Location	Tenure	Description of Property Held	Gross Area (Sq-ft)	Approx. Age (Years)	Net Book Value (RM'000)	Date of Acquisition
31	No. 1, Bentong Heights, 28700 Bentong, Pahang Darul Makmur	Freehold	Branch premises	5,432	53	29	30/06/1977
32	No. 36, Main Road Tanah Rata, 39000 Cameron Highland, Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	81	77	30/08/1982
33	W-1-0, W-2-0 & W-1-1, Subang Square Business Centre, Jalan SS15/4G, 47500 Subang Jaya, Selangor Darul Ehsan	Freehold	Branch premises	4,545	22	1,084	18/12/1999
34	No. 2828-G-02 & 2828-1-02, Jalan Bagan Luar, 12000 Butterworth, Pulau Pinang	Freehold	Vacant	12,173	22	2,062	18/12/1999
35	Plot No. 20, Jalan Bidor Raya, 35500 Bidor, Perak Darul Ridzuan	Freehold	Branch premises	3,243	22	443	23/11/1999
36	No. 1, Persiaran Greentown 2, Greentown Business Centre, 30450 Ipoh, Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	21	1,383	23/11/1999
37	Lots 39 & 40, Kompleks Munshi Abdullah, 75100 Melaka	Leasehold - 99 years (24/2/2084)	Branch premises	5,988	22	1,052	31/05/1991
38	No. 1 & 2 Jalan Raya, 09800 Serdang, Kedah Darul Aman	Freehold	Branch premises	5,840	20	340	20/09/2000
39	No. 133 & 135, Jalan Gopeng, 31900 Kampar, Perak Darul Ridzuan	Freehold	Branch premises	4,700	20	315	13/12/2000
40	No. 65 - 67, Jalan Tun HS Lee, 50000 Kuala Lumpur	Freehold	HLB's CSR Community Center	2,223	25	4,656	14/10/1996

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2021 (CONTINUED)

	Location	Tenure	Description of Property Held	Gross Area (Sq-ft)	Approx. Age (Years)	Net Book Value (RM'000)	Date of Acquisition
41	No. 64, Jalan Tun Mustapha, 87007 Labuan	Leasehold - 999 years (28/12/2881)	Branch premises	1,370	30	373	30/05/1991
42	No. 159, Jalan Imbi, 55100 Kuala Lumpur	Freehold	Vacant	1,688	16	2,525	25/11/2005
43	No. 163, Jalan Imbi, 55100 Kuala Lumpur	Freehold	Vacant	1,688	16	2,602	25/10/2005
44	No. 114 & 116, Jalan Cerdas, Taman Connaught, 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch premises	12,200	15	3,379	07/06/2006
45	Lot A08-A09, Jalan SS 6/5A Dataran Glomac, Pusat Bandar Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan	Freehold	Vacant	9,800	15	2,519	06/07/2006
46	No. 2 Jalan Puteri 2/4, Bandar Puteri, Puchong, 47100 Selangor Darul Ehsan	Freehold	Branch premises	11,850	14	4,925	28/06/2007
47	Tower A, PJ City Development, 46100 Petaling Jaya, Selangor Darul Ehsan	Leasehold - 99 years (14/08/2094)	Branch premises	194,489	13	69,675	21/07/2008
48	No. 2, Lorong 2/137C, Off Jalan Kelang Lama, 58200 Kuala Lumpur	Leasehold - 99 years (year 2088)	Branch Premises	17,300	11	4,532	01/04/2011
49	Lot No. 77C & 77D, Lot No. 58529 Jalan Kepong, 52100 Kuala Lumpur	Leasehold - 99 years (7/01/2101)	Branch Premises	30,613	11	7,942	01/05/2011
50	No. 122, Kapit By-Pass, 96807 Kapit, Sarawak	Leasehold - 60 years (29/4/2045)	Branch Premises	1,200	28	173	30/04/1985

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2021 (CONTINUED)

	Location	Tenure	Description of Property Held	Gross Area (Sq-ft)	Approx. Age (Years)	Net Book Value (RM'000)	Date of Acquisition
51	No. 12A, Block B, Level 2, Fraser's Hill, Condominium, 49000 Bukit Fraser's, Pahang Darul Makmur	Leasehold - 99 years (23/05/2082)	1 unit apartment	1,792	34	95	24/05/1983
52	No. 9, Jalan Cheng Lock, 50000 Kuala Lumpur, Wilayah Persekutuan	Freehold	Vacant	2,199	48	255	18/09/1972
53	No. 3, Jalan Bandar Satu, Pusat Bandar Puchong, 47100 Puchong, Selangor Darul Ehsan	Freehold	Branch Premises	4,687	26	1,653	03/04/1997
54	No. 32 & 34, Jalan 21/19, Sea Park, 46300 Petaling Jaya, Selangor Darul Ehsan	Freehold	Vacant	3,080	58	2,087	19/08/1997
55	No. 26 & 27, Jalan Kenari 1, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan	Freehold	Branch Premises	3,600	25	1,317	22/01/1999
56	No. 2, Jalan PJU 5/8, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	Leasehold - 99 years (23/11/2100)	Branch Premises	12,892	17	3,195	12/02/2005
57	No. J09-6 and J02-06, Paradise Lagoon Holiday Apartment, Batu 3 1/2 Jalan Pantai, 70100 Port Dickson, Negeri Sembilan Darul Khusus	Leasehold - 99 years (7/6/2087)	2 units apartment	2,088	25	167	21/04/1994
58	No. S-3, Kompleks Negeri, Jalan Dr. Krishnan, 70000 Seremban, Negeri Sembilan Darul Khusus	Leasehold - 99 years (30/01/2078)	Vacant	1,680	37	223	29/06/1981
59	No. 105 & 107, Jalan Melaka Raya 24, Taman Melaka Raya, 75000 Melaka	Leasehold - 99 years (20/3/2094)	Vacant	3,132	25	445	17/04/1998

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2021 (CONTINUED)

	Location	Tenure	Description of Property Held	Gross Area (Sq-ft)	Approx. Age (Years)	Net Book Value (RM'000)	Date of Acquisition
60	No. 67 & 69, Jalan Merdeka, 75000 Taman Merdeka Raya, Melaka	Leasehold - 99 years (7/7/2093)	Branch Premises	3,080	26	606	15/08/1999
61	No. 35, 37 & 39, Jalan Johor Satu, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim	Freehold	Branch Premises	13,965	18	1,841	12/02/2003
62	No. 21, Jalan Permas 10/1, Bandar Baru Permas Jaya, 81750 Masai, Johor Darul Takzim	Freehold	Branch Premises	2,624	24	907	05/04/1999
63	No. B-278 & B-280, Jalan Beserah, 25300 Kuantan, Pahang Darul Makmur	Freehold	Branch Premises	3,208	20	1,305	04/08/1999
64	No. 31, 33, 35 & 37, Jalan Usahaniaga 1, Taman Niagajaya, 14000 Bukit Mertajam, Seberang Perai Tengah, Penang	Freehold	Branch Premises	15,844	18	1,101	10/07/2003
65	Lot 171, Jalan Council, 95000 Bandar Sri Aman, Sarawak	Leasehold - 60 years (20/06/2050)	Branch Premises	1,740	25	120	21/06/1990
66	Lot No. 2013, Jalan Pisang Barat, 93150 Kuching, Sarawak	Leasehold - 99 years (31/12/2038)	Storage	1,390	28	-	23/09/1992
67	No. 3/G14, 3/G15 & 3/G16, Block 3, Lorong Api-Api 2, Api-Api Centre, 88000 Kota Kinabalu, Sabah	Leasehold - 99 years (31/12/2086)	Branch Premises	4,141	26	1,524	04/02/1997
68	No. 177, Limbok Hill, 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	Single-storey Detached house	6,730	48	9	16/08/1972

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2021 (CONTINUED)

	Location	Tenure	Description of Property Held	Gross Area (Sq-ft)	Approx. Age (Years)	Net Book Value (RM'000)	Date of Acquisition
69	No. 11, Jalan Emas 2, Taman Emas Cheras, 43200 Cheras, Selangor Darul Ehsan	Freehold	Vacant	5,804	28	-	25/05/1993
70	No. 53 & 55, Jalan Sultan Ismail, 50250 Kuala Lumpur	Freehold	Branch Premises	9,600	24	17,431	01/06/2015
71	No. 300, Jalan Jelutong, 11600 Pulau Pinang	Freehold	Branch Premises	16,652	19	13,126	23/06/2015
72	Lot 1, Block 35, Fajar Commercial Complex, Jalan Lembaga, 91000 Tawau, Sabah	Leasehold - 998 years (31/12/2895)	Branch Premises	13,880	49	4,699	17/08/2015
73	Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur	Freehold	Head Office/ Branch Premises	668,331	6	557,262	03/07/2015
74	01-01, 01-02, 01-03, 01-05, Blok D, Komersil Southkey Mozek, Persiaran Southkey 1, Kota Southkey, 80150 Johor Bahru, Johor Darul Takzim	Leasehold - 99 years (21/2/2100)	Branch Premises	18,317	3	15,827	16/11/2018
75	No. 8, Jalan 3/5-C, Taman Setapak, Indah Jaya, Off Jalan Genting Klang, 53300 Kuala Lumpur	Leasehold - 99 years (28/8/2086)	Branch Premises	6,908	3	2,040	13/09/2018

Local & Overseas **Branches**

As At 30 June 2021

KUALA LUMPUR

1 Level 1 Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur

2 No. 34, 36 & 38, Jalan Petaling, 50000 Kuala Lumpur

3 No. 2-0, Lorong 2/137C, Off Jalan Klang Lama, 58200 Kuala Lumpur

4 No. 26, Lorong Rahim Kajai 14, Taman Tun Dr Ismail, 60000 Kuala Lumpur

5 No. 77C & D, Lot 58529, Jalan Kepong, 52100 Kuala Lumpur

6 No. 31 & 33, Jalan 1/116 B, Kuchai Entrepreneurs Park, Off Jalan Kuchai Lama, 58200 Kuala Lumpur

7 No. 37, Jalan Telawi 3, Bangsar Baru, 59100 Kuala Lumpur

8 No. 8 & 10, Jalan 3/50C, Taman Setapak Indah Jaya, Off Jalan Genting Klang, 53300 Kuala Lumpur

9 No. 114 & 116, Jalan Cerdas, Taman Connaught, Cheras, 56000 Kuala Lumpur

10 No. 468-B2(A), Blok B, Ground Floor, Rivercity 3rd Mile, Jalan Ipoh, 51200 Kuala Lumpur

11 No. 23GM & 25GM, Jalan Pandan Indah 4/8, 55100 Kuala Lumpur

12 180-0-7 & 180-0-8, Wisma Mahkota, Taman Maluri, Cheras, 55100 Kuala Lumpur

13 No. 1-GM, Jalan Perdana 4/6, Pandan Perdana, 55300 Kuala Lumpur

14 No. 50 Jalan Merlimau, Off Jalan Kenanga, 55200 Kuala Lumpur

15 No. 2, Jalan Rampai Niaga 1, Rampai Business Park, Taman Sri Rampai, 53300 Kuala Lumpur

16 No. 266 & 267, Jalan Bandar 12, Taman Melawati, 53100 Kuala Lumpur

17 No. 44 & 46, Block A, Plaza Sinar, Jalan 8/38D, Taman Sri Sinar, Segambut, 51200 Kuala Lumpur

18 No. 71 & 73, Jalan Radin Tengah, Zone J 4, Bandar Baru Seri Petaling, 57000 Kuala Lumpur

19 No. 50, Jalan Manis 1, Taman Segar, Cheras, 56100 Kuala Lumpur

20 No. 7 & 9, Jalan 2/109F, Plaza Danau 2, Taman Danau Desa, Off Jalan Klang Lama, 58100 Kuala Lumpur

21 A-G-10 & A-01-11, Jalan 26/70A, Desa Sri Hartamas, 50480 Kuala Lumpur

22 No. 19, Jalan 54, Desa Jaya, 52100 Kepong, Kuala Lumpur

23 No. 1 & 3, Jalan Pandan 3/5, Pandan Jaya, 55100 Kuala Lumpur

24 Ground Floor (Lot G3), Menara Raja Laut, No. 288, Jalan Raja Laut, 50350 Kuala Lumpur

25 No. 53 & 55, Jalan Sultan Ismail, 50250 Kuala Lumpur

26 150, Jalan Tun Sambanthan, 50470 Kuala Lumpur

27 Ground & Mezzanine Floors, Wisma Sin Heap Lee, No. 346, Jalan Tun Razak, 50400 Kuala Lumpur

28 166 & 168, Jalan 2/3A Off KM 12, Jalan Ipoh, 68100 Batu Caves, Kuala Lumpur

29 Ground & Mezzanine Floors, No. 2-21A & 2-21A1, Jalan Desa 1/1, Desa Aman Puri, 52100 Kepong, Kuala Lumpur

30 No. 15, 16 & 17, Jalan Midah Satu, Taman Midah, Cheras, 56000 Kuala Lumpur

31 Unit E-1-2 Level 1 Block E, Pusat Komersial Southgate, No 2 Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur

32 Ground & 1st Floor, Unit 25-G & 25-1, Signature Office, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur

33 Lot No. 70, Level G2, Publika Shopping Gallery, Solaris Dutamas, Jln Dutamas 1, 50480 Kuala Lumpur

34 Ground Floor, No. 111, Jalan Dwitasik 1, Bandar Sri Permaisuri, 56100 Kuala Lumpur

35 Tingkat Bawah, No. 6 & 8, Blok 5, Jalil Link, Jalan Jalil Jaya 6, Bukit Jalil, 57000 Kuala Lumpur

36 No. 63, Jalan Medan Putra 1, Medan Putra Business Centre, Menjalara, 52200 Kuala Lumpur

37 Level 1, Wisma Hong Leong, 18, Jalan Perak, 50450 Kuala Lumpur

38 **Hong Leong Islamic Bank Berhad** No. 28, Ground & First Floor, Jalan Setiawangsa 10/55A, Taman Setiawangsa, 54200 Kuala Lumpur

Local & Overseas Branches

As At 30 June 2021

SELANGOR DARUL EHSAN

39 No. 80 & 82, Jalan Othman (1/14), 46000 Petaling Jaya, Selangor Darul Ehsan

40 No. 3, Jalan Takal 15/21, Seksyen 15, 40000 Shah Alam, Selangor Darul Ehsan

41 No. 59A, Jalan Welman, 48000 Rawang, Selangor Darul Ehsan

42 Wisma Meru, No. 1, Lintang Pekan Baru, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan

43 No. 119 & 121, Jalan Sultan Abdul Samad, 42700 Banting, Selangor Darul Ehsan

44 No. 64, Jalan Stesen, 45000 Kuala Selangor, Selangor Darul Ehsan

45 W-1-0, W-2-0 & W-1-1, Subang Square Business Centre, Jalan SS15/4G, 47500 Subang Jaya, Selangor Darul Ehsan

46 No. 91, Lorong Memanda 1, Ampang Point, 68000 Ampang, Selangor Darul Ehsan

47 No. 2, Jalan Kinrara, Taman Kinrara, Jalan Puchong, 47100 Selangor Darul Ehsan

48 No. 24, Medan Taming 2, Taman Taming Jaya, 43300 Balakong, Selangor Darul Ehsan

49 No. 12 & 14, Jalan PJS 11/28A, Metro Bandar Sunway, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan

50 No. 1 & 3, Jalan Sri Sarawak 17, Taman Sri Andalas, 41200 Klang, Selangor Darul Ehsan

51 No. 11 & 13, Jalan M/J 1, Taman Majlis Jaya, Jalan Sungai Chua, 43000 Kajang, Selangor Darul Ehsan

52 No. 174 & 174A, Jalan Besar, 42800 Tanjung Sepat, Kuala Langat, Selangor Darul Ehsan

53 No. 18 & 20, Jalan 20/16A, Taman Paramount, 46300 Petaling Jaya, Selangor Darul Ehsan

54 No.15 & 16 Jalan Menteri Besar 2, New Sekinchan Business Centre, 45400 Sekinchan, Selangor Darul Ehsan

55 No. 36, Jalan Dato Shahbudin 30, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan

56 No. 39 & 41, Jalan SJ 17, Taman Selayang Jaya, 68100 Batu Caves, Selangor Darul Ehsan

57 No. 169, Jalan Teluk Pulai, 41100 Klang, Selangor Darul Ehsan

58 No. 1G-3G, Jalan Wawasan 2/10, Bandar Baru Ampang, 68000 Ampang, Selangor Darul Ehsan

59 No. 25-29G, Jalan SS 21/60, 47400 Damansara Utama, Petaling Jaya, Selangor Darul Ehsan

60 No. G-16, 1-16 & 2-16 & G-17, 1-17 & 2-17, Jalan Prima SG1, Taman Prima Sri Gombak, 68100 Batu Caves, Selangor Darul Ehsan

61 No. 68, Lorong Batu Nilam 4A, Bandar Bukit Tinggi, 41200 Klang, Selangor Darul Ehsan

62 No. 1 & 3, Jalan Seri Taming 1F, Taman Seri Taming, Batu 9, 43200 Cheras, Selangor Darul Ehsan

63 No. 7 & 9, Jalan Bunga Tanjong 6A, Taman Putra, 68000 Ampang, Selangor Darul Ehsan

64 No 22 & 24 Jalan 14/14, 46100 Petaling Jaya, Selangor Darul Ehsan

65 Wisma Keringat 2, No. 17, Lorong Batu Caves 2, 68100 Batu Caves, Selangor Darul Ehsan

66 Ground Floor, Tower A PJ City Development 15A, Jalan 219, Section 51A, 46100 Petaling Jaya, Selangor Darul Ehsan

67 No. E-01-07 & E-01-08, Jalan Puchong Prima 5/3, Puchong Prima, 47100 Puchong, Selangor Darul Ehsan

68 No. 30, Jalan Public, Sungai Buloh New Village, 47000 Sungai Buloh, Selangor Darul Ehsan

69 No. 64, Jalan BRP 1/2, Bukit Rahman Putra, 47000 Sungai Buloh, Selangor Darul Ehsan

70 No. 5 & 7 Jalan Besar Susur 1, 43300 Seri Kembangan, Selangor Darul Ehsan

71 No. 7 & 9, Jalan Pasar Baru 2, Seksyen 3, Bandar Semenyih, 43500 Semenyih, Selangor Darul Ehsan

72 No. 2, Jalan Puteri 2/4, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan

73 No. 1, Jalan Temenggung 21/9, Bandar Mahkota Cheras, 43200 Cheras, Selangor Darul Ehsan

74 51 & 53, Jalan TSB 10A, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan

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75 No. 2, Jalan PJU 5/8,
Dataran Sunway, Kota Damansara,
47810 Petaling Jaya,
Selangor Darul Ehsan

77 No. 5 & 7, Jalan Cempaka 1,
Taman Cempaka,
48200 Serendah, Hulu Selangor,
Selangor Darul Ehsan

77 3, Jalan Bandar Satu,
Pusat Bandar Puchong,
47100 Puchong,
Selangor Darul Ehsan

78 No. 2G, 2-1 & 2A-G,
Jalan Cheras Maju,
Pusat Perniagaan Cheras Maju,
43200 Balakong,
Selangor Darul Ehsan

79 5, Jalan SL 1/4, Bandar Sungai Long,
43000 Kajang,
Selangor Darul Ehsan

80 Ground Floor, 36, Jalan Sulaiman,
43000 Kajang,
Selangor Darul Ehsan

81 No. 26 & 27, Jalan Kenari 1,
Bandar Puchong Jaya,
47100 Puchong,
Selangor Darul Ehsan

82 90, Persiaran Raja Muda Musa,
42000 Pelabuhan Klang,
Selangor Darul Ehsan

83 No. 9 & 11, Jalan 52/2,
PJ New Town Centre,
46200 Petaling Jaya,
Selangor Darul Ehsan

84 26-32, Jalan Kapar,
41400 Klang, Selangor Darul Ehsan

85 No. 28 & 30, Jalan SS 2/67,
47300 Petaling Jaya,
Selangor Darul Ehsan

86 Lot 43 & 45, Jalan USJ 10/1G,
47620 Subang Jaya,
Selangor Darul Ehsan

87 No. 19, Jalan Setia Prima R U 13/R,
Setia Alam, Seksyen U13,
40170 Shah Alam,
Selangor Darul Ehsan

88 No. 3-G,
Jalan Anggerik Vanilla N31/N,
Kota Kemuning,
40460 Shah Alam,
Selangor Darul Ehsan

89 Ground Floor, Lot G01,
Giant Hypermarket Putra Heights,
Persiaran Putra Perdana,
47560 Putra Heights,
Selangor Darul Ehsan

90 No.1 & 3, Jalan PJU 1/43,
Aman Suria,
47301 Petaling Jaya,
Selangor Darul Ehsan

91 Lot 529, Jalan Besar, Pekan Kapar,
42200 Klang, Selangor Darul Ehsan

92 Ground Floor, No. 109 & 111,
Jalan Mahogani 5, Bandar Botanic,
41200 Klang, Selangor Darul Ehsan

93 No 4G & 6G, Jalan Equine 1B,
Taman Equine Boulevard,
43300 Seri Kembangan,
Selangor Darul Ehsan

94 No. 8, Jalan UP 1/5,
Taman Ukay Perdana,
68000 Ampang,
Selangor Darul Ehsan

95 N0. 21, Jalan BS 10/6,
Seksyen 10, Bukit Serdang,
43300 Seri Kembangan,
Selangor Darul Ehsan

96 No. 120, Jalan Puj 3/2,
Taman Puncak Jalil,
Bandar Putra Permai,
43300 Seri Kembangan,
Selangor Darul Ehsan

97 No. 2, Jalan Bangi, Avenue 1/8,
Taman Bangi Avenue,
43000 Kajang,
Selangor Darul Ehsan

98 **Hong Leong Islamic Bank Berhad**
Lot G13A (Ground Floor)
D'pulze Shopping Centre, P-01,
D'pulze Lingkaran Cyber Point
Timur Cyberjaya 12, Cyberjaya,
63000 Selangor Darul Ehsan

PAHANG DARUL MAKMUR

99 No. 59 & 60, Jalan Temerloh,
Locked Bag No. 9,
28409 Mentakab,
Pahang Darul Makmur

100 No. 25, Jalan Tun Ismail,
25000 Kuantan,
Pahang Darul Makmur

101 No. 39-41, Jalan Tun Razak,
27600 Raub, Pahang Darul Makmur

102 No. F105 & F106, Jalan Kuantan,
28000 Temerloh,
Pahang Darul Makmur

103 No. 36, Main Road, Tanah Rata,
39000 Cameron Highlands,
Pahang Darul Makmur

104 No. 1, Bentong Heights,
28700 Bentong,
Pahang Darul Makmur

105 No. B 278 & B 280,
Jalan Beserah, 25300 Kuantan,
Pahang Darul Makmur

106 No. 113, Jalan Inderapura 1,
Bandar Inderapura,
27000 Jerantut,
Pahang Darul Makmur

TERENGGANU DARUL IMAN

107 Lot 3594 & 3595,
Jalan Baru Pak Sabah,
23000 Dungun,
Terengganu Darul Iman

108 No. 1107 - R,S & T, Jalan Pejabat,
20200 Kuala Terengganu,
Terengganu Darul Iman

109 No. 5686 & 5694-B,
Jalan Kubang Kurus,
24000 Kemaman,
Terengganu Darul Iman

110 **Hong Leong Islamic Bank Berhad**
No. 31, Jalan Sultan Ismail,
20200 Kuala Terengganu,
Terengganu Darul Iman

Local & Overseas Branches

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KELANTAN DARUL NAIM

111 PT 320 & 321, Seksyen 25,
Jalan Sultan Yahya Petra,
15200 Kota Bahru,
Kelantan Darul Naim

112 **Hong Leong Islamic Bank Berhad**
No. 1121A & 1121B,
Jalan Padang Garong, Seksyen 12,
15000 Kota Bahru,
Kelantan Daruk Naim

FEDERAL TERRITORY LABUAN

113 No. 64, Jalan Tun Mustapha,
87007 Labuan

SABAH

114 Ground & 1st Floor,
Lot No. 1, Block 35,
Fajar Commercial Complex,
Jalan Lembaga,
91013 Tawau, Sabah

115 No. 5 & 6 (Ground Floor),
Lorong Lintas Plaza 1, Lintas Plaza,
88300 Kota Kinabalu, Sabah

116 Lot 1, 2 & 3, Block 18, Mile 4,
North Road, Bandar Indah,
90000 Sandakan, Sabah

117 Ground Floor, Wisma Sandaraya,
Humprey Street,
90000 Sandakan, Sabah

118 No. 19, Jalan Haji Saman,
P.O. Box 11989,
88821 Kota Kinabalu, Sabah

119 Lot 3-0-14 to 3-0-16,
Block 3, Lorong Api-Api 2,
Api-Api Centre,
88000 Kota Kinabalu, Sabah

120 No. 8, Jalan Pantai,
Locked Bag No. 124,
88999 Kota Kinabalu, Sabah

121 Lot 4, 5 & 6, Block C,
Lorong KK Taipan 2,
Inanam New Township,
88450 Kota Kinabalu, Sabah

122 MDLD 4711 & 4712,
Lot 3 & 4, Jalan Kastam Lama,
91100 Lahad Datu, Sabah

123 No. 38, Block E,
Alamesra Plaza Permai,
88400 Kota Kinabalu, Sabah

SARAWAK

124 No. 35, Jalan Khoo Hun Yeang,
93000 Kuching, Sarawak

125 No. 42, Jalan Pending,
93450 Kuching, Sarawak

126 Lot 3073 & 3074, Jalan Abang Galau,
97000 Bintulu, Sarawak

127 No. 133, 135 & 137,
Jalan Kampung Nyabor,
96000 Sibu, Sarawak

128 No. 8-10, Lorong Maju,
PO Box 279,
96508 Bintangor, Sarawak

129 Lot 13 & 14, Olive Garden,
7th Mile Bazaar, Jalan Pensrissen,
93250 Kuching, Sarawak

130 No. 175, Serian Bazaar,
94700 Serian, Sarawak

131 Lot 124, Saratok Baazar,
P.O Box 71,
95407 Saratok, Sarawak

132 No. 10, Lot 734, Jalan Lee Kai Teng,
95700 Betong, Sarawak

133 No. 18, Chew Geok Lin Street,
P.O Box 1461,
96000 Sibu, Sarawak

134 No. 722, Jalan Masjid,
P.O Box 19,
96400 Mukah, Sarawak

135 No. 155C, Jalan Satok,
93400 Kuching, Sarawak

136 Ground & First Floor,
Lot 715, Merbau Road,
98008 Miri, Sarawak

137 Lot 1078-1079, Buangsiol Road,
P O Box 69,
98707 Limbang, Sarawak

138 Lot 2499 & 2500, Ground & 1st Floor,
Boulevard Commercial Centre,
Jalan Miri-Pujut, KM 3,
98000 Miri, Sarawak

139 10, 12, 14, 16 & 18, Mission Road,
P.O. Box 656,
96007 Sibu, Sarawak

140 Ground & First Floor,
Lot 10901 & 10902, Jalan Tun Jugah,
93350 Kuching, Sarawak

141 Lot 171, Jalan Council,
95000 Bandar Sri Aman, Sarawak

142 Lot 122, Jalan Yong Moo Chai,
P.O. Box 15, 96807 Kapit, Sarawak

143 345-347, Ground Floor & 1st Floor,
Central Park Commercial Centre,
Jalan Tun Ahmad Zaidi Adruce,
93200 Kuching, Sarawak

144 No. 22-23, Suria Permata
Commercial Centre, Jalan Lanang,
96000 Sibu, Sarawak

145 Lot 11600-11602, Block 16,
No. 127-129 R.H.Plaza,
Jalan Lapangan Terbang,
93550 Kuching, Sarawak

146 No. 18C & 20, Lorong Tun Razak 1,
Jalan Masjid Lama,
96100 Sarikei Sarawak

147 Lot 122-124,
Jalan Song Thian Cheok,
93100 Kuching, Sarawak

KEDAH DARUL AMAN

148 Ground Floor & 1st Floor,
No. 212, Jalan Gangsa,
Seberang Jalan Putra,
05150 Alor Setar, Kedah Darul Aman

149 Ground & 1st Floor, No. 64 & 65,
Jalan Pengkalan,
Taman Pekan Baru,
08000 Sungai Petani,
Kedah Darul Aman

150 No. 1 & 2, Jalan Raya,
09800 Serdang, Kedah Darul Aman

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151 No. 62 & 63, Jalan Bayu Satu, 09000 Kulim, Kedah Darul Aman

152 No. 167 & 168, Susuran Sultan Abdul Hamid 11, Kompleks Perniagaan, Sultan Abdul Hamid Fasa 2, 05050 Alor Setar, Kedah Darul Aman

153 No. 9A & 9B, Jalan Kampung Baru, 08000 Sungai Petani, Kedah Darul Aman

154 Ground & First Floor, 255 Jalan Legenda 10, Legenda Heights, 08000 Sg Petani, Kedah Darul Aman

155 18K & 18L, Jln Raya, 08300 Gurun, Kedah Darul Aman

156 No. 93, Langkawi Mall, Jalan Kelibang, 07000 Kuah, Langkawi, Kedah Darul Aman

157 No 1520-2A, Pantai Halban, Jalan Kepala Batas, 06000 Jitra, Kedah Darul Aman

PULAU PINANG

158 No. 1, Light Street, Georgetown, 10200 Pulau Pinang

159 No. 9 & 10, Jalan Todak 2, Pusat Bandar, Seberang Jaya, 13700 Prai, Pulau Pinang

160 Unit G-02, Mezzanine 2-02B, No. 405 Jalan Burmah, 10350 Pulau Pinang

161 No. 15-G-1 (Bayan Point), Medan Kampung Relau, 11900 Pulau Pinang

162 1780 & 1781, Jalan Nibong Tebal, Taman Panchor Indah, 14300 Pulau Pinang

163 98-G-15, Prima Tanjung, Jalan Fettes,Tanjung Tokong, 10470 Pulau Pinang

164 No. 1, Lebuh Kurau 1, Taman Chai Leng, 13700 Prai, Pulau Pinang

165 No. 19, Jalan Bertam, 13200 Kepala Batas, Seberang Prai, Pulau Pinang

166 No. 723-G-G, 723-H-G & 723-I-G, Jalan Sungai Dua, 11700 Pulau Pinang

167 No. 6963 & 6964, Jalan Ong Yi How, Kawasan Perusahan Raja Uda, 13400 Butterworth, Pulau Pinang

168 No. 26, 28 & 30, Jalan Murni 1, Taman Desa Murni, Sungai Dua, 13800 Butterworth, Pulau Pinang

169 No. 31, 33, 35, Jalan Usahaniaga 1, Taman Niagajaya, 14000 Bukit Mertajam, Pulau Pinang

170 Lot G-17 & G-18, Jalan Dato Keramat, Penang Times Square, 10150 Georgetown, Pulau Pinang

171 No. 1823-G1, Jalan Perusahaan Auto-City, North-South Highway, Juru Interchange, 13600 Prai, Pulau Pinang

172 No. 300, Jalan Jelutong, 11600 Pulau Pinang

173 Ground Floor, No. 16A & 16B, Lebuhraya Thean Teik, Bandar Baru Ayer Itam, 11500 Pulau Pinang

174 1435 & 1436, Jln Besar, 14200 Sungai Bakap, Seberang Prai Selatan, Pulau Pinang

175 No. 3350 & 3351, Jalan Rozhan, Taman Industri Alma Jaya, 14000 Bukit Mertajam, Pulau Pinang

176 No. 1, Jalan Besar, Taman Tempua, 14000 Simpang Ampat, Pulau Pinang

177 No. 306-F, Jalan Dato Ismail Hashim, Sungai Ara, 11900 Bayan Lepas, Pulau Pinang

178 Ground & First Floor, No. 1, Medan Limau Emas, Pusat Perniagaan Limau Emas, Off Jalan Song Ban Keng, 14000 Bukit Mertajam, Pulau Pinang

179 No. 82 Jalan Besar, 11000 Balik Pulau, Pulau Pinang

PERAK DARUL RIDZUAN

180 Lot-A-G-2 (Ground Floor), No. 1, Persiaran Greentown 2, Greentown Business Centre, 30450 Ipoh, Perak Darul Ridzuan

181 N-20, Jalan Bidor Raya, Off Jalan Persatuan, 35500 Bidor, Perak Darul Ridzuan

182 No. 41, Jalan Taiping, 34200 Parit Buntar, Perak Darul Ridzuan

183 No. 16 & 17, Taman Sitiawan Maju, Jalan Lumut, 32000 Sitiawan, Perak Darul Ridzuan

184 No. 28, Medan Silibin, 30100 Ipoh, Perak Darul Ridzuan

185 No. 53, 55 & 57, Jalan Stesyen, 34000 Taiping, Perak Darul Ridzuan

186 No. 133 & 135, Jalan Gopeng, 31900 Kampar, Perak Darul Ridzuan

187 No. 27, Jalan Dewangsa, 31000 Batu Gajah, Perak Darul Ridzuan

188 No. 11 & 12, Kompleks Menara Condong, Jalan Bandar, 36000 Teluk Intan, Perak Darul Ridzuan

189 No. 75, Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan

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190 No. 579 & 579A, Jalan Pasir Puteh, 31650 Ipoh, Perak Darul Ridzuan

191 No. 91 & 93, Jalan Dato Lau Pak Khuan, Ipoh Garden, 31400 Ipoh, Perak Darul Ridzuan

192 PT 1167 & 1168, Jalan Chui Chak, 36700 Langkap, Perak

193 Ground & First Floor, No. 254 & 254A, Jalan Raja Dr. Nazrin Shah, Gunung Rapat, 31350 Ipoh, Perak Darul Ridzuan

194 86 & 88, Jalan Besar, 32400 Ayer Tawar, Perak Darul Ridzuan

195 No. 396 & 398, Taman Saujana, Kamunting, 34600 Taiping, Perak Darul Ridzuan

196 Ground & First Floors, No. 116 & 117, Jalan Besar, 31450 Menglembu, Ipoh, Perak Darul Ridzuan

197 No. 25 & 27, Jalan Bunga Anggerik, Taman Bunga Raya, 35900 Tanjong Malim, Perak Darul Ridzuan

198 Ground & First Floor, No. 362, Medan Bercham, Jalan Bercham, 31400 Ipoh, Perak Darul Ridzuan

NEGERI SEMBILAN DARUL KHUSUS

199 No. 100, Jalan Gurney, 72100 Bahau, Negeri Sembilan Darul Khusus

200 No. 69, 70 & 71, Jalan Dato Bandar Tunggal, 70000 Seremban, Negeri Sembilan Darul Khusus

201 No. 112, Jalan Yam Tuan Raden, 72000 Kuala Pilah, Negeri Sembilan Darul Khusus

202 No. 1278, Jalan Rasah, 70300 Seremban, Negeri Sembilan Darul Khusus

203 Lot 3120 & 3121, Jalan Besar, Lukut, 71010 Port Dickson, Negeri Sembilan Darul Khusus

204 145-G, 145-1 & 146-G, Blok M, Taipan Senawang, Senawang Commercial Park, 70450 Seremban, Negeri Sembilan Darul Khusus

205 Ground, 1st & 2nd Floors, No. 7 & 8 Jalan S2 B15, Biz Avenue, Seremban 2, 70300 Seremban, Negeri Sembilan Darul Khusus

206 Lot PT 5729 & 5730, Jalan TS 2/1D, Taman Semarak, 71800 Nilai, Negeri Sembilan Darul Khusus

MELAKA

207 No. 345, Jalan Ong Kim Wee, 75300 Melaka

208 No. 150 & 152, Kompleks Munshi Abdullah, Jalan Munshi Abdullah, 75100 Melaka

209 No. 67 & 69 Jalan Merdeka, Taman Melaka Raya, 75000 Melaka

210 Lot BB-371A & B, Taman Melaka Baru, Batu Berendam, 75350 Melaka

211 Lot 215 & 130, Jalan Besar, 78300 Masjid Tanah, Melaka

212 No. 1, 1-1 & 3, Jalan Malim Jaya 2/7A, Taman Malim Permai, 75250 Melaka

213 No. 76 & 76-1, Jalan Inang 4 (Cheng), Taman Paya Rumput Utama, 76300 Paya Rumput, Melaka

JOHOR DARUL TAKZIM

214 No. 12 - 16, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Takzim

215 No. 70, Jalan Segamat, 85300 Labis, Johor Darul Takzim

216 Lot No. 24 & 25, Jalan Ahmad Ujan, Taman Kota Besar, 81900 Kota Tinggi, Johor Darul Takzim

217 No. 120 - 122, Jalan Mersing, 86000 Kluang, Johor Darul Takzim

218 Ground & Mezzanine Floors, Penggaram Complex, No. 1, Jalan Abdul Rahman, Off Jalan Rahmat, 83000 Batu Pahat, Johor Darul Takzim

219 No. 173 & 175, Jalan Sri Pelangi, Taman Pelangi, 80400 Johor Bahru, Johor Darul Takzim

220 No. 6 & 8, Jalan Nakhoda 12, Taman Ungku Tun Aminah, 81300 Skudai, Johor Darul Takzim

221 No. 6 & 7, Jalan Anggerik 1, Taman Kulai Utama, 81000 Kulai, Johor Darul Takzim

222 No. LC 531, Jalan Payamas, 84900 Tangkak, Johor Darul Takzim

223 No. 109 Main Road, 83700 Yong Peng, Johor Darul Takzim

224 No. 39 & 41, Jalan Kebudayaan 1, Taman Universiti, 81300 Skudai, Johor Darul Takzim

225 No. 80, Jalan Dedap 13, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim

226 No. 2, Jalan Jati Satu, Taman Nusa Bestari Jaya, 81300 Skudai, Johor Darul Takzim

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227 No 5, Jalan Camar 1/3,
Taman Perling,
81200 Johor Bahru,
Johor Darul Takzim

228 Ground & 1st Floor,
No. 3,
Pusat Dagangan Bakri,
Jalan Bakri,
84000 Muar, Johor Darul Takzim

229 No. 43A & 45, Jalan Genuang,
Kampung Abdullah,
85000 Segamat,
Johor Darul Takzim

230 105-106, Jalan Besar,
81750 Masai, Johor Darul Takzim

231 No. 35, 37 & 39, Jalan Johar 1,
Taman Desa Cemerlang,
81800 Ulu Tiram,
Johor Darul Takzim

232 1 & 3,
Jalan Persiaran Tanjung Susur 1,
Taman Bukit Alif, Tampoi,
81200 Johor Bahru,
Johor Darul Takzim

233 No. 8-10, Jalan Nusaria 11/7,
Taman Nusantara,
81550 Gelang Patah,
Johor Darul Takzim

234 1, 1A, 1B & 1C, Jalan Belimbing,
81400 Senai, Johor Darul Takzim

235 30 & 31, Jalan Mawar 1,
Taman Mawar,
81700 Pasir Gudang,
Johor Darul Takzim

236 01-01, 01-02, 01-03, 01-05,
Block D Komersil Southkey Mozek,
Persiaran Southkey 1,
Kota Southkey,
80150 Johor Bahru,
Johor Darul Takzim

237 No. 21, Jalan Permas 10/1,
Bandar Baru Permas Jaya,
81750 Masai, Johor Darul Takzim

238 No. 29 & 31,
Jalan Molek 2/4, Taman Molek,
81100 Johor Bahru,
Johor Darul Takzim

239 No. 25 & 25A,
Jalan Kenanga 29/1, Indahpura,
81000 Johor Bahru,
Johor Darul Takzim

240 No. 30 & 31, Jalan Delima,
Pusat Perdagangan Pontian,
82000 Pontian, Johor Darul Takzim

241 No. 345A, Jalan Ismail,
86800 Mersing, Johor Darul Takzim

242 Ground Floor, No. 121 & 123,
Jalan Austin Heights 3,
Taman Mount Austin,
81100 Johor Bahru,
Johor Darul Takzim

243 Ground Floor,
No. 1, Jalan Setia Tropika 1/15,
Taman Setia Tropika,
81200 Johor Bahru,
Johor Darul Takzim

PERLIS

244 No. 40 & 42, Jalan Bukit Lagi,
01000, Kangar, Perlis

FEDERAL TERRITORY PUTRAJAYA

245 **Hong Leong Islamic Bank Berhad**
Lot T00 - U01, No. 5,
Jalan P16, Precinct 16,
62150 Putrajaya,
Wilayah Persekutuan

BUREAU DE CHANGE

1 **Bureau De Change Bukit Bintang**
No. 53 & 55, Jalan Sultan Ismail
50250 Kuala Lumpur

2 **Bureau De Change Kuantan**
No. 25, Jalan Tun Ismail
25000 Kuantan
Pahang Darul Makmur

SINGAPORE

1 **Main Office**
1 Wallich Street
#29-01 Guoco Tower
Singapore 078881

Banking Hall
7 Wallich Street
#B1-25 & B1-26
Tanjong Pagar Center
Singapore 078884

HONG KONG

1 50/F
The Center
99 Queen's Road Central
Central, Hong Kong

VIETNAM

1 **Hong Leong Bank Vietnam Limited**
Ground Floor, Centec Tower
72-74 Nguyen Thi Minh Khai Street
District 3, Ho Chi Minh City

2 **Hong Leong Bank Vietnam Limited**
Pacific Place, GF, Unit 08-09
83B Ly Thuong Kiet Str
Tran Hung Dao Ward
Hoan Kiem District
Hanoi, Vietnam

3 **Hong Leong Bank Vietnam Limited**
Binh Duong Branch
Unit 102, 103 Canary Plaza
Binh Duong Boulevard
Thuan An District, Binh Duong
Vietnam

4 **Hong Leong Bank Vietnam Limited**
Transaction Office
62-62A Hau Giang, District 6
Ho Chi Minh City, Vietnam

Local & Overseas Branches

As At 30 June 2021

CAMBODIA

1 **Hong Leong Bank (Cambodia) PLC**
Head Office Branch:
No. 28,
Samdech Pan Avenue (St. 214),
Sangkat Boeung Raing
Khan Daun Penh,
Phnom Penh, Cambodia

2 **Hong Leong Bank (Cambodia) PLC**
Tuol Kork Branch:
No. 150 G & 150 M
Street 289 Sangkat Boeung Kak 1
Khan Toul Kork,
Phnom Penh, Cambodia

3 **Hong Leong Bank (Cambodia) PLC**
Olympic Branch:
No. 345, 347, and 349, Street 274
Sangkat Veal Vong, Khan 7 Makara
Phnom Penh, Cambodia

4 **Hong Leong Bank (Cambodia) PLC**
Pet Lok Sang Branch:
No. 23, Street 271
Sangkat Toeuk Thla Khan Sensok,
Phnom Penh, Cambodia

5 **Hong Leong Bank (Cambodia) PLC**
Mao Tse Toung Branch:
No. 167CD
Mao Tse Toung Blvd (St. 245)
Sangkat Toul Svay Prey 1
Khan Chamkamorn,
Phnom Penh, Cambodia

6 **Hong Leong Bank (Cambodia) PLC**
Boeung Snor Branch:
SL08 and SL09 of Polaris Shop
National Road N01
Boeung Chhouk Village
Sangkat Niroth, Khan Chbar Ampov,
Phnom Penh, Cambodia

7 **Hong Leong Bank (Cambodia) PLC**
Sensok Branch:
65 and 67, St1003, Phum Bayab,
Sangkat Phnom Penh Thmey,
Khan Sensok,
Phnom Penh, Cambodia

LABUAN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE

1 **Hong Leong Bank Berhad**
Labuan International Branch
Level 6 (G), Main Office Tower
Financial Park Labuan Complex
Jalan Merdeka
87000 Labuan F.T. Malaysia

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FORM OF PROXY

HongLeong Bank Berhad
Registration No. 193401000023 (97141-X)

I/We____

NRIC/Passport/Company No.___________________________

of ____

being a member of HONG LEONG BANK BERHAD (the "Bank"), 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 Eightieth Annual General Meeting ("Eightieth AGM") of the Bank to be held on fully virtual basis through live streaming and online remote voting from the online meeting platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657) provided by Boardroom Share Registrars Sdn Bhd on Wednesday, 27 October 2021 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 Mr Kwek Leng Hai as Director		
3.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
4.	To approve the ordinary resolution on Authority to Directors to Allot Shares		
5.	To approve the ordinary resolution on 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		

Dated this_________day of______________________2021

________________________________ ________________________________

Number of shares held Signature(s) of Member

CDS Account No. ___________________

Notes:-

1. *The Eightieth AGM of the Bank will be conducted on fully virtual basis through live streaming and online remote voting using remote participation and electronic voting facilities provided by Boardroom Share Registrars Sdn Bhd via its online meeting platform at https://meeting.boardroomlimited.my. Please refer to the Administrative Notes to members for the detailed steps on remote participation and electronic voting.*
2. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 20 October 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
3. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
4. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
5. *A proxy may but need not be a member of the Bank.*
6. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Bank 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 Bank standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
7. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 10 below).*
8. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
9. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Bank at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlfg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*
10. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of Proxies	*% of shareholdings to be represented*

11. *Pursuant to Paragraph 8.29 A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice will be put to vote by way of a poll.*

Fold this flap for sealing

Then fold here

AFFIX STAMP

The Group Company Secretary

HONG LEONG BANK BERHAD
Registration No. 193401000023 (97141-X)

Level 30, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

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Hong Leong Bank Berhad
Registration No. 193401000023 (97141-X)

Level 19, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2081 8888
Fax : 03-2081 7801

www.hlb.com.my

As part of Hong Leong Bank's support for environmental sustainability, this Annual Report is printed on Forest Stewardship Council (FSC) certified paper.