Hong Leong Bank Berhad

Annual Report 2022

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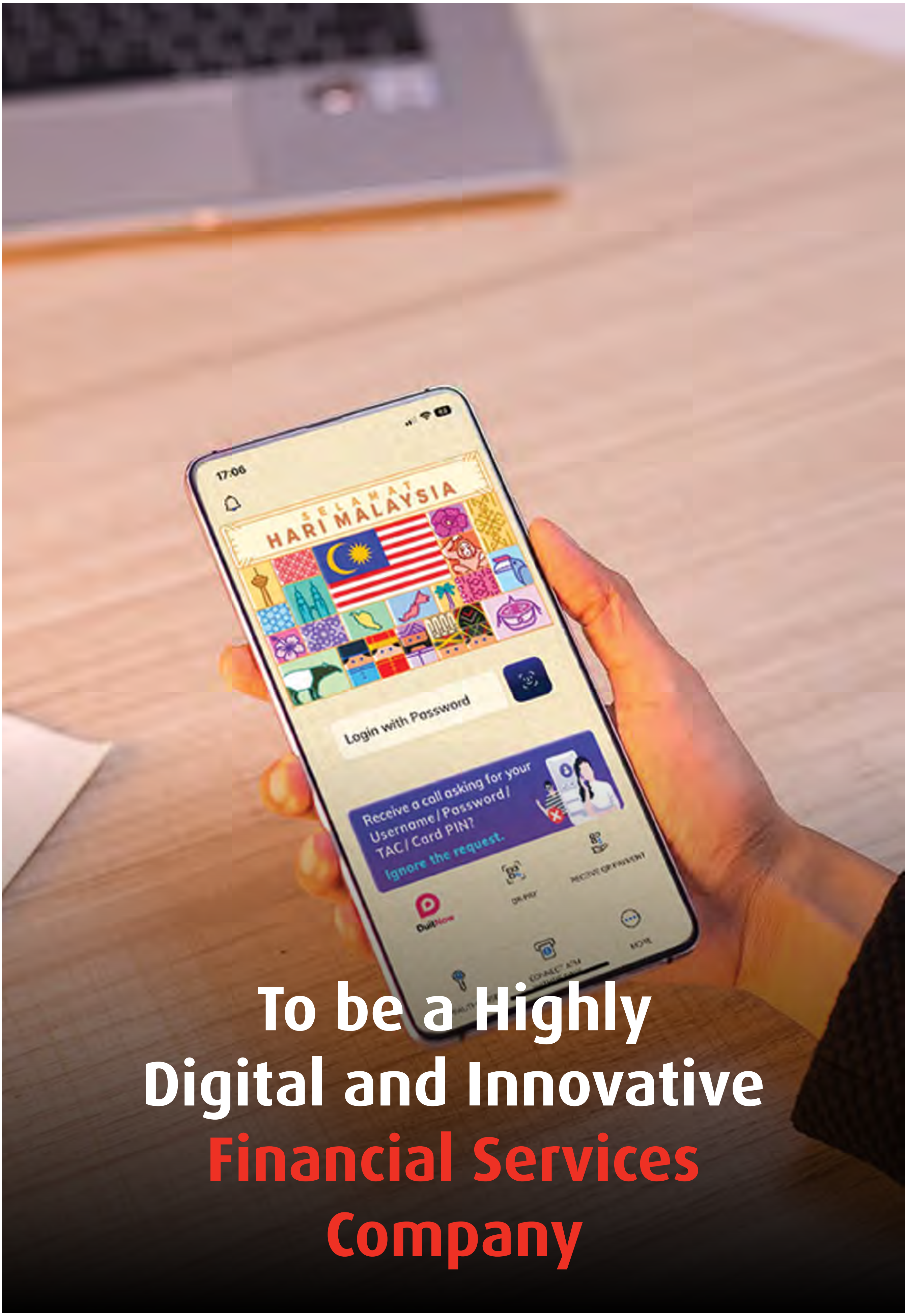


To be a Highly Digital and Innovative Financial Services Company

The Business

In the wake of another difficult year having had to contend with the evolving pandemic and the widespread floods that hit Malaysia, our sense of social purpose to serve our customers, our communities, our colleagues, and the country remains unabated. We supported our customers through a range of relief assistance programmes that included financing, rescheduling and moratorium support to help them sustain their financial standing and cope with the unfolding circumstances. As the tides turn towards a sense of renewed optimism as the economy reopened and customers returned to some normalcy, we continued to support their recovery journey and help them rebuild. As a leading financial institution in Malaysia and the region, it is incumbent on us to play a facilitative role in the economy and support its recovery and growth, focusing on long-term sustainable value creation.

With a presence spanning over 117 years stemming from entrepreneurial roots, we draw from deep insights into what our customers want. We strive to develop and tailor solutions that address gaps, leverage opportunities, and meet the various lifecycles of our customers' financial journey, all of which are anchored on our brand promise of 'Built Around You'. Our 'Digital at the Core' ethos remains at the centre of our strategy for success and is adapted ably through our 'phygital' model that offers an all-inclusive omnichannel touchpoint to cater to the various modes of customer engagement. The Bank's enhanced digital capabilities have enabled us to provide faster, seamless and more convenient products and services, allowing us to support customers at all touchpoints, at all times.

With over RM 254.3 billion in assets, Hong Leong Bank Berhad ("HLB" or "the Bank") is a leading digitally-enabled Malaysian financial institution, serving the needs of customers from all across Asia. We provide a comprehensive and integrated range of financial and related innovative solutions to serve the banking and lending needs of individuals, SMEs and corporate customers. Our strategy for success centres on our commitment to responsible financial services, upholding a customer first mentality when serving their needs, championing digital innovation and sustainability and in creating an engaged workforce - all towards building stakeholder value. We strive to build inclusive growth and sustainable community development by supporting and enabling social enterprises to create meaningful impact on marginalised and underprivileged parts of the community and empower them to thrive.

We have an extensive reach of 232 branches in Asia including one branch each in Labuan Offshore, Singapore and Hong Kong, two branches in Vietnam, and seven branches in Cambodia, as well as a full-service call centre and 1,044 self-service terminals. Customers also have the privilege of tapping on Wealth Management services which are offered at all branches throughout Malaysia and Singapore, in addition to various Priority Banking centres also in Malaysia and Singapore.

Building on our strong foundation built over a century ago, our purpose drives our intent to make a real difference to our customers and our society. We assessed our strategy regularly in light of the extraordinary circumstances to ensure that we remain steered on the right path to building resiliency, sustainability, and providing customers and our employees the relevant support. As challenging as the year has been, our business and operations remained resilient, guided by a clear strategy that values customer-centricity, innovation, keen customer insights, disciplined risk management and a strong entrepreneurial spirit. Against a rapidly changing environment, these principles will continue to be our cornerstone as we navigate the future and continue to deliver on our stakeholders' expectations.

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 loans/financing, personal loans/financing for their periodic household needs, card and payment products to facilitate everyday spending and transactions, investment and insurance solutions for wealth management and protection needs, deposit and remittance products and services to individuals and small businesses for their liquidity, savings and payment needs, as well as digital banking solutions including internet and mobile banking services.

Wealth Management

Wealth management has been expanded to providing comprehensive services through solutions tailored to our clients' individual and business needs, spanning across Malaysia and Singapore. These services are delivered by certified Wealth Advisors and an experienced network of Relationship Managers with the aim of achieving sustainable, multigenerational, multifaceted wealth progression through Investments, Insurance, Deposits and Asset Financing.

REGIONAL FOOTPRINT

In line with our growth strategy, HLB has maintained 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 employees' 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 SME/wealth management services to its customers. The Hong Kong branch soft launched its SME business in early 2021 in a very prudent manner and we started to build up good quality SME pipelines in the second quarter of 2022. 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 continue to provide treasury market solutions to our 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, SME banking, business banking, global markets and transaction banking services. With seven full-fledged branches located in Phnom Penh, HLBCAM's strategic objective for the operations in the Kingdom is towards growing with the community by supporting the local SME and Commercial/ Corporate Customers, high net worth individuals, affluent and emerging affluent as well as tech savvy young professionals in prospering their financial managements and solutions.

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.

KEY BUSINESS PILLARS ARE:

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.

Global Markets

Global Markets assists our institutional and corporate clients on their investment and hedging needs across asset classes, including Foreign Exchange, Fixed Income, Derivatives and Structured Products. On top of managing Clients' treasury requirements, Global Markets also manages the Bank's excess liquidity and risks arising from the Bank's transaction 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.

Awards & Accolades

HONG LEONG BANK BERHAD

Awards &
Accolades

Global Good Governance Award 2022

3G Best Sustainability Disclosure & Reporting Award 2022

Organised by ***Cambridge IFA***

Global Good Governance Award 2022

3G Best CSR Campaign Award 2022

Organised by ***Cambridge IFA***

LinkedIn's 2022 Top Companies

LinkedIn's 2022 Top Companies

Organised by ***LinkedIn***

Global Good Governance Award 2022

3G Leadership in Corporate Governance Award 2022

Organised by ***Cambridge IFA***

Employee Experience Awards 2022

Silver for Best First Time Manager Programme

Organised by ***Human Resources Online***

Digital CX Awards 2022

Best Customer Insights Initiative-Overall

Organised by ***The Digital Banker***

Employee Experience Awards 2022

Bronze for Best Career Development Programme

Organised by ***Human Resources Online***

Sustainable Energy Financing - Conventional Financing 2021

National Energy Awards 2021

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

HONG LEONG BANK BERHAD

CRISIL - Analysts from the only Malaysian Bank to be Recognised

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

Organised by ***CRISIL***

CRISIL - The only Malaysian Bank to be Recognised

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

Organised by ***CRISIL***

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

Environmental Finance Bond Awards

Organised by ***Environmental Finance***

LHDN - Hari Hasil Ke-26 LHDN

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

Organised by ***LHDN***

AsiaMoney Awards 2021

Best Digital Bank in Malaysia

Organised by ***Asiamoney***

Leaders for Women Survey

Leaders for Women Survey 2021 in Asia

Organised by ***Asiamoney***

The Asian Banker Transaction Finance Awards 2021

Best Cash Management in Malaysia 2021

Organised by ***The Asian Banker***

The Asian Banker Malaysia Awards 2021

The Best SME Bank in Malaysia 2021
Three Consecutive Years 2019, 2020, 2021

Organised by ***The Asian Banker***

Benchmark Award

Gold Award in The Asset ESG Corporate Awards 2021

Organised by ***The Asset***

Sustainability & CSR Awards Malaysia 2021

Company of the Year Award (Banking) for Excellence in COVID-19 Support & Community Welfare

Organised by ***CSR Malaysia***

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 117 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 RM254.3 billion in assets as at 30 June 2022, and fourth largest by market capitalisation as at the same date.

Incorporated in 1905:

Kwong Lee Mortgage and Remittance Company in Kuching, Sarawak

RM254.3 billion in assets as at 30 June 2022

LOCATIONS

HongLeong Bank

Personal Financial Services

Business & Corporate Banking

Global Markets

Islamic Banking

Technologically Focused

Customer Centred Solutions:

Built Around You

Strong Entrepreneurial Heritage

Building Sustainability Through:

- Digital at the Core
- Workforce Readiness
- Socially Responsible Business
- Environmental Management
- Community Investment

Channels

Mobile Banking

Internet Banking

Branches

Self Service Terminals

Call Centre

Relationship Managers

E-Commerce

Core Values

Here for the long-term

Innovation

Collaborate to Win

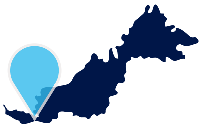
Decisiveness

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

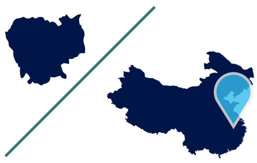
HLBVN opened its doors in Ho Chi Minh City

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

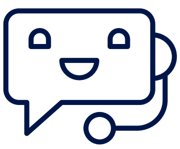
- First domestic bank to enable FPX payment allowing customers to conduct transactions 24/7 via Hong Leong Connect BIZ
- Launched Artificial Intelligence Chat Service using IBM Watson, E-TT and online statement
- Supercharged innovation through the setting up of a Customer Experience and Innovation Lab
- 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

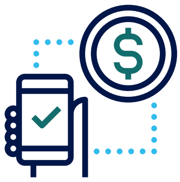
2018

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

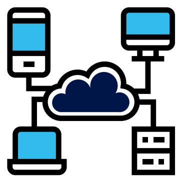
BUSINESS



- 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

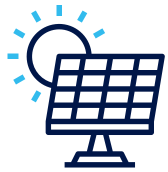
CSR/COMMUNITY

- 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

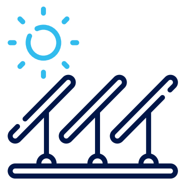
CSR/COMMUNITY

- 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

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 RM31.1million.
  - 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.
- Mentored 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. 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 were related to plastics manufacturing and renewable energy.

2022

CUSTOMERS

- Continued offering Relief Assistance for customers affected by the pandemic to help individual, SME, and corporate customers recover with strength and sustain their business for the long term.
- Provided a six-month loan, financing and credit card payment deferment for flood affected customers and, financing for working capital for SMEs and microenterprise customers.
- 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 RM129 million in FY2021 and FY2022.
- Digitised the payment relief assistance process to eliminate the need for customers to visit the branch. We have simplified the processing of applications and processed more than 194,000 requests between August 2020 and June 2022, with an acceptance rate of 94%.
- Organised the Bank's first 'Digital Business Day' to help businesses gain knowledge and access solutions to transform their businesses in the digital era.
- Launched the seventh full-fledged branch in Borey Peng Huoth Boeung Snor, Cambodia to serve the rising demand for banking and financial services for Cambodians and drive financial inclusion in the country while deepening the Bank's presence in the region.
- Supported the burgeoning SME sector through a collaboration between Hong Leong Bank Cambodia and the SME Association of Malaysia through a Memorandum of Understanding to open opportunities for both Cambodian and Malaysian SME businesses to cross collaborate and explore mutually beneficial business potential and opportunities.
- Broadened the Bank's portfolio to include Regional Wealth Management which provides solutions tailored to clients' individual and business needs spanning Malaysia and Singapore.

EMPLOYEES

- Supported employees amid the pandemic by initiating vaccine programmes targeting 100% vaccination rates amongst employees, offering financial counselling via a dedicated channel on Workday and emotional assistance through PlusVibes.
- Provided avenues for employees to give back to society by launching the HLB Employee CSR platform where employees are able to volunteer their time and effort at homes, shelters or social enterprises, or donate towards festive season meals for residents of homes, amongst others.

Corporate Milestones

INNOVATION

- Launched the fourth edition of the HLB Launchpad which seeks to support and mentor tech entrepreneurs and startups leveraging digital to develop innovative solutions for better and more sustainable business resilience.
- HL Bank Singapore launched Southeast Asia's first biodegradable debit card as part of the Bank's sustainable banking efforts, as well as to reduce the amount of single-use plastic bank cards in circulation.

ENVIRONMENTAL

- Provided business customers wanting to install small-scale solar photovoltaic ("PV") systems with easy access to sustainability-linked financing via HLB SME Solar Financing.
- Issued the first in Malaysia Green Additional Tier 1 Capital Securities of RM900 million in nominal value enabling more companies looking to advance their sustainability agenda through green financing.
- Continued tree planting initiatives through the HLB Earth Hero initiative combining financial literacy with environmental appreciation where young savers are able to pledge trees to be planted by the Bank in the Lower Kinabatangan area of Borneo. 2,500 trees have since been planted with 2,500 more pending bringing positive changes in biodiversity in the area with endangered animals repopulating the area.
- Partnered with the Malaysian Nature Society ("MNS") to restore degraded forest with approximately 50,000 mangrove trees in the Kuala Selangor Nature Park over the next three years.

SOCIAL

- Completed a 3-year socially sustainable securitisation exercise of affordable HLB and HLISB home loans and financing assets worth a total of RM300 million to CAGAMAS to meet the rising demand from investors with ESG mandates to deploy capital towards socially responsible businesses.
- Continued support for social enterprises SURI Lifestyle (SURI), and Komuniti Tukang Jahit through social procurement by engaging them to sew Baju Raya for residents of several welfare homes around the country during the Raya celebrations thereby ensuring continued earnings for the social enterprise and festive cheer for the residents of the homes.

- Continued assistance for Sarawak based Benak Raya the latest social enterprise to be onboarded onto the Bank's CSR platform known as HLB Jumpstart, to build a scalable and sustainable business through mentorship, networking as well as equipping them with business tools and skills including logistics management, digital adoption and strengthening brand awareness through marketing, amongst others.
- Rolled out the HLB DuitSmart Financial Literacy Workshop initiative as financial literacy is a crucial life skill which not many Malaysians learn in universities and schools, impacting a total of 847 students, with many more workshops in the pipeline.
- Mobilised a donation drive for essentials such as food, cleaning items, clothing, sanitary items, baby formula and pet food for Hong Leong Foundation's initiative in flood-stricken areas in Dusun Tua, Hulu Langat, Taman Sri Muda, Shah Alam, Kg Tengah, Puchong and Mentakab, Pahang and provided humanitarian support with MERCY Malaysia through funding during the devastating floods that impacted over 27,000 people in Johor, Terengganu, Pahang, Perak and Kelantan in addition to donating RM55,368 to them to help communities impacted by the COVID-19 pandemic.

- Contributed RM34,650 to the Financial Industry Collective Outreach Programme ("FINCO") initiative where cash was distributed to 77 students to support their family's grocery needs for three months and channelled RM400,000 from HLB's Malaysia Day marketing budget to provide school meals for impoverished students when certain schools faced food supply issues due to the floods and the pandemic.
- Contributed RM30,000 to UCSI University's COVID-19 Vaccination programme to cover operational costs, i.e., meals and allowances for unemployed volunteers while HLB employees donated 74.3 tonnes of food aid to 219 schools nationwide, helping 4,952 deserving students and their families and raised RM90,000 towards 1.8 tonnes of food for eight soup kitchens feeding over 9,000 destitute individuals.

Chairman's Statement

A Commitment to Enhancing Value For All

The year under review proved to be challenging for the nation due to the cumulative effects of the prolonged pandemic and the devastating floods that affected various parts of the country. Despite this, Hong Leong Bank ("HLB" or "Bank") persevered in prioritising the needs of our customers, many of whom were still in their post-pandemic recovery journeys, while delivering a satisfactory set of results for our stakeholders.

The business proved itself capable of navigating the challenges, delivering a commendable performance in the 2022 Financial Year ("FY2022"). Our disciplined approach in implementing growth strategies, managing asset quality and keeping a tight rein on cost produced a 15.0% year-on-year ("y-o-y") improvement in net profit to RM3.3 billion (excluding one-off tax provision for Cukai Makmur, the y-o-y growth would have been 25.8%). Total assets also increased and now stand at RM254.3 billion, a 7.3% y-o-y improvement.

I am pleased that besides the resilient financial performance, HLB continued to successfully leverage digital innovation to deliver a sustainable business model that also met the needs of our customers. The steady investments we have made in driving digital

transformation initiatives over the years has created value not only for our customers, but for all stakeholders.

While Malaysia's economic recovery outlook appears to be positive, there remains some downside risks due to rising inflation, geopolitical tension, supply chain disruption and the increased pace of monetary policy tightening. These are new set of macroeconomic risks that while expected, will affect the nation and will require HLB to be proactive in managing its effects on the business and our customers. Nevertheless, we remain wholly committed in supporting our customers and assisting them through any difficulties that may lie ahead.

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 2022.

ECONOMIC LANDSCAPE

The Malaysian economy continued to display resilience as it strived to recover from the COVID-19 pandemic in FY2022. The economy expanded by 3.5% quarter-on-quarter ("q-o-q") in the second quarter of 2022, extending the growth streak from the 3.8% growth recorded in the first quarter of 2022. On a y-o-y basis, the economy accelerated to expand by 8.9% in the second quarter of 2022, a commendable pick-up from the 5.0% growth in the first quarter of 2022. Lagging economic indicators, such as retail sales, industrial production and external trade, recorded positive trajectories, reaffirming the view that the economy is recovering in line with the country's move to the endemic phase of the pandemic on 1 April 2022.

The continuous improvement in the domestic employment situation, alongside government policy, is expected to support local spending at the wholesale and retail levels. Better employment prospects, higher income, together with government assistance bodes well for the overall consumption outlook with more companies reopening their offices and consumers returning to physical shopping and dine-in. The reopening of Malaysia's borders has also helped to boost the tourism sector that suffered significantly during the pandemic period.

However, challenges remain as we navigate what will be a tricky recovery characterised by macroeconomic and geopolitical risks. The broad consumer experience has been that of higher inflation, now exacerbated by the Russia-Ukraine conflict that has impacted supply chains, food security and the cost of raw materials and commodities. The surge in global oil prices and energy costs

TOTAL ASSETS

RM254.3 billion — **+7.3%**

GROSS LOANS AND FINANCING

RM168.2 billion — **+8.0%**

EARNINGS PER SHARE

160.6 sen — **+14.9%**

due to the conflict has been the main cost increase experienced by households across the world although domestically, consumers have been shielded from this by government subsidies. We will also need to navigate through the challenges that higher interest rates globally will bring to consumers and business as cost of credit goes up and liquidity is likely to tighten as quantity easing is reversed in the western economies.

DELIVERING HEALTHY AND SUSTAINABLE RETURNS

During the year under review, the Bank continued to build on its past years' performance, delivering an improvement in profits and other key metrics, underpinned by growth in loan and financing assets and our commitment to maintaining robust asset quality.

As a result, gross loans and financing saw a healthy 8.0% y-o-y increase to RM168.2 billion in FY2022. The growth in loans and financing was largely driven by increased business activities in the key segments of mortgages, SME and commercial banking. Customer deposits in FY2022 grew by 7.6% y-o-y to RM197.3 billion. Meanwhile, the Bank's gross impaired loan ratio ("GIL") remained solid at 0.49%.

Following the improvements in these key metrics, the Bank's earnings per share ("EPS") for FY2022 was 160.6 sen, an increase of 20.9 sen or 14.9% y-o-y, while our return on equity ("ROE") improved to 10.9%.

Our share price performed resiliently and closed at RM20.46 for FY2022, a 9.3% y-o-y improvement from FY2021, with share price appreciation over five years outperforming both the FBM KLCI index and KLFIN index by 48.8% and 35.3%, respectively.

Thus, for FY2022, the Board has declared a final dividend of 37.0 sen per share, bringing the total dividend for FY2022 to 55.0 sen per share, with a dividend payout ratio of 35%.

ISLAMIC BANKING PERFORMANCE

Malaysia continues to extend its global leadership position in Islamic finance, with total Islamic banking assets in 2021 expanding by 8.5% y-o-y, driven by its dynamic and resilient Islamic finance ecosystem. During the year under review, Islamic banks maintained sound funding and liquidity positions, with robust provisions in place to mitigate any potential credit deterioration. Capitalisation across the industry remained sturdy, affording sufficient loss absorption buffers against credit headwinds.

Amid an ever-evolving economic and social environment, efforts by Islamic banks remained anchored on their aspiration of realising a vision of economic growth that is balanced, progressive, sustainable and inclusive. Hong Leong Islamic Bank ("HLISB") drives its business by building upon these values to digitalise and simplify customers' experiences, availing innovative Islamic financial solutions and broadening access to include those beyond the Muslim community. In FY2022, HLISB delivered encouraging asset and deposit growth of 14.4% and 10.3% respectively, while profit before zakat and taxation was recorded at RM438.5 million as compared to RM524.4 million in the preceding year, impacted by higher provisions during the year.

HLISB adapted successfully in capturing new growth opportunities to deliver sustainable outcomes to our stakeholders. Aligned with the Bank's Environment, Social and Governance ("ESG") efforts, HLISB placed greater emphasis on promoting and integrating value-based intermediation ("VBI") and sustainability considerations across its banking practices. Besides embedding more ESG considerations into future business moving forward, HLISB will advocate for the adoption of value-based finance and mainstreaming financial inclusion in its Islamic banking agenda. During what was yet another challenging year for our customers, HLISB remained vigilant and responsive to their needs to ensure that they received the support needed in a timely manner.

REGIONAL PERFORMANCE

In the year under review, most regional economies moved to endemic positions in their approach to COVID-19, with many reopening their borders and economies towards the later part of FY2022. Besides helping to boost their tourism economies, the reopening of borders facilitated greater business and investment activities that were beneficial for our franchises and the Bank. While it was generally a challenging year, we remained committed to helping our customers and communities who were still recovering from the effects of the pandemic.

The Bank's regional business continued to generate meaningful returns for HLB with a 26.1% contribution to the Bank's pre-tax profit in FY2022. Robust loan growth was seen in Singapore, Vietnam and Cambodia on the back of the ongoing economic recovery, while our associates in China contributed meaningfully to the profits recorded by our international operations.

HL Bank Singapore ("HLBS") represents our Singapore operations and is a strategic franchise located in one of Asia's top financial hubs. In FY2022, total income recorded was RM187.4 million and gross loans grew by RM1.4 billion to close at RM7.6 billion. HLBS is a fully licensed bank with a single branch offering niche products to selected segments in Business and Commercial Banking ("BCB"), Private Wealth Management ("PWM") and Personal Financial Services ("PFS"). BCB serves established small and medium enterprises in Singapore with regional trade activities while PWM advises high-net-worth businessmen on their investment and wealth preservation needs. PFS focuses on the Auto Finance segment and has recently branched out to Personal Banking in the mass affluent segment. Looking ahead, HLBS is charging forward with digital transformation across all its businesses and actively engaging with the communities it serve to deliver better customer journeys.

Hong Leong Bank Vietnam Ltd ("HLBVN") further improved on its strong balance sheet growth momentum in FY2022 with loans growing by 39.3% y-o-y to RM1.7 billion and deposits increasing by 22.8% y-o-y to RM1.3 billion. Cost-to-income ratio ("CIR") improved significantly, turning the franchise profitable for the financial year. After launching a variety of new products, services and enhancements for retail customers in 2021, HLBVN is now working on enhancing its digital banking platform for business and corporate customers.

In Cambodia, Hong Leong Bank (Cambodia) PLC ("HLBCAM") delivered robust growth in its loan portfolio and deposits, which expanded 32.0% y-o-y to RM2.5 billion and 23.6% y-o-y to RM2.1 billion respectively. This growth momentum, achieved despite the challenges of the pandemic, propelled its total assets to RM3.6 billion as at the end of FY2022, representing a 28.1% y-o-y growth. To sustain its momentum, HLBCAM will remain focused on digitalisation and continuous optimisation of its facilities and processes to enhance the banking journey of customers.

Our associate in China, the Bank of Chengdu ("BOCD"), a city commercial bank in Sichuan Province listed on the Shanghai Stock Exchange, produced a strong performance among the leading listed banks of China and contributed RM1.0 billion to our bottom line. BOCD's operations were relatively unaffected by the disruptions from the COVID outbreaks in China as Sichuan Province implemented effective epidemic prevention and control measures with minimal work disruptions as BOCD continued to maintain its strong business growth momentum.

STEPPING UP WHEN IT MATTERS MOST, BUILDING RESILIENCE FOR THE FUTURE

In the year under review, we witnessed the nation grapple with the twin challenges of the ongoing pandemic and the devastating floods that struck in December 2021, causing billions of ringgit worth of economic damage. The Bank stepped up to provide timely and relevant assistance to both customers and communities as we sought to do our part to help them navigate these extraordinary times. We supported individuals and businesses affected by the floods with a range of our own relief assistance programmes while also facilitating government-initiated programmes.

HONG LEONG BANK SINGAPORE GROSS LOAN

RM7.6 billion **+23.2%**

HONG LEONG BANK VIETNAM GROSS LOAN

RM1.7 billion **+39.3%**

HONG LEONG BANK CAMBODIA GROSS LOAN

RM2.5 billion **+32.0%**

Chairman's Statement

The country transitioned to the endemic phase on 1 April 2022, signalling that most of the major risks surrounding the pandemic, such as the lockdowns, are behind us. As such, the Bank's sights are now set on playing our part in helping the nation's economy return to its pre-pandemic strength. This will be a collective task for all Malaysians, and a challenging one, given the multiple headwinds in the post-pandemic period such as inflation, labour shortages, geopolitical uncertainties and supply chain disruptions.

Based on all that we have learned during the pandemic, there is no doubt that digitalisation has played a crucial role in reducing the disruptions to business. It is expected to remain an important enabler in the post-pandemic future as corporations look to build more resilient and sustainable business models.

At HLB, we are well positioned to assist our customers in meeting their personal and business financial aspirations. Over the past 12 months, and guided by our "Digital at the Core" strategy, the Bank has made significant strides. We have relentlessly innovated and created new features and optimised existing capabilities in the pursuit of providing customers with a simple and seamless experience.

Driven by our "Built Around You" brand promise, we view our customers as important partners in the development of new tools and services to serve their needs. It is through their insights that we are able to enhance and refine our suite of digital capabilities to provide customers with banking experiences that are simple, reliable and easy to use. Today in Malaysia, 2.3 million out of 3.5 million HLB customers are digital customers, and 91% of all banking transactions are conducted via the internet and mobile banking platforms.

We have made significant progress in our sustainability journey. Addressing climate change and financial inclusivity has been a priority, and we have further integrated our ambition of, and commitment to, accelerating the transition to a low carbon economy and sustainable future. This includes our strategy to expand green financing and funding, as demonstrated by our maiden issuance of green bond and socially sustainable securitisation. We will continue to develop initiatives that reflect our "Built Around You" brand promise that also complements the further integration of social and environmental considerations into our offerings, policies and decision-making.

HLB has stepped up time and time again to support our customers and communities based on the principles of sustainability and social responsibility that we strongly adhere to. For us, this encompasses strengthening business resilience and facilitating the socio-economic development of the communities we operate in to drive sustainable economic growth. This is all the more essential now, given the challenging events of the past few years. In line with our core values of entrepreneurship and social responsibility, we have been assisting social enterprises that are able to make a positive social and environmental impact on the wider society. We enhance their business resiliency needs by providing the financial capability skills and knowledge empowerment needed to thrive in a post-pandemic environment.

COMMITMENT TO GOOD GOVERNANCE PRACTICES

HLB is committed to maintaining sound and effective governance practices predicated on a solid foundation of integrity and responsible business conduct. As such, the Board and management have put in place an effective framework of internal controls and good risk management practices, implemented through the Board Audit Committee ("BAC"), Board Risk Management Committee ("BRMC"), Risk and Compliance Governance Committee ("RCGC") and Financial Crime Governance Committee ("FCGC"). This framework supports our dynamic approach to governance, which ensures that appropriate checks and balances are in place to enable the Bank to successfully manage uncertainties in an ever-evolving operating landscape.

In the year under review, the Bank implemented multiple initiatives to ensure that a strong compliance culture prevails throughout the Bank. One of the ways in which we strive to embed this is through the Compliance and Financial Crime Compliance Academy ("Academy"). We continued to enhance this platform, ensuring the learning modules were kept up-to-date and reflects current developments to ensure relevance, applicability and to maximise retention of knowledge.

HLB has zero tolerance for bribery and corruption and is aided in this endeavour by oversight from the Board and management through the BAC, BRMC and RCGC. The Bank further affirms this position through its Anti-Bribery and Corruption Compliance Programme that ensures effective management and mitigation of bribery and corruption risks in accordance with the Bank's policy.

In addition, HLB recognises our role as gatekeeper of the financial system against illicit activities such as money laundering, terrorist financing and proliferation financing. We actively monitor regulatory developments and assess their impact on internal policies, processes and procedures. As a proactive measure, the Bank enhanced its automation of transaction monitoring and implemented digital customer onboarding solutions by leveraging technology to strengthen our capabilities in detection, monitoring and reporting of potentially suspicious activities. The system has not only strengthened our surveillance capabilities, but has also streamlined processes, enabling us to serve customers faster and thereby improving the customer experience.

OUTLOOK

In the year ahead, inflation and higher interest rates are expected to dominate the global and domestic landscapes in line with the new set of uncertainties generated by geo-political uncertainties. Central banks around the world are expected to normalise and tighten monetary policy to tamp down inflation amid high energy and food prices. Consequently, advanced economies like the United States and the United Kingdom are bracing themselves for a recession should businesses and households limit their spending drastically.

Given the openness of the Malaysian economy, it remains susceptible to such global developments and external shocks, especially if this involves its major trading partners. Although exports growth is expected to be muted amid prospects of slower global growth, the continued recovery in domestic consumption and domestic investments will underpin expansion in the Malaysian economy.

As we move along the endemic phase of the pandemic, we are cognisant that there remain customers who are still rebuilding and recovering, with some likely to be affected by the forthcoming set of economic challenges. In this context, the Bank is fully committed to supporting and meeting the needs of our customers through our customer-centric approach and wide range of purpose-built innovative offerings.

ACKNOWLEDGEMENTS

I would like to extend my thanks and gratitude to my fellow Board members for their insights, guidance and support throughout the years. I would also like to acknowledge our customers, business partners, investors and shareholders for your continued loyalty and support which has enabled us to bring the Bank to greater heights.

To our dedicated employees, I truly appreciate all of your efforts in delivering yet another excellent performance for the Bank, while our senior management team must also be recognised for successfully navigating the year's challenges.

Last but not least, I would like to express my gratitude to Bank Negara Malaysia, the Ministry of Finance, regulatory authorities and government agencies for their assistance. As we start the next financial year, let us begin with renewed vigour and commitment to meet our goals and aspirations.

QUEK LENG CHAN
Chairman

20 September 2022

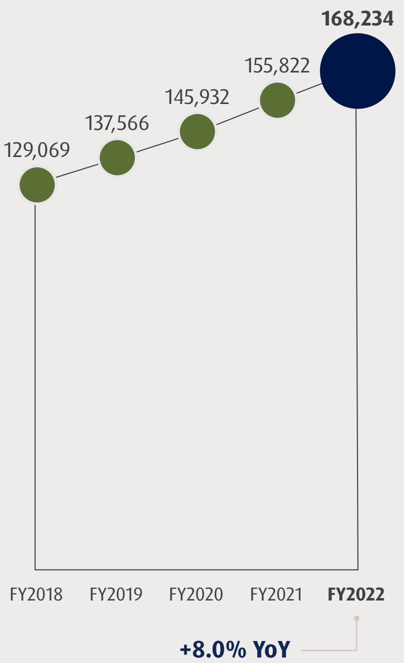
Five Year Financial Highlights

Group	FY2018 RM'million	FY2019 RM'million	FY2020 RM'million	FY2021 RM'million	FY2022 RM'million
Total Assets	202,891	207,369	221,278	237,129	**254,331**
Gross Loans, Advances and Financing	129,069	137,566	145,932	155,822	**168,234**
Customer Deposits	157,414	163,070	173,493	183,290	**197,292**
Shareholders' Fund	23,892	25,474	27,234	29,459	**30,989**
Profit Before Tax	3,246	3,186	2,989	3,471	**4,367**
Profit After Tax	2,638	2,665	2,495	2,861	**3,289**
Earnings per share (sen)	129	130	122	140	**161**
Net dividend per share (sen)	48.0	50.0	36.0	50.0	**55.0**
Dividend payout ratio	37.2%	38.4%	29.5%	35.8%	**34.7%**

Gross Loans, Advances and Financing

Continued growth momentum led by expansion in mortgages, SME and business banking

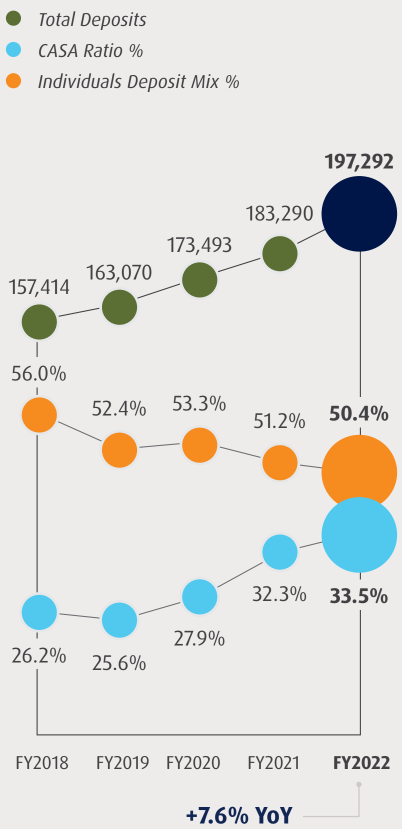
RM'Million



Deposits from Customers

Strong growth driven by CASA expansion in both retail and business

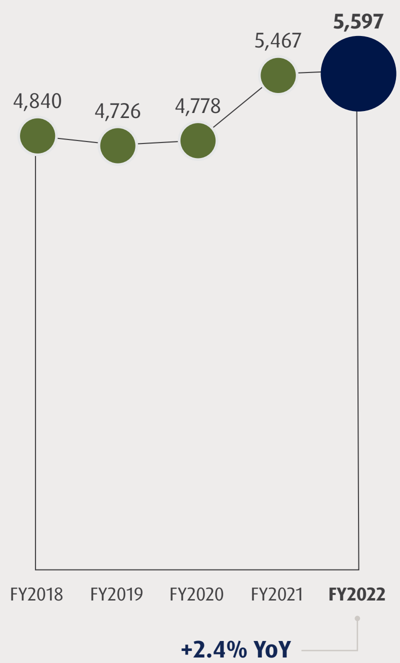
RM'Million



Total Income

Reasonable topline performance supported by expansion in loan/financing and prudent asset-liability management

RM'Million



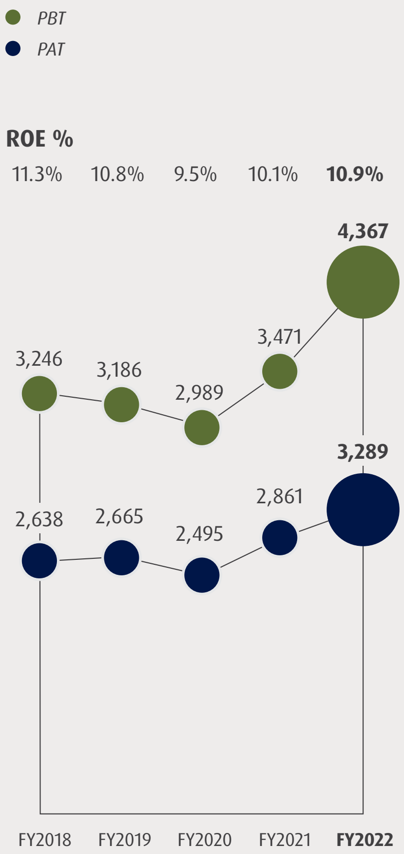
Five Year Financial Highlights

Bank	FY2018 RM'million	FY2019 RM'million	FY2020 RM'million	FY2021 RM'million	FY2022 RM'million
Total Assets	169,111	169,461	177,707	188,434	**198,130**
Gross Loans, Advances and Financing	105,079	109,943	113,745	120,402	**128,054**
Customer Deposits	129,583	131,397	137,633	144,357	**155,007**
Shareholders' Fund	19,263	20,125	20,985	21,999	**22,399**
Profit Before Tax	2,518	2,386	2,075	2,404	**3,196**
Profit After Tax	1,972	1,927	1,654	1,868	**2,212**

Profitability

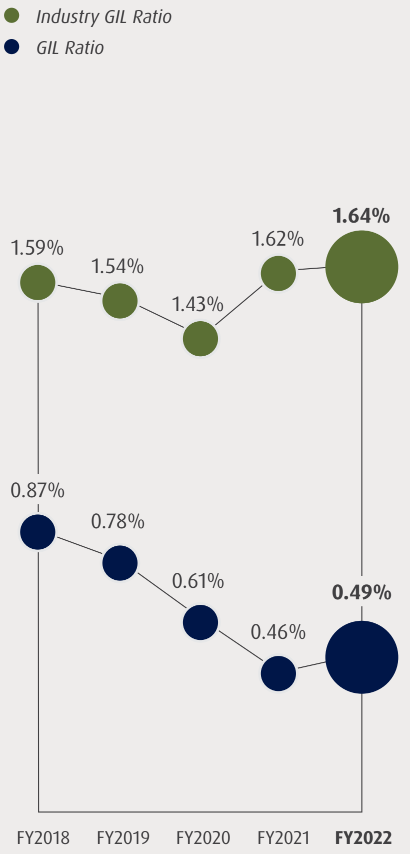
Healthy profitability in line with the economic recovery traction

RM'Million



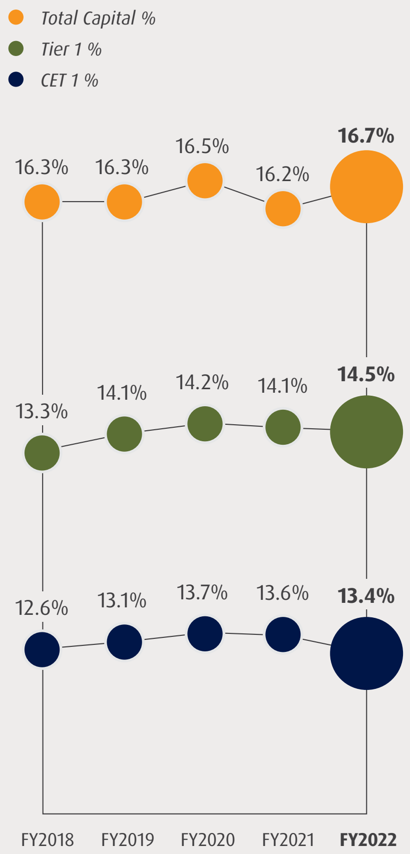
Asset Quality

Solid asset quality with a stable GIL ratio and sufficient loan impairment coverage



Capital Ratios

Healthy capital positions which are supportive of future business expansion



Group Managing Director/ Chief Executive Officer's Review

Dear Shareholders, Customers and Business Partners

The Bank delivered a commendable set of results in FY2022, in line with the improvements in economic activity that rebounded as the nation progressively moved away from the COVID-19 various degrees of restrictions movements transitioning to endemicity.

The phased transitions provided a measured and orderly return to normalcy, with domestic private consumption and external demand inching closer to pre-pandemic levels coupled with the borders reopening boosting investment and tourism activities. The improving business environment in FY2022 enabled the Bank to report a stronger business performance underpinned by robust loan/financing growth while maintaining solid asset quality and healthy capital and liquidity positions.

Throughout the year, we remained resolute in helping our customers navigate their recovery journeys through a range of HLB and government financial assistance programmes. In December 2021, our customers met further difficulties when devastating floods struck the nation, which caused substantial damages, severely affecting lives and livelihoods. We were steadfast in extending assistance to customers,

swiftly rolling out various payment deferment programmes for all affected customers.

While the narratives surrounding the economic recovery have been positive, macroeconomic headwinds started developing at the start of calendar year 2022, such as heightened inflation and geopolitical tensions disrupted the global supply chain, and are continuing to impact the global recovery momentum. Nevertheless, we will remain agile in navigating these uncertainties and being a pillar of strength for our customers. Ringing true to our brand promise of "Built Around You", we are highly committed to financial products and services where customer centricity is our main priority.

Financial inclusion also drives our digital ambitions, as we pride ourselves on how we are positively impacting the financial services industry to deliver a Digital Human Experience to our customers. Our overall objective is to make banking simple, seamless and accessible to all, across the end-to-end customer lifecycle. Our "Digital at the Core" ethos enabled us to help our customers through some of their most challenging times, especially during the height of the COVID-19 pandemic. Even as the country transitions into the endemic phase, we continue to enhance and intensify our initiatives to ensure our products and services are constantly improved and innovated to deliver the best-in-class banking experience.

This year, we saw our retail internet and mobile banking customer base grow by 13% and 19%, with average monthly financial transactions increased by 28% and 43%, respectively. With economic activities picking up, this corresponded to strong growth in our business digital banking adoption. Our business mobile banking customer base grew by 284% y-o-y and our business internet banking customer base grew by 13% y-o-y. Encouragingly, 91% of all banking transactions today are conducted via the internet and mobile banking platforms across the Bank.

Internally, our initiatives are aimed at making the work of our employees easier, faster and more convenient, enabling them to move on to greater value-added activities. In FY2022, we approached this from an operational perspective, by digitalising our onboarding back-end processes, to simplify due diligence conducted on business customers opening an account with us. In retail banking, the digital onboarding of customers on Apply@HLB has saved branch employees time spent on opening accounts and freed them up to advise customers on how to make their finances work harder for them.

Stepping back, the pandemic has certainly redefined the way we operate, with the hybrid environment of physical and remote working practices largely becoming the norm. In adapting to this, our employees have been aided by a suite of productivity tools such as Google Workspace that we introduced before and throughout the pandemic. The management of our human capital has also gone online with the cloud-based HR solution, Workday, being instrumental in talent management and HR administration across the Bank.

ECONOMIC LANDSCAPE

Just as the world began emerging from the prolonged and damaging effects of the COVID-19 pandemic, the outbreak of war between Russia and Ukraine in February 2022 added further uncertainty to global economic recovery. The war caused energy prices to spiral upwards and created shortages of key commodities that Russia and Ukraine are major suppliers of such as crude oil, natural gas, wheat, sunflower oil and critical materials for the manufacturing sector. This created an unprecedented mismatch between demand and supply, leading to an acute shortage of raw materials, aggravating inflation that was already on the rise due to pent-up demand from economies fully reopening. Coupled with surging crude oil prices that rose by 50% between July 2021 and June 2022, inflation has risen to all-time highs in many advanced economies.

The initial concerns over stagflation have now slowly evolved into fears of recession as central banks worldwide accelerated the tightening of interest rates to contain inflation. The decline in global equity prices since the start of 2022 has also eroded household wealth and consumers are turning more cautious when it comes to personal consumption and spending. Although wage growth continues to pick up in many economies attributable to the tightening of labour markets, the magnitude of wage increases may not mitigate the red-hot inflation rates especially in the Western economies. Amid this scenario, consumers and businesses alike have become increasingly less optimistic about future growth, personal finances and the business outlook.

Domestically, government subsidies and fiscal relief in the form of cash transfers have helped to mitigate the overall impact of inflation, although it is being keenly felt at the retail level. The Consumer Price Index ("CPI") hit 2.8% in May, with food and transport contributing to the rise. In response, Bank Negara Malaysia adjusted the key Overnight Policy Rate by 25 bps upwards in both May 2022 and July 2022 to 2.25%, in a bid to keep up with tighter global monetary conditions and contain inflationary pressures at home.

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 2022.

OPERATING PERFORMANCE

For FY2022, the Bank achieved total income of RM5,597 million, a 2.4% y-o-y increase, while net profit after tax increased to a record RM3,289 million, which was 15.0% higher than the previous year (excluding one-off tax provision for Cukai Makmur, the y-o-y growth would have been 25.8%). This achievement was a result of solid loan/financing growth, tight cost control, lower loan/financing impairment allowances and robust contributions from our overseas operations and our associates. The Business & Corporate Banking and Markets/Treasury businesses contributed about 33.9% of the Bank's profit before tax for FY2022, while the Personal Financial Services business (including wealth management) played a key role in supporting our overall performance with a profit before tax contribution of 35.0%.

Net interest income was higher at 7.2% y-o-y to RM4,618 million, recording a net interest margin ("NIM") of 2.14% for FY2022. The increase in net interest income was led by expansion in the loan/financing portfolio across all key segments and our continuous efforts in optimising funding costs.

COST-TO-INCOME RATIO IMPROVED TO

37.5%

NET PROFIT AFTER TAX

RM3,289
million

+15.0%

Non-interest income for FY2022 was lower at RM979 million with a non-interest income ratio of 17.5%, mostly due to lower disposal gains of investment securities and other global markets activities. However, this was alleviated by a stronger income stream from wealth management and credit card fees as consumer sentiment improved, coupled with the recovery in retail spending activities.

Operating expenses were tightly managed, ending the year at RM2,098 million, which led to a lower cost-to-income ratio of 37.5%, bettering the 38.0% achieved in FY2021. Consequently, operating profit before allowances for FY2022 improved by 3.2% y-o-y to RM3,499 million.

Gross loans, advances and financing continued to grow at a healthy pace, ending 8.0% higher y-o-y at RM168.2 billion, led by expansion in our key portfolios of residential mortgages, Small and Medium Enterprises ("SME") and Commercial Banking.

Domestic loans/financing outpaced the industry once again in FY2022, recording growth of 6.7% y-o-y. Residential mortgages grew by 6.8% y-o-y to reach RM82.4 billion, while transport vehicle loans expanded by 5.3% y-o-y to RM17.7 billion in line with higher automotive vehicle sales as a result of the government's vehicle sales tax exemption.

Domestic loans to business enterprises expanded by 13.3% y-o-y to RM55.2 billion while the SME loan/financing portfolio grew 15.7% y-o-y to RM30.1 billion. The Bank's community banking initiative within the SME segment sustained its growth momentum, achieving 17.0% y-o-y growth, attributed to our strong commitment in deploying new technologies and innovation to continuously provide our customers a seamless banking experience.

The Bank's fundamentals in FY2022 remained sound, backed by our stable liquidity and capital base, with loan-to-deposit ratio ("LDR") at 83.5% and liquidity coverage ratio ("LCR") at 145.2%.

Customer deposits increased by 7.6% y-o-y in FY2022 to RM197.3 billion. Leveraging the Bank's cash management solutions, CASA grew 11.5% y-o-y to RM66.1 billion, which improved the CASA ratio to 33.5% from 32.3% a year ago. The Bank's funding base remained stable, bolstered by an established individual deposit portfolio that grew 6.0% y-o-y to RM99.4 billion, representing an industry leading individual deposit mix of 50.4%.

The Bank remained disciplined in maintaining its asset quality positions, recording a commendable GIL ratio of 0.49% in FY2022. The Bank's loan impairment coverage ("LIC") ratio stood high at 211.8%. Inclusive of the value of securities we hold on our GIL, the Bank's LIC ratio is positioned comfortably at 281.8%. The Bank's capital position is also healthy and supportive of future growth with CET 1, Tier 1 and Total Capital ratios at 13.4%, 14.5% and 16.7%, respectively.

DELIVERING INDUSTRY-LEADING EXCELLENCE

HLB remains committed to building solutions around the needs of our customers and communities, which deliver on our "Built Around You" brand proposition and fulfil our ambition of enabling a more connected and digitally enabled ecosystem. In the year under review, we continued to receive a multitude of awards and accolades, distinguishing us as a bank that clearly listens to our customers, employees and communities while upholding best practices in sustainability and governance. These awards paid tribute to the forward-thinking and progressive mindset of our people, who are dedicated to creating value across all of the Bank's business lines and touchpoints.

In the year under review, we were once again recognised for our strong and consistent support of Malaysia's SME sector. Our best-in-class banking and innovative payment and collection solutions were recognised as apt solutions befitting the needs and requirements of our customers. Consequently, in 2022 we were awarded the Best SME Bank in Malaysia award by The Asian Banker, one of the most distinguished international awards in the financial services industry, for the fourth consecutive year. The Asian Banker Transaction Finance Awards 2021 also conferred us with the Best Cash Management in Malaysia 2021 award. We have also recently been awarded The Best SME Bank Malaysia 2022 by Asian Banking and Finance ("ABF").

In line with our "Digital at the Core" strategy, efforts to strengthen and innovate within the banking ecosystem and provide customers with the convenience of omnichannel access to banking services have earned us two prestigious awards for being the Best Digital Bank in Malaysia from Asiamoney and The Digital Banker, respectively. Our ability to continuously meet the needs of our customers in this regard lies within our commitment to obtain deep customer insights and to always keep our finger on the pulse of customer expectations. For this, too, we were recognised by the Digital Banker and named as the overall winner of the Digital CX Awards Best Customer Insights Initiative.

Throughout the pandemic, we doubled our efforts to assist our customers, cognisant of the difficulties they were experiencing. We helped thousands through our robust Payment Relief Assistance Plans ("PRAP") for customers and our community support programmes, swiftly delivering financial assistance as and when needed. These efforts earned us the Company of the Year Award (Banking) for Excellence in COVID-19 Support & Community Welfare at the Sustainability & CSR Awards Malaysia 2021.

As a bank that is committed to upholding high standards of corporate governance, sustainability and customer-centricity, we are humbled to receive acknowledgement for our efforts in fostering trust and confidence among our stakeholders and customers. We are pleased to have garnered the Gold Award at The Asset ESG Corporate Awards 2021: Benchmark Award and were highly commended

Group Managing Director/Chief Executive Officer's Review

in the Sustainable Business Awards Malaysia 2020/21. Meanwhile, the Global Good Governance ("3G") Awards 2022-Cambridge IFA conferred us with three awards, which were the 3G Leadership in Corporate Governance Award 2022, 3G Best CSR Campaign Award 2022 and 3G Best Sustainability Disclosure & Reporting Award 2022.

For our endeavours in the environmental, social and governance ("ESG") space, the renowned *Environmental Finance* publication recognised our efforts in forging sustainable finance innovation. The Environmental Finance Bond Award for the Asset-backed/asset-based/covered sustainability bond of 2021 recognised the Bank's groundbreaking social sustainable securitisation worth RM300 million for national mortgage broker Cagamas Berhad.

It goes without saying that an organisation is only as good as its people. It is our people who have helped us to deliver on our strategies, which in turn have helped meet the needs of our customers. It is therefore only natural that we support and enable our employees to develop to their greatest potential and provide a conducive platform where a diverse and engaged workforce can thrive.

Our efforts in this respect earned us numerous accolades at the HR Excellence Awards 2021. These included the Excellence in Retention Strategy Gold Award, Excellence in Talent Management Gold Award, Excellence in HR Innovation Silver Award and Excellence in Corporate Wellness Bronze Award. At the Employee Experience Awards 2022, we won Silver for the Best First Time Manager Programme and Bronze for the Best Career Development Programme. Our commitment to advancing an inclusive workplace was also recognised when we were conferred the Leaders for Women 2021 award by Asiamoney for encouraging the career development of women in the workplace. In addition, HLB was ranked 14th in LinkedIn's 2022 Top Companies.

STRATEGIC PRIORITIES

HLB's main strategic priorities over the past five years have set us down a path that committed us to an unrelenting focus on our customers, which leveraged digitalisation and technology to deliver convenient, frictionless and effective products and services. The pandemic and how it subsequently unfolded proved that we were right in pursuing this course of action, as we witnessed first-hand how we became closer to our customers even when it was physically impossible to serve them. Our investments in the relevant infrastructure enabled us to withstand this transition with little difficulty and, better yet, allowed us to capture the opportunities presented in the convergence of physical and digital banking.

We are well positioned to continue to deliver relevant products and services, anticipating a new set of challenges and customer expectations as we move into the post-pandemic era. HLB is confident that the strength of our digital transformation guided by our "Digital at the Core" ethos, will enable us to transform customer journeys, drive greater financial inclusion and build world-class digital capabilities. Furthermore, **our efforts in this context are aligned with Bank Negara Malaysia's recently launched Financial Sector Blueprint 2022-2026**, which outlines the central bank's key priorities for the next five years. Its three broad themes include financial inclusion, building a deeper and more vibrant financial landscape and promoting sustainable development objectives, which are all important priorities for HLB as well.

Over and above this, HLB is pushing forward with its sustainability journey and have committed to help mitigate climate change and offset our own operations environmental impact. In the year under review, we stepped up to address climate change risks by setting our net zero Scope 1, 2 and 3 emissions target to be achieved over the medium to long term. Besides implementing robust energy-saving measures, we have pioneered the first ever carbon offsetting initiative via our mangrove rehabilitation and conservation project where HLB will plant 50,000 new mangrove trees in the Kuala Selangor Nature Park. In addition, we spent FY2022 incrementally improving our internal ESG practices while broadening engagement with our customers and business partners to ensure that we collectively start actioning appropriate sustainability values and practices so that we can achieve the goals we have set for our operations and businesses.

1 COMMITTED TO THE NEEDS OF OUR CUSTOMERS

As a financial institution rooted in customer-centricity and dedicated to service excellence, we prioritised the needs of our customers during what was yet another challenging year. Besides helping customers navigate the difficulties of the ongoing pandemic, we stepped up to assist customers who were affected by the devastating floods that inundated eight states in December 2021.

HLB continued to provide various forms of financial assistance to individuals, SMEs and corporate customers who were affected by the pandemic. This included additional financing, restructuring and rescheduling, as well as moratoriums. For customers affected by the floods, we mobilised a Flood Relief Assistance programme that included a six-month payment deferment of instalments on loan and financing and credit card for all affected customers, as well as additional financing for working capital for SMEs and microenterprise customers. Concurrently, we actively facilitated relief assistance programmes by the government, which included PEMULIH Payment/Repayment Relief Assistance and the Financial Management and Resilience Programme ("URUS").

As we made these relief assistance programmes available, we also ensured that the application process was simple and convenient via our omnichannel touchpoints, while approvals are processed seamlessly and efficiently, taking into consideration the difficulties our customers were already facing. Furthermore, we maintained a 100% approval rate for all eligible customers who applied, underscoring our commitment to helping our customers. All in all, HLB extended payment relief assistance totalling RM42.3 billion, helping more than 188,000 individuals, SME and corporate customers.

In the year under review, we paid particular attention to SMEs, especially considering their role as the backbone of the Malaysian economy. The challenges of the pandemic certainly highlighted the need for our SMEs to be digitally empowered and enabled. Support for our SME customers is evidenced through various initiatives to help them integrate digital strategies and solutions to drive greater growth and strengthen their competitive edge.

"Digital at the Core" Continues to Gain Traction

Despite operating in an increasingly complex business landscape, we have never lost sight of our main objective in supporting and meeting the needs of our customers. We constantly challenge ourselves to develop products and services that are suitable for our customers and seek their feedback on how the Bank could better improve their banking experience. During the year under review, we expended significant efforts on analysing our customer data to provide insights on our digital capabilities to drive higher adoption and usage. Our commitment to build solutions around our customers' needs is what drives us. The brand promise of "Built Around You" underpins all that we do, and in a new post-pandemic world full of opportunities, this discipline is what will enable us to excel going forward.

Enriching Our Consumer Digital Journeys

HLB has always strived to enlarge our customer base and we believe that to do this successfully, requires not only investment in resources and time, but also great care and consideration in understanding the consumer psyche. One of the ways we have increased customer acquisition is by constantly improving Apply@HLB, our e-KYC mobile application, to enhance our customers' account opening and onboarding experience. As a result, we have seen a six-fold increase in accounts opened through this channel compared to the previous year. Our Shopee online store that was established in FY2021 has also served as an important channel in driving Current Account and Savings Account ("CASA") growth.

Customers who choose to obtain an HLB account via Shopee can activate their accounts without having to visit the Bank through the Apply@HLB mobile app or by arranging for a visit from our Deposit Relationship Manager who will complete the onboarding process through our Customer Onboarding and Servicing iPad solution. This iPad solution, which was developed in-house, continues to be a critical tool in helping our colleagues onboard new customers and address their banking needs. Collectively, 85% of all new customers were onboarded digitally, either via Apply@HLB mobile app or via the iPad, in FY2022.

The reimagining of customer journeys also extended to improvements in our online loan and credit card application process, spurred by feedback from our customers who wanted greater transparency and control. The real-time tracking tool for applicants to keep track of the progress of their applications was further upgraded to enable the uploading of additional supporting documents as well as access to loan agreements anytime, anywhere.

Making Digital Banking Simpler for Business Customers

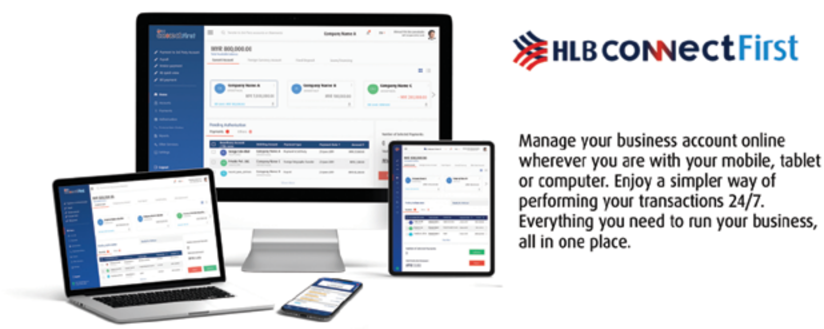
Beyond the retail customer journey, HLB has focused on improving the experience for our business customers, creating value for our customers through time savings and convenience. Our iPad onboarding solution, which is now available nationwide, has grown from strength to strength since its introduction in FY2021 and we have constantly enhanced this solution via the addition of new features and capabilities.

1 COMMITTED TO THE NEEDS OF OUR CUSTOMERS

Our account relationship managers can now meet business customers at their location of choice and outside branch operating hours if required, perform biometric verification, capture digital signatures and activate a business account instantly. We have further integrated the solution with various credit rating agencies and the Companies Commission of Malaysia, thereby satisfying important procedural and compliance requirements.

Today, nearly 90% of new private limited companies and sole proprietors are onboarded via this iPad solution. To complement the iPad solution, in FY2022 we launched an online Business Account Application feature for customers to initiate and complete their application in five easy steps. With this new approach, we have now reduced the onboarding time for new-to-bank business customers from seven days to as little as 30 minutes, and the entire process is completely paperless.

The pandemic has dramatically changed customer behaviour and has driven their adoption of cashless and contactless payments. To ensure our customers are able to capitalise on this opportunity, we launched the Merchant Online Onboarding Platform in November 2021 to enable micro-SMEs to apply for our cashless payment and collection services without the need to visit any of our branches. In addition, we launched the HLB BizBuddy app, a convenient and hassle-free way for business owners to accept customer payments via a range of QR Code options, including Duitnow QR and WeChat Pay, monitor transactions in real–time, and instantly refund any same-day purchase cancellations. To encourage even more customer, including those from non-urban areas, HLB has embarked on its "Project Cashless Kampung" initiative that has started with a pilot programme to bring the residents and businesses of Sekinchan, Selangor fully into the cashless era.



We are also pleased to announce that in the year under review, we successfully launched our all-new, next-generation digital banking platform for business customers, HLB ConnectFirst. The new platform provides a consolidated view of customer payments, transactions and accounts together with an intuitive UX/UI interface that is responsive across mobile, tablet and desktop.

The HLB ConnectFirst platform includes a mobile app that provides mobility for business customers with everyday business banking functionalities, such as viewing account balances, transaction authorisations and biometric-enabled eToken capability. Additionally, the ConnectFirst mobile application can produce a dynamic QR code for customers to log onto the web platform, adding even greater convenience for customers as they no longer need to worry about forgetting their passwords. Since the launch of our HLB ConnectFirst platform, we have seen our digital business customers grow y-o-y by 11% to nearly 100,000 with an average of 1.5 million financial transactions per month.

2 DEEPENING OUR TALENT POOL

Talent development continues to be at the forefront of our human capital management approach as we believe that our employees are the main enablers of a sustainable and successful organisation. In the year under review, HLB dedicated considerable resources to developing our employees at all levels of the organisation, engaging with them through learning programmes, new career opportunities within the Bank and leadership programmes.

At the entry level, we progressively broadened our reach among academic institutions both within Malaysia and overseas, and expanded our graduate programme offerings. Working hand-in-hand with business divisions, we are crafting internship and graduate programmes that will help strengthen the pool of hireable candidates. Successful candidates from these programmes are recruited into HLB upon their graduation, thereby providing a steady pipeline of talent who can rapidly assimilate and start contributing to our goals quickly.

To ensure we remain an employer of choice, the Bank has made it a point to offer employees opportunities to experience multiple career paths within the organisation. HLB's Career Day, organised for the first time in FY2022, is one such engagement activity that offers insights into different career paths within the Bank. We are also deeply invested in building a strong bench of future leaders and identifying potential employees through the HLB Leaders Programme.

Beyond these initiatives, we ensure our employees continue to grow in terms of knowledge and capabilities within their chosen career paths. Professional development is a key pillar of our learning approach, where almost three-quarters of the employees we identified have completed or are currently attending certification courses in their areas of expertise. Training our employees in sustainable business practices is also part and parcel of our approach, having trained more than 8,000 employees as of FY2022 and embedding it as a key topic in onboarding sessions for new hires.

While we as an organisation are committed to providing as many learning opportunities as possible, we also believe that our employees should be proactive and take ownership of their own development, guided by our 70:20:10 Learning Framework (70% On-the-job Learning, 20% Learning from Others, 10% Structured Learning).

HLB constantly improve the relevance of our initiatives by leveraging our Engagement, Appreciation and Well-being pillars. For instance, we have obtained valuable employee feedback from prior engagement activities which enabled us to organise the Virtual Learning Festival. This event has helped our employees to understand how people from different backgrounds learn in the most effective manner. In addition, we asked our female leaders to share with employees how they achieved career success at our "Women in Banking" virtual Brown Bag session.

You can read more about our efforts in enabling our employees to excel in their careers in the Management Discussion & Analysis ("MD&A") section of this report.

TOTAL
8,000
employees
TRAINED IN SUSTAINABLE BUSINESS PRACTICES

3 SCALING REGIONAL GROWTH WITH "DIGITAL AT THE CORE"

In almost every industry, digitalisation has been the great disruptor and banking has certainly not been spared from the effects of a movement that ultimately benefits the end consumer. Customers and clients now have access to an incredible breadth of products and services, with banks, FinTech and BigTech all in the fray, competing to provide the most efficient and seamless experiences to consumers.

At HLB, we understand the changing requirements of our customers and this underscores the importance of being digitally relevant across all the regions to achieve long-term success of the Bank. In the year under review, we continued innovating and scaling our digital capabilities regionally. We are mobilising at pace, localising in other markets what has worked in Malaysia and therefore bringing our brand promise of "Built Around You" to the fore.

In Singapore, we scaled our collaboration with Grab Holdings to provide flexible short-term loans to Grab drivers through HLBS. In the time it takes to have a coffee, a Grab driver can apply for a six to twelve-month loan with a flexible repayment schedule. Later in 2022, we will be launching our mobile banking application, which will become a key component of our vision to be "mobile first", providing banking anytime, anywhere for customers at their fingertips. For business customers, we launched our online banking platform ConnectFirst in early 2022 making it possible for corporates to have their banking needs catered digitally.

In Cambodia, we have introduced more features to enhance the mobile banking experience in the last 12 months, bringing even more convenience to customers. Applications for fixed deposits and placements can now be done online and customers have the option of viewing bank statements online rather than receiving physical statements. Enabling simple, seamless payments for Cambodians is an important goal of ours, and with this in mind, we have integrated with the central bank's peer-to-peer fund transfer platform, Bakong, to allow HLB Cambodia customers to send money to a mobile number or by scanning their Bakong QR code. Similarly, for business customers, we launched our online banking platform ConnectFirst in early 2022 making it possible for corporates to have their banking needs catered digitally.

Overall, we have seen excellent growth in the adoption of our digital platforms as we consistently deliver services that meet our customers' expectations. In FY2022, we focused on growing the HLB Connect user base in Singapore, Vietnam and Cambodia and managed to increase the number of registered users by 21%. Concurrently, the cumulative number of active users increased by 8% in the three countries, as we incorporated customer feedback and insights from Malaysia to improve the digital banking experience.

Within Malaysia itself, we leveraged digitalisation to optimise back-end processes which effectively increased productivity and efficiency. For instance, we introduced a new collection solution that optimises our collection strategies the moment we detect any changes in our customers' payment behaviour. This solution offers predictive calling functions, alerts on when to involve partners such as law firms, external debt collection agencies, auctioneers and valuers, and is also connected straight-through to the credit bureau. Since its launch, we have seen improvements in productivity given better calling analytics as well as a reduction in delinquent accounts, contributing to our market-leading gross impaired loan ratio of 0.49%.

To improve turnaround time, we streamlined our business loan origination processes through a new Loan Origination System ("LOS"). This platform has reduced the loan application and turnaround time significantly for SMEs and commercial clients while providing a superior experience from loan application to approval and disbursement. In addition, the analysis of customers' bank statements has been automated, shortening the bank statement/credit assessment turnaround time from two hours to as little as one minute.

Further details can be found in the Digital & Innovation section of the MD&A.

4 DRIVING GREATER FINANCIAL INCLUSION

The pandemic, which has occupied the headlines for the past two years, has clearly highlighted and, in some instances, exacerbated, the inequalities present in society. Being on the frontlines of facilitating financial assistance and helping our customers and communities has demonstrated to us that there remains much more to be done to develop a banking ecosystem that is fully inclusive. Segments of society that are underserved, unbanked or underbanked need the collective attention of the industry. At HLB, we are committed to improve financial literacy by expanding financial inclusion, which in turn, will help close inequality gaps. Ultimately, this is vital in achieving a more sustainable and resilient future for all.

HLB seeks to foster greater financial inclusion by imparting knowledge through our flagship financial literacy programme, HLB DuitSmart. This financial literacy programme aims to make financial knowledge simple and accessible for all Malaysians, with the hopes that its bite-sized and easily digestible content will foster easy learning and application of financial principles. The modules are categorised into three simple pillars where HLB aspires to create 'Awareness' of financial knowledge and 'Assist' with the right tools so that Malaysians can 'Act' appropriately when dealing with financial matters.

In FY2022, HLB DuitSmart was piloted through online workshops at institutions of higher learning and secondary schools. 72 students from UCSI University served as the first batch of participants in the workshops, which garnered very positive feedback. Since then, the online workshop has been rolled out to a total of seven universities and seven secondary schools, benefitting nearly 900 students. Due to the ongoing pandemic, we will only kick-start physical workshops with primary school students as well as single mothers and the Orang Asli community when the situation normalises in the near future.

TOTAL

72

students from UCSI University

SERVED AT THE FIRST BATCH OF PARTICIPANTS IN HLB DUITSMART ONLINE WORKSHOP

At the Bank, we strive to develop partnerships and collaborations in facilitating circular economy finance – from working with start-ups that provide sustainable solutions to facilitating social procurement with social enterprises and increasing awareness and literacy on financial management and sustainability. In FY2022, we onboarded our fifth social enterprise, Benak Raya Enterprise ("Benak Raya"). This is an Iban-led social enterprise that looks to diversify rice-based products into skincare and sustainable products such as edible rice straws. At the same time, Benak Raya aims to uplift the Iban community and provide them with job opportunities. We work closely with the five social enterprises that we have onboarded to our social enterprise platform to drive community development by empowering them with the tools and means to run a viable and resilient enterprise.

These social enterprises play an important role in extending the lifecycle of products, by reducing waste and collaborating with each other towards a more sustainable future. In FY2022, we procured baju raya for the residents of several welfare homes around the country during the Raya celebrations. We did this by partnering with HLB Jumpstart alumni, a denim upcycling social enterprise, SURI Lifestyle ("SURI") and Komuniti Tukang Jahit, an enterprise of seamstresses comprising single mothers. This ensured that they could continue to support their livelihoods while also making a positive impact on the community.

5 ADDRESSING CLIMATE CHANGE RISKS AND EMBEDDING SUSTAINABILITY

During the year under review, HLB continued to advance its sustainability journey across a multitude of fronts. We collaborated with our industry peers and supported the regulators in addressing climate change risks, committed ourselves to net zero emissions by 2050 and further integrated ESG considerations into our products, services and operations.

With the growing focus on climate change and the transition to a low carbon economy, HLB has taken significant steps in enhancing our own ESG strategies internally within our operations and externally with all our stakeholders. As part of the Joint Committee for Climate Change ("JC3"), HLB collaborated with peers within the financial industry to release the Task Force on Climate-related Financial Disclosures ("TCFD") Application Guide for Malaysian Financial Institutions in June 2022. This was in addition to our ongoing support of BNM's Climate Change and Principle-based Taxonomy ("BNM CCPT").

ESG investing is increasingly becoming a norm in banking. As a bank, our role as a financial intermediary puts us in an ideal position to accelerate the growth of green or sustainable financing. This led to our first social sustainable securitisation of RM300 million for Cagamas Berhad in August 2021, involving a double issuance of ASEAN Sustainability SRI Sukuk and ASEAN Sustainability Bonds. This issuance was significant in that it promoted socially responsible investing and offered investors an opportunity to obtain value from what would normally be regular and illiquid home financing assets. In April 2022, HLB issued Green Capital Securities amounting to RM900 million where the proceeds would be used to finance or refinance new or existing green assets, projects or companies that meet the eligibility criteria outlined in HLB Green Bond Framework. This is indeed a milestone for the banking industry as it marks the first issuance of a green AT1 bond by a bank in Malaysia.

Embedding More Robust ESG Practices

Just as importantly, we continued to look within, assessing our own processes and practices and taking necessary action steps to ensure we are adequately addressing the social and environmental impacts of our own operations. In FY2022, we set new carbon reduction targets with the aim of achieving net zero emissions for Scope 1 and Scope 2 by 2030 and net zero emissions for the entire Bank by 2050. While this target is ambitious, we are committed to achieving this through multiple initiatives that will either reduce or offset our emissions.

In this context, we have commenced our journey with the roll-out of our Energy Efficiency & Conservation ("EE&C") Measures and a collaboration with the Malaysian Nature Society ("MNS") to restore degraded forest in Kuala Selangor Nature Park by planting 50,000 of mangrove trees. Our energy-saving measures have seen our Scope 2 emissions falling by 17.3% in FY2022 compared to our baseline year (FY2019), while the MNS collaboration is expected to help us offset around 5% of our annual carbon footprint over the longer term.

HLB is also committed to integrating sustainability within all aspects of our business processes, leveraging our ESG Assessment Framework to assess and manage the ESG risks of our corporate customers and business partners. We strive to identify if their sustainability practices are aligned with our own and to understand the steps they are taking in their own sustainability journeys. For our vendors, we are developing a vendor sustainability development journey that includes access to capacity building programmes and toolkits to improve their business practices.

In the interest of forging long-term relationships, we have begun assessing and scoring our customers in the E & S spheres, to obtain a clear picture of where they stand. We adopt an inclusionary approach to assist our customers in transitioning to a lower-carbon economy and more sustainable practices whereby customers who do not meet our ESG standards will be supported and guided to meet these criteria. Additionally, we continuously work with relevant data partners, especially in improving the physical risk assessments of our assets upon onboarding property developers for our mortgage customers.

HLB has also dedicated industry-specific resources to aid our customers in their sustainability transformations through in-depth discussions from our HLB Sustainability Roundtables made accessible online. The roundtables covered seven different topics and industries, from the palm oil sector to biogas energy, sustainable waste management, chemicals manufacturing and metals manufacturing, providing a deep knowledge base on the issues present within each industry and best sustainability practices. Moving forward, we will continue organising more of these roundtables with the aim of creating a knowledge base of relevant and comprehensive information surrounding sustainability practices.

Broadening the ESG Agenda

In the year under review, HLB continued to advance the sustainability agenda among our customers as we introduced products and services that contain elements of ESG across various business segments.

For instance, our Regional Wealth Management continues to distribute ESG-rated funds to our customers, such as the HLAM's Global ESG Fund, and offer products with positive ESG ratings, assessed by independent ESG rating agencies namely Sustainalytics and MorningStar. For our retail customers in Singapore, HLBS launched the Southeast Asia's first debit card created from bio-sourced materials, making it 82% biodegradable and minimising its ecological footprint.

On the Business & Corporate Banking side, our customers have signalled their interest in low carbon initiatives such as the installation of solar photovoltaic ("PV") system on their rooftops or even venturing into green related businesses. This is evident from the growth of renewable energy financing where we have cumulatively approved about RM2.4 billion of loans; surpassing the 5 year target of RM500 million that we announced in FY2018. We hope to see greater adoption of such green financing facilities that can have a positive long-term impact on the environment while supporting Malaysia's aim to increase the share of renewable energy in the country's power mix to 31% by 2025.

RM2.4
billion
APPROVED RENEWABLE ENERGY FINANCING

The HLB Earth Hero digital initiative, which combines financial literacy with environmental appreciation, has demonstrated good momentum. In the two short years that this programme has been active, our young customers have contributed to the planting of 2,500 trees in the Lower Kinabatangan area of Borneo. HLB will be planting another 2,500 trees this year as our customers continue to complete financial literacy tasks through the Bank's HLB Pocket Connect application.

HLB continues to be acknowledged by renowned global indices and sustainability assessments for our efforts in strengthening our sustainability and ESG practices. For instance, HLB was ranked among the top 25% in the FTSE4Good Index Series ("FTSE4Good"), putting us ahead of the banking sector's average score. HLB also achieved an "A" rating in the MSCI Global Sustainability Indexes ("MSCI"), indicating the Bank's good track record in managing ESG risks. In addition, the Bank improved its ESG score in the World Wide Fund's Sustainable Banking Assessment ("WWF-SUSBA") and maintained an above industry-average score that puts us in the 72nd percentile in the Dow Jones Sustainability Index ("DJSI").

For further information about our sustainability practices, please refer to the Sustainability Statement in this Annual Report on page 89. The statement summarises our Sustainability Report 2022 that details our strategies and achievements, guided by local and international reporting and disclosure standards such as the Global Reporting Initiative ("GRI") Standards, the Bursa Malaysia Sustainability Reporting Guide and the Task Force on Climate-related Financial Disclosures ("TCFD") Application Guide for Malaysian Financial Institutions.

Group Managing Director/Chief Executive Officer's Review

FINAL REMARKS

With the world and Malaysia transitioning into endemicity, we are optimistic about the new opportunities that are presenting themselves and similarly, bracing ourselves for the new challenges that have arisen. We are cognisant that although economic recovery is well underway, there remain certain macroeconomic and geopolitical headwinds that may dampen the outlook. On the other hand, the post-pandemic setting has ushered in an exciting time for digital-first banks like HLB, where digitalisation is now the new reality in almost all areas of financial services. It is here that HLB is poised to take advantage of opportunities to deliver value-added, inclusive and relevant services to our stakeholders as we progress in our journey to be a highly digital and innovative ASEAN financial services institution.

We remain committed to innovation as well as building products and services propositions for our customers that ring true to our brand promise of "Built Around You", where clients are at the centre of everything we do. We also remain resolute in providing timely and necessary financial assistance to both our existing and new clients to ensure that they can concentrate on their respective recovery efforts as well as invest for future business growth, digitisation initiatives and investment in sustainable practices so that they fortify their business operations and strategies to ensure robust medium and long term growth.

While the evolving business backdrop will undoubtedly present us with new growth opportunities that we will strive to capture, the Bank will continue to remain disciplined in our investments and expenditure. This approach has effectively held us in good stead over the years and we have fortified this approach by embedding sustainability practices throughout the entire business. We believe sustainable banking practices will serve as the foundation of our continued competitive advantage in the coming years.

OUTLOOK

Looking ahead to the coming year, the global economy looks poised for more challenges, as reflected in the downward revision of GDP growth of key economies. Risks to the global outlook are skewed to the downside, mainly led by the uncertainties surrounding the Ukraine-Russia war and China's economic slowdown. In April 2022, the International Monetary Fund ("IMF") downgraded its 2022 growth outlook to 3.6%, from 6.1% in 2021, citing war-induced commodity price increases and broadening price pressure. Global trade growth is expected to ease substantially as demand for goods slows and is rebalanced towards services, although tourism activity is likely to be muted due to the lingering pandemic impact.

Malaysia, on the other hand, is expected to register a modest acceleration in economic growth in 2022. The transition to endemicity has boosted mobility and the reopening of the economy as more employees return to the office, in tandem with reopened borders encouraging higher tourism activity. However, inflation and the subsequent policy reaction, which has led to higher interest rates domestically and around the world, suggest that we are in for a choppy recovery.

ACKNOWLEDGEMENTS

It has been gratifying to note that the challenges we faced during the year have not slowed us down. For that, there are many people to thank for standing by us during such trying times. Thank you to our customers for granting us your loyalty and faith in our ability to deliver. We are truly grateful for your unwavering support.

I would also like to convey my thanks to our shareholders for believing in our ability to generate long-term sustainable value. We truly appreciate your support and your feedback. To the Board of Directors, many thanks for your leadership and guidance that has always proved to be invaluable through the many ups and downs we encountered during the year.

I would also like to register a special thanks to the performance of all Bank employees and the management team; it has been an honour for me to work with such a committed and passionate team.

Many thanks to Bank Negara Malaysia, the Ministry of Finance, government agencies and regulatory authorities – your guidance has been vital in helping us achieve our vision.

DOMENIC FUDA
Group Managing Director/
Chief Executive Officer

20 September 2022

COVID-19 RESPONSE

Approved payment relief assistance totalling **RM42.3 billion** to more than **188,000 retail, SME and corporate customers.**

Approved payment relief assistance totalling **RM9.2 billion**, which **helped more than 5,400 SMEs.**

Approved payment relief assistance totalling **RM5.74 billion for the B40 group**, which **helped nearly 60,000 customers.**

The outstanding balance for PRAP continued its downward trend to RM5.4 billion as at 30 June 2022, versus an all-time high of RM35.8 billion as at 30 September 2021.

KEY HIGHLIGHTS

The repayment capabilities of our customers also proved strong as more than 95% resumed payments upon the maturity of their PRAP.

Ensured our customer-facing channels remain available to customers for their daily requirements. These encompass our branches, Contact Centre, social media, collections, authorisations, sales, relationship managers and internet banking.

Organised a vaccination drive to **fully vaccinate more than 800 people**, including business teams, building tenants and support staff.

Digitised the payment relief assistance process to eliminate the need for customers to visit our branches. We simplified the processing of applications and **processed more than 194,000 requests** between August 2020 and June 2022, with an **acceptance rate of 94%.**

COVID-19 RESPONSE

OVERVIEW

The impact of the COVID-19 pandemic and the aftershocks from new variants continued to disrupt businesses and delay the return to normalcy for some communities and economies. However, with more than 60% of the world inoculated against COVID-19 and with higher rates achieved in more advanced economies, many governments opted to transition towards endemicity. In Malaysia, more than 80% of the population has now been fully vaccinated, giving the government the confidence to signal a transition to the endemic phase on 1 April 2022. While this resulted in a significant uplift in business sentiment and economic activity, we are fully cognisant that many of our customers and communities continue to require assistance as they chart their recovery journeys within the post-pandemic landscape.

In light of these factors, HLB stepped up to offer holistic assistance to our stakeholders, whether they are our customers, our employees or society at large. We have taken measures to support our stakeholders in alleviating the impact of the pandemic, while also ensuring our employees are being taken care of. During the year, we continued to prioritise help for our customers by offering repayment solutions such as loan restructuring and financial relief schemes to ensure business continuity and ease the recovery process.

This year also proved to be more challenging than most, with natural disasters in the form of floods in many states in Malaysia in December 2021. In response, the Bank implemented a "Flood Relief Assistance" programme offering up to a six-month payment deferment on financing facilities, including credit cards, to affected individuals. The Bank also replaced bank-related documents damaged or lost in the floods.

EMPLOYEES

COVID-19 Best Practice Safety Measures

To protect the health and safety of our people, we implemented a variety of measures and protocols in line with the Malaysian National Security Council ("MKN") Indoor Work Spaces SOP, which is aimed at easing Malaysia's transition into endemicity, as below:

- Verification of employees' MySejahtera status upon entering the Bank premises.
- Reinforcing preventative actions through physical signages and emails to remind our people to wear face masks, wash hands regularly and take a PCR test if symptomatic.
- Providing clear, actionable steps to take upon an employee's identification as a positive case or as a close contact.
- Ensuring a continuous supply of personal protective equipment as well as sanitation materials at all offices/ branches nationwide for use by anyone on the premises.
- Resuming selected training in classrooms, balanced with a blend of self-guided e-learning and virtual classroom formats, with no loss to the quality and relevance of training content and delivery.
- Maintaining a doctor specialising in occupational health & safety at our premises as an expert consultant to ensure processes and policies put in place are sufficiently robust.
- Organising a vaccination drive for employees still pending appointments on their MySejahtera app, in support of the National Immunisation Programme.
- Via Workday@HLB, enabling employees to perform HR tasks and functions seamlessly, as well as pandemic-related tasks such as tracking vaccination rates and distributing Movement Control Order ("MCO") authorisation letters to employees nationwide.

CUSTOMERS & COMMUNITY

- Being at the heart of our clients' businesses, we remained steadfast in supporting them in navigating yet another year filled with challenges from the global pandemic and the nation's transition to endemicity, all while leading the way towards economic recovery. To that end, the Bank offered PEMULIH+ relief assistance, a straight-through moratorium application process for clients who needed additional assistance from 7 July 2021.

- Cooperated with AKPK to launch the URUS and FIRST programmes to assist customers to meet financial obligations in the post-COVID-19 period, especially if their businesses have yet to recover.

- Introduced the gig workforce model for early collection activities and to provide second-income/additional income opportunities to those freelancers affected by the pandemic.

- Sought insights from customers in various sectors such as tourism, aviation, hotels, F & B and retail to understand the types of assistance needed.

- Waived various fees, including interbank transfer fees, stamp duties, late payment charges and interest/profit reductions, for customers who caught up on their late payments, as well as absorbed principal shortfalls from various initiatives such as Car Surrender Programmes and lower interest rates to credit card customers who converted their balances outstanding to term loans. These various initiatives provided total savings to customers amounting to RM129 million in FY2021 and FY2022.

Enabling Our Communities

HLB is working to build community resilience and undertaking responsive actions to promote economic development and social well-being, both in the wake of the pandemic and now as the country transitions to endemicity.

- The Bank's recent Raya campaign "Lebaran Penuh Kesyukuran" was centred on being grateful to the community within which we operate. As a community bank, we are always looking to show our appreciation to the people, especially for the help and support they gave us when the pandemic first hit.

- Our employees volunteered their time and effort to help clean welfare homes while the Bank donated household items as well as new baju raya so that residents of the homes could celebrate Hari Raya to the fullest this year.

- The Bank's #HLBSAPOTLOKAL campaign held in conjunction with the Deepavali celebrations was aimed at helping SME merchants restart and regain the business momentum lost during the lockdowns. The Bank also incentivised customers by providing a RM3 cashback on a minimum spend of RM20 from 4 to 10 November 2021.

Floods – Community Support

- Mobilised a donation drive to procure essentials, which were channelled to flood-stricken areas in Dusun Tua, Hulu Langat, Taman Sri Muda, Shah Alam, Kg Tengah, Puchong and Mentakab, Pahang.

- Assisted MERCY Malaysia with funding during the floods that impacted over 27,000 people in Johor, Terengganu, Pahang, Perak and Kelantan.

- Implemented a "Flood Relief Assistance" programme offering a six-month payment deferment on financing facilities, including credit cards, to affected individuals.

- Offered additional financing to existing customers who need capital for business recovery after the flood. This facility is open to all existing customers, even those currently receiving assistance under the Bank's Payment Relief Assistance Plans or receiving PEMULIH Repayment assistance.

- Replaced bank-related documents damaged or lost in the floods at no additional cost.

Pandemic – Community Support

- Donated RM55,368.86 to MERCY Malaysia to help communities impacted by the COVID-19 pandemic.

- Contributed RM34,650 to the Financial Industry Collective Outreach Programme ("FINCO") initiative, which was distributed as cash to 77 students and their families to support their grocery needs for three months.

- Contributed RM30,000 to UCSI University's COVID-19 Vaccination programme to cover operational costs, including payment for meals as well as allowances for volunteers faced with a loss of income due to the pandemic.

COVID-19 RESPONSE

CUSTOMERS & COMMUNITY

HLB Employee CSR Programme Supporting Underprivileged Segments of the Community

- Facilitated employee volunteerism through the HLB Employee CSR Programme to support various employee-led initiatives ranging from donation drives to providing meals and necessities to the needy, as well as donated furniture and appliances to welfare homes.
- Raised RM90,000, which was used to send 1.8 tonnes of food to eight soup kitchens that fed over 9,000 individuals.
- Channelled RM400,000 from HLB's marketing budget through the Malaysia Day campaign to provide school meals to impoverished students. Our employees donated 74.3 tonnes of food aid to 219 schools nationwide, which helped 4,952 students and their families.

LOAN PORTFOLIO QUALITY

The Bank places great emphasis on ensuring its portfolio quality remains robust to enable the Bank to sustain its ability to assist customers.

- Rolled out targeted PRAP to help customers impacted by the pandemic, especially those not covered by the automatic moratorium, and provided financing assistance via the government's PERMAI, PEMERKASA+ and other stimulus packages.
- Rolled out settlement plans to incentivise financially distressed customers to come forward to renegotiate debts and assist them to get their finances back on track.
- Used data analytics to review and analyse customers' behaviour to proactively identify customers who needed help.

BUSINESS CONTINUITY

At HLB, besides the continuous preventive and business continuity strategies that were implemented and enhanced since the start of the COVID-19 threat in February 2020, the following additional initiatives have been undertaken to fortify the Bank's preparedness in the event of any eventuality.

- Various scenarios, including worst-case scenarios, have been planned for and appropriate action plans with enhanced business continuity plans ("BCPs") have been developed and tested following an impact analysis of each scenario.
- Customer Contact Centre Multiple Sites: The critical Contact Centre is now operating permanently at four sites, namely PJC City, Hong Leong Tower (Levels 13A and 29), Menara Raja Laut and Wisma Hong Leong (Level 6). In addition, an auxiliary team of staff from other departments is being trained to assume the roles of customer relationship officers whenever the situation warrants it.
- The Consumer Collections team is now operating permanently at five sites – PJ City, Hong Leong Tower (Level 29), Puchong Auto Loan Centre (Level 3), Jelutong Penang Branch and Wisma Tiong Hua Johor Bahru (Level 5). An auxiliary team has been trained to assume the roles of customer relationship officers whenever needed.
- Trade Services is now operating at 21 sites located across the country to ensure critical customer services for trade finance transactions continue to function uninterrupted post-pandemic and throughout any future MCOs, whereby transactions can be routed to any of these centres seamlessly.
- The Social Care & Customer Experience team is now operating permanently at two sites, namely PJ City (Level 15) and Hong Leong Tower (Level 13A). A total of 34 staff have been dispersed to both sites to support our customers.
- Extended Disaster Recovery ("DR") and BCP exercises have been implemented to ensure DR infrastructure and BCPs are robust and have the same capability and capacity as the primary systems. These exercises are carried out over two weeks.
- The Host System supporting our self-service terminals has been enhanced to automate the different operating hours for different states in accordance with the four phases of the SOP.

1 FINANCIAL HIGHLIGHTS

SUMMARY OF GROUP PERFORMANCE

	FY2021	FY2022	Growth %
Profitability & Efficiency (RM'million)			
Total Income	5,467	**5,597**	2.4%
Operating Profit	3,389	**3,499**	3.2%
Profit Before Associate Contribution	2,735	**3,336**	22.0%
Profit Before Tax	3,471	**4,367**	25.8%
Profit After Tax	2,861	**3,289**	15.0%
Underlying Profit After Tax*	2,861	**3,599**	25.8%
Earnings Per Share (sen)	140	**161**	14.9%
Net Interest Margin	2.14%	**2.14%**	0.0%
Cost-to-Income Ratio	38.0%	**37.5%**	-0.5%
Return on Assets	1.25%	**1.34%**	0.09%
Return on Equity	10.1%	**10.9%**	0.8%
Balance Sheet (RM'million)			
Total Assets	237,129	**254,331**	7.3%
Gross Loans, Advances and Financing	155,822	**168,234**	8.0%
Customer Deposits	183,290	**197,292**	7.6%
Asset Quality			
Gross Impaired Loan Ratio	0.46%	**0.49%**	0.03%
Loan Impairment Coverage Ratio	247%	**212%**	-35%
LIC Ratio (provisions made on GIL and security value)	317%	**282%**	-35%
Liquidity and Capital Ratios			
Loan-to-Deposit Ratio	83.9%	**83.5%**	-0.4%
Common Equity Tier 1 Capital Ratio	13.6%	**13.4%**	-0.1%
Tier 1 Capital Ratio	14.1%	**14.5%**	0.5%
Total Capital Ratio	16.2%	**16.7%**	0.4%

*Note: *Excluding one-off tax provision of RM310 mil as at FY2022 for "Cukai Makmur" as announced in the Budget 2022.*

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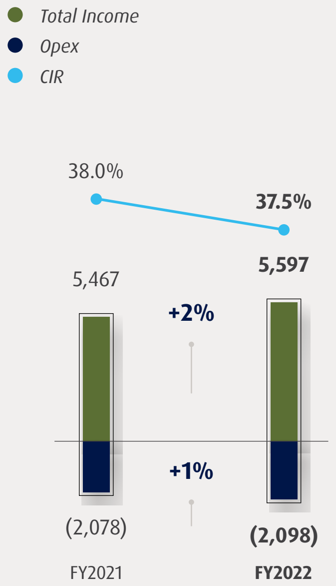
FINANCIAL REVIEW

SELECTED KEY INDICATORS

Total Income & Opex

Improved topline — achieving positive JAWS and a commendable CIR

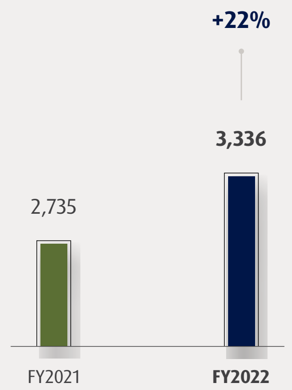
RM'Mil



Profit Before Associate Contribution

Stronger underlying performance led by expansion in our loan/financing portfolio and lower loan impairment allowances

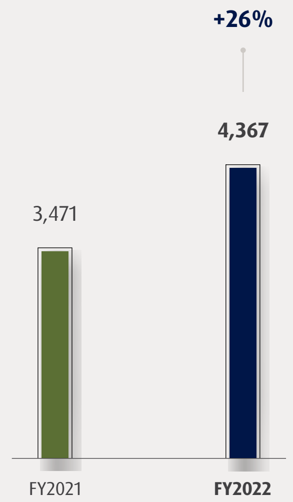
RM'Mil



Profit Before Tax

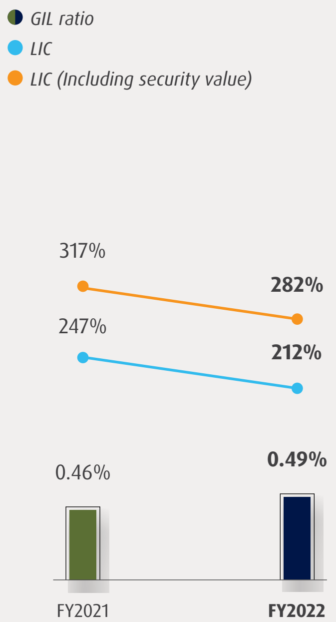
Healthy profitability in line with the economic recovery traction

RM'Mil



GIL & Coverage Ratio

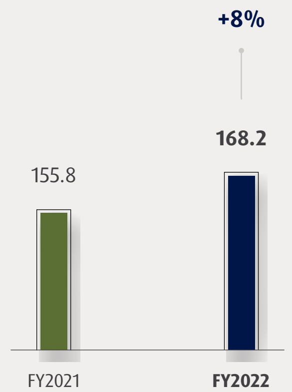
Asset quality was solid, with sufficient loan impairment coverage



Gross Loans/Financing

Growth in loans/financing underpinned by mortgages, SME and commercial business banking

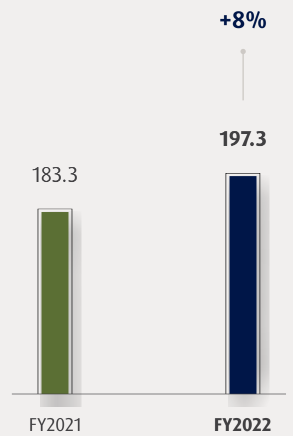
RM'Bil



Deposits

Healthy deposit growth led by CASA expansion

RM'Bil



Stronger Business Performance Led by Robust Loan/Financing Expansion

The Bank delivered a stronger performance in FY2022, outperforming the industry in loan/financing growth rate while making clear and consistent improvements across other underlying business drivers. Our financial performance is a result of loan/financing portfolio growth, disciplined cost management, lower loan impairment allowances and robust contributions from our associates. The Bank also benefited from the overall increase in economic activities and improvement in consumer sentiment during the course of the year, as countries moved to the endemicity phase of the COVID-19 pandemic.

Total income improved by 2.4% y-o-y to RM5,597 million, underpinned by higher net interest income buoyed by loan/financing growth and effective funding cost management. Operating expenses ("OPEX") were stable y-o-y at RM2,098 million as we continuously strengthen our digitalisation efforts and strategically managed our expenses. Accordingly, positive JAWS was achieved with a lower CIR of 37.5%.

PROFIT BEFORE ASSOCIATE CONTRIBUTION

RM3,336
million

+22.0% Y-O-Y

Our sound fundamentals coupled with lower loan impairment allowances have led our profit before associate contribution to improve 22.0% y-o-y at RM3,336 million. Correspondingly, the Bank concluded the financial year with profit before tax ("PBT") and profit after tax ("PAT") at RM4,367 million and RM3,289 million respectively.

Earnings per share ("EPS") was higher at 161 sen for FY2022. Despite the challenging business backdrop, the Bank achieved a healthy return on equity ("ROE") of 10.9%.

Maintaining a Healthy Balance Sheet

In FY2022, gross loans, advances and financing continued its growth momentum, expanding strongly by 8.0% y-o-y to RM168.2 billion led by growth in key segments of mortgages, SME and commercial banking. Our customer deposits for FY2022 increased 7.6% y-o-y to RM197.3 billion, led by strong CASA growth attributable to our concerted efforts in digitalisation and cross-selling coupled with effective cash management offerings, uplifting the CASA ratio to 33.5%. The Bank also has a strong retail franchise which boasts a robust individual deposit mix of 50.4%.

GROSS LOANS, ADVANCES AND FINANCING

RM168.2
billion

+8.0% Y-O-Y

CUSTOMER DEPOSITS

RM197.3
billion

+7.6% Y-O-Y

Accordingly, the Bank's loan-to-deposit ratio ("LDR") remains prudent at 83.5% and liquidity coverage ratio ("LCR") at 145%, which are levels that are supportive of future business growth.

Solid Asset Quality with Sufficient Loan Impairment Coverage

Amid an uncertain operating environment, we remained focused in managing our asset quality diligently, ending the financial year with a solid GIL ratio of 0.49%. The Bank's loan/financing impairment coverage ("LIC") ratio is 212%, demonstrating our capacity 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 is strongly positioned at 282%.

Capital Position Supports Future Growth

Capital position of the Bank is healthy with Common Equity Tier 1 ("CET 1"), Tier 1 and Total Capital Ratios at 13.4%, 14.5% and 16.7% respectively. The Bank had on April 2022 issued Green Capital Securities of RM900 million which has uplifted our Tier 1 and Total Capital Ratio, providing further support for future business growth.

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FINANCIAL REVIEW

2 KEY PERFORMANCE INDICATORS (KPIs)

FY2022 KPI ACHIEVEMENT

TARGET FY2022		ACHIEVED FY2022
6% - 7%	Gross Loan Growth	8.0%
>2.10%	Net Interest Margin	2.14%
≤40%	Cost-to-Income Ratio	37.5%
<0.8%	Gross Impaired Loan Ratio	0.49%
~10 bps	Net Credit Cost	10 bps
≥10.5%	Return on Equity	10.9%
~30%	CASA Mix	33.5%

The Bank achieved all KPIs based on the guidance provided for FY2022 as a result of the disciplined execution of our strategic priorities.

- Loans/financing growth was ahead of guidance at 8.0% y-o-y, underpinned by growth in mortgages, SME, commercial banking and overseas operations.
- With effective asset/liability management, NIM for FY2022 was maintained at 2.14%.
- CIR improved to 37.5%, ahead of our guidance as we continue to focus on driving efficiency with our strategic cost management initiatives.
- Asset quality indicators remained uncompromised with GIL ratio of 0.49%, comfortably below our guidance.
- Net credit cost for FY2022 was managed prudently at 10bps, in line with our guidance.
- Despite the impact from Cukai Makmur, ROE for FY2022 remained strong at 10.9% supported by reasonable topline growth, lower impairment allowances and robust contribution from our associates.
- CASA continues to expand strongly by 11.5% y-o-y to RM66.1 billion, resulting in an improved CASA ratio of 33.5%.

FY2023 TARGETS

FY2022 ACTUAL		TARGET FY2023
8.0% Y-o-Y	Gross Loan Growth	~7%
2.14%	Net Interest Margin	>2.10%
37.5%	Cost-to-Income Ratio	≤40%
0.49%	Gross Impaired Loan Ratio	<0.75%
10 bps	Net Credit Cost	10-15 bps
10.9%	Return on Equity	~11%
33.5%	CASA Mix	>30%

- Looking ahead, we believe that our solid foundation, coupled with strategic and tactical plans to continue driving loans/financing growth momentum and upholding solid asset quality would provide reasonable momentum to deliver sustainable results.

- For FY2023, the Bank expects to keep up the loans/financing growth momentum at approximately 7%, while upholding solid asset quality with GIL ratio of below 0.75%. We strive to maintain a healthy CASA mix of above 30% driven by intensified account acquisition and cash management offerings.

- Management has guided for NIM to be more than 2.10%, CIR to be below or equal to 40% and net credit cost to range between 10 and 15 bps. This would provide the solid fundamentals to deliver a sustainable ROE of around 11% in the next financial year.

Management Discussion & Analysis

FINANCIAL REVIEW

3 INCOME STATEMENT ANALYSIS

INCOME STATEMENT SUMMARY

RM' Mil	FY2021	FY2022	Change % (YoY)
Total income	5,467	**5,597**	2.4%
Operating expenses	(2,078)	**(2,098)**	1.0%
Operating profit before allowances	3,389	**3,499**	3.2%
Allowances for loans and other impairments	(654)	**(163)**	-75.1%
Profit before associates contribution	2,735	**3,336**	22.0%
Share of profits from associates	736	**1,030**	40.0%
Profit before tax	3,471	**4,367**	25.8%
Profit after tax	2,861	**3,289**	15.0%

Total income for FY2022 increased 2.4% y-o-y to RM5,597 million, underpinned by higher net interest income but was offsetted by lower non-interest income contribution on the backdrop of unfavourable market conditions. Net interest income for FY2022 was up 7.2% y-o-y to RM4,618 million with NIM remaining stable y-o-y at 2.14%, led by robust expansion in loan/financing portfolio and effective funding cost management.

Operating expenses were strategically managed and remained stable at RM2,098 million with an improved CIR of 37.5%. Consequently, operating profit before allowances was 3.2% higher y-o-y at RM3,499 million.

During the year, we recorded a net charge of RM163 million for loan and other impairment allowances, mainly due to improved asset quality metrics as most customers were able to meet their loan repayment obligations in line with the recovery of business activities.

Profit contributions from our overseas associates continue to be robust, increasing 40.0% y-o-y to RM1,030 million, representing 23.6% of the Bank's pre-tax profit in FY2022.

Overall, with our strong underlying performance, we recorded improved profitability where PBT was up 25.8% y-o-y to RM4,367 million and PAT was up 15.0% y-o-y to RM3,289 million.

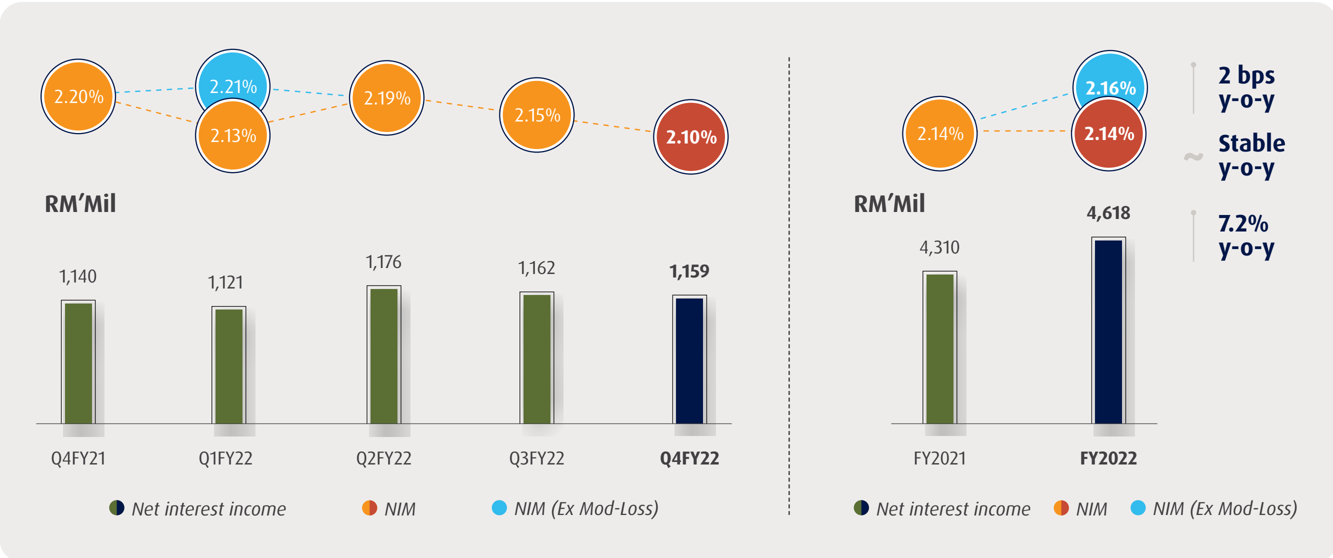
A) Net Interest Income

Net interest income for FY2022 improved 7.2% y-o-y to RM4,618 million with NIM remaining stable at 2.14%, buoyed by loan/financing growth and effective funding cost management.

FY2022 interest income improved 3.0% y-o-y to RM7,290 million as expansion in loan/financing mitigated the impact from lower securities yield and ongoing promotional rates for personal loans and credit cards.

On top of that, interest expense fell by 3.5% y-o-y to RM2,671 million as we tightly managed our cost of funds, which was lower by 15bps y-o-y, mainly due to the repricing of fixed deposits.

A) Net Interest Income (Cont'd.)

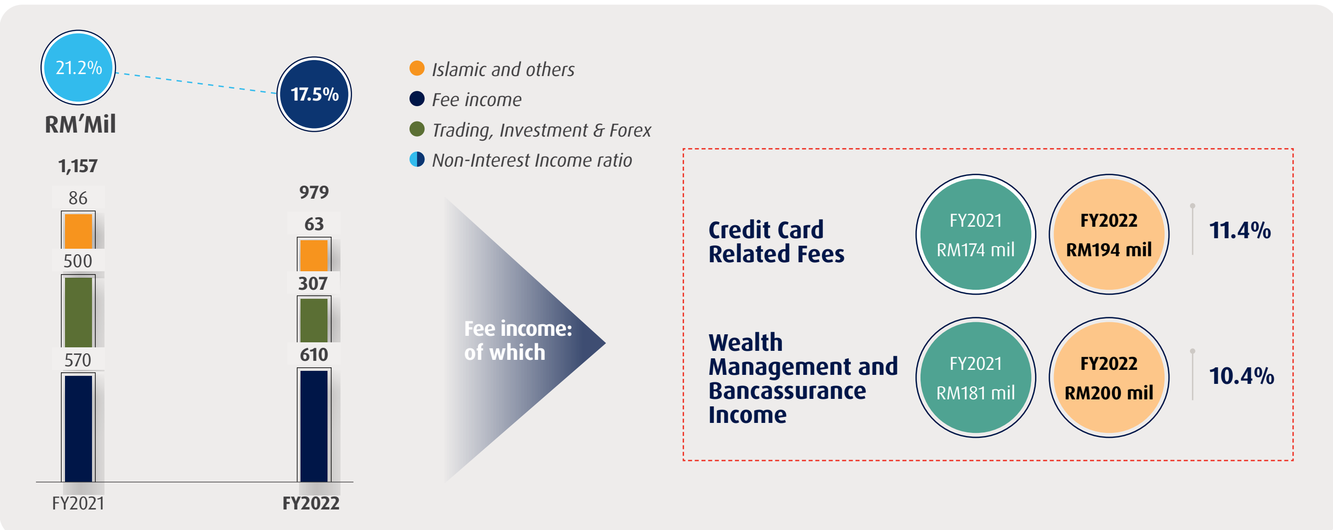


B) Non-interest Income

Non-interest income for FY2022 declined 15.4% y-o-y to RM979 million, leading to a non-interest income ratio of 17.5%. The decline was mainly due to lower gains from our trading and investment activities given the bond market's bearish sentiment.

However, this was cushioned by our stronger fee income contribution which grew 6.9% y-o-y to RM610 million in FY2022 driven by improved economic sentiment and the full reopening of economic sectors which encouraged higher retail spending activities. Accordingly, card fees improved 11.4% y-o-y to RM194 million.

Our wealth management and bancassurance income has also recorded solid performance, increasing 10.4% y-o-y to RM200 million. This was driven by higher bancassurance income from stronger credit insurance sales alongside with higher income from structured products as we focused on distributing principal protected bonds which is in line with our customers' needs during such challenging business environment.



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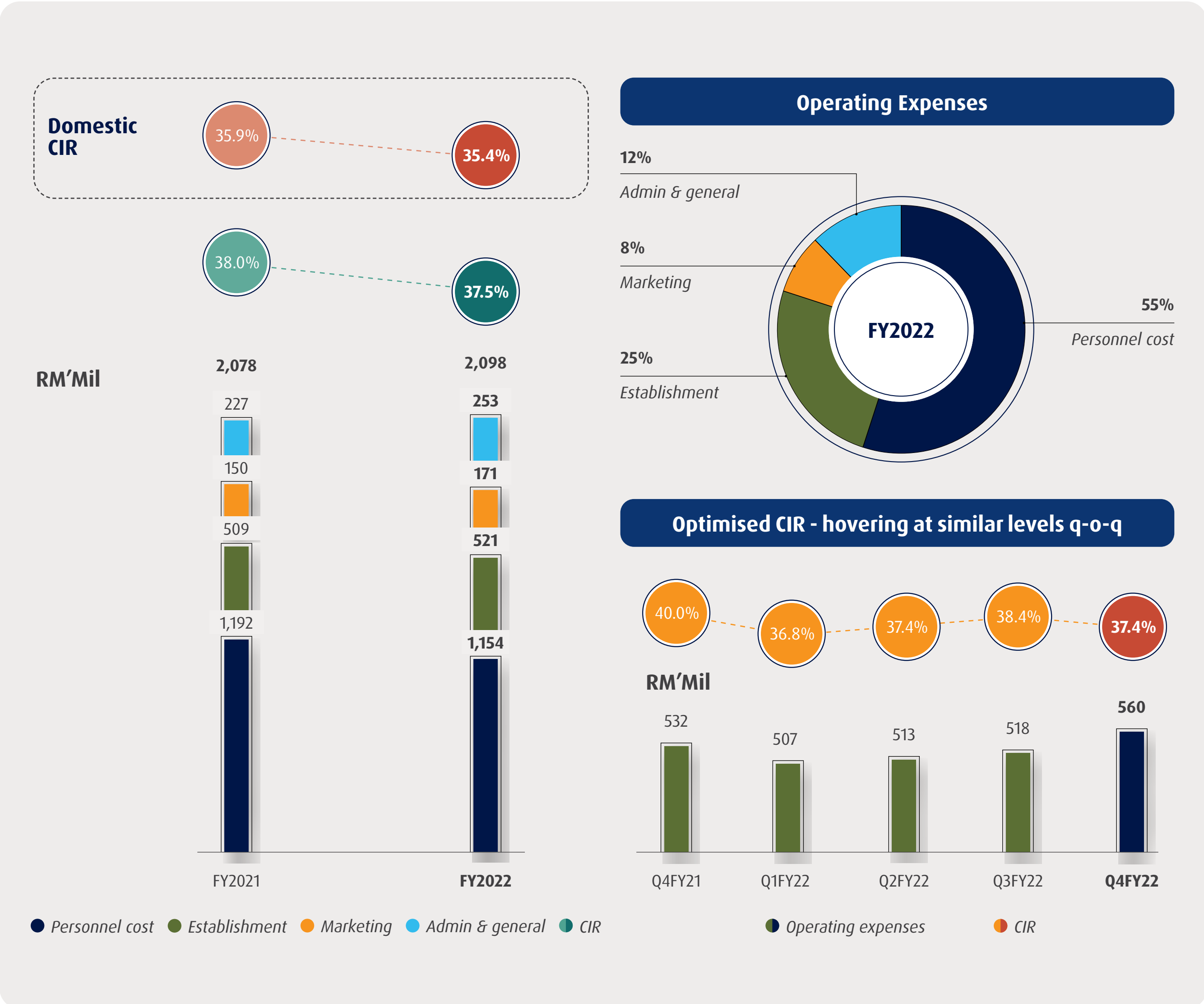
C) Operating Expenses

We continue to strategically manage our expenses with a disciplined approach, resulting in a relatively stable CIR recorded for every quarter throughout FY2022. Overall, operating expenses for FY2022 remained stable at RM2,098 million while CIR improved to 37.5%, delivering positive JAWS.

Personnel costs, which accounted for 55% of total operating expenses, fell by 3.2% y-o-y to RM1,154 million, while establishment costs inched higher by 2.2% y-o-y to RM521 million largely due to increased maintenance for our information technology systems and fixed assets write-off from branch amalgamation.

Similarly, higher expenses were recorded in marketing, up by 14.3% y-o-y, and administrative and general expenses, up by 11.2% y-o-y, driven by higher sales volume, increasing sales commission and credit card related fees, coupled with higher professional fees, management fees and insurance paid.



4 GROSS LOANS, ADVANCES AND FINANCING

STRONG GROWTH MOMENTUM, FIRMLY ESTABLISHING OUR PRESENCE IN DOMESTIC AND INTERNATIONAL MARKETS

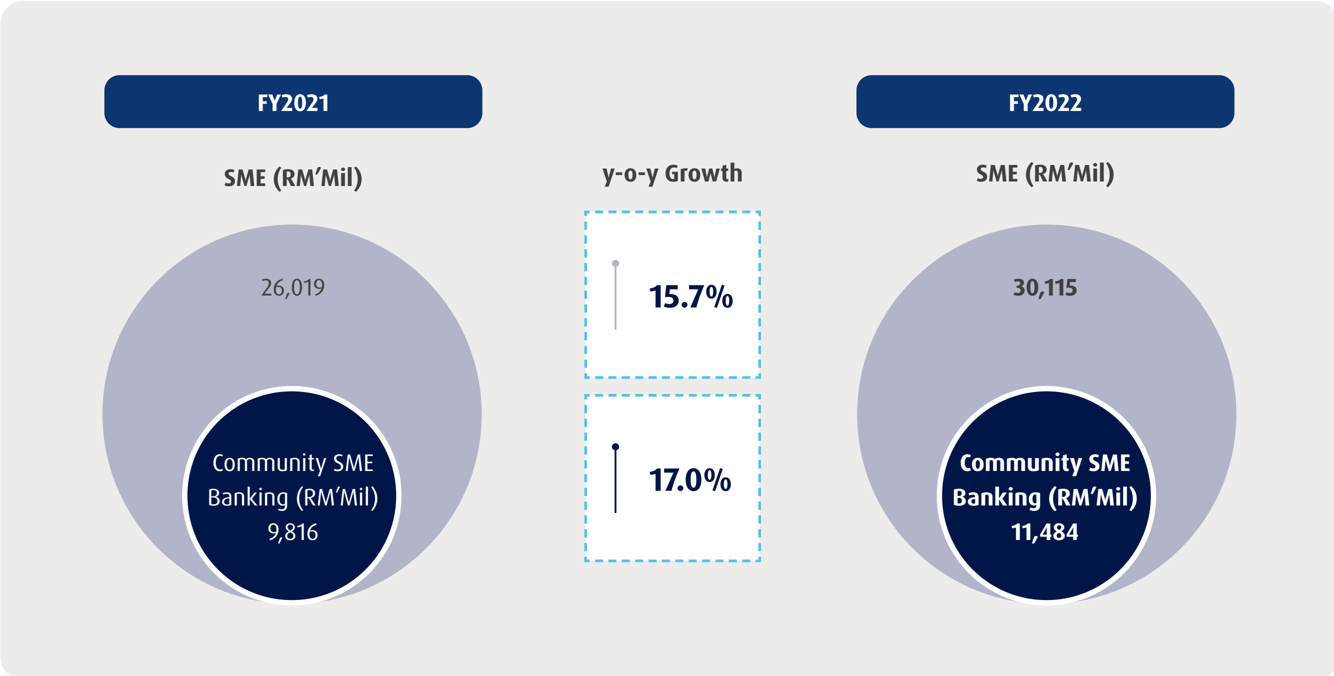
Gross Loans, Advances and Financing by Domicile	FY2021		FY2022		
	RM'million	% Contribution	RM'million	% Contribution	Growth %
Total Domestic Operations	146,587	94%	**156,479**	**93%**	6.7%
International Operations	9,235	6%	**11,755**	**7%**	27.3%
of which					
Singapore	6,187	4.0%	**7,625**	**4.5%**	23.2%
Hong Kong	1	-	**21**	**-**	>100%
Vietnam	1,187	0.8%	**1,653**	**1.0%**	39.3%
Cambodia	1,861	1.2%	**2,457**	**1.5%**	32.0%
Total Gross Loans, Advances and Financing	155,822	100%	**168,234**	**100%**	8.0%

Gross loans, advances and financing maintained strong growth trajectory, expanded 8.0% y-o-y to RM168.2 billion, as we looked for opportunities to support customers in their personal and business endeavours. Mortgages, SME and commercial banking remain the key drivers of loan/financing growth, complemented by robust growth in our overseas lending franchise.

Domestic loans/financing represents 93% of the Bank's total loan/financing book and outpaced industry growth in FY2022, recording a 6.7% y-o-y expansion to RM156.5 billion as at 30 June 2022. Overseas loans grew 27.3% y-o-y to RM11.8 billion, underpinned by strong growth in Singapore, Vietnam and Cambodia which expanded by 23.2%, 39.3% and 32.0% y-o-y to RM7.6 billion, RM1.7 billion and RM2.5 billion, respectively.

Gross Loans, Advances and Financing by Key Segments	FY2021		FY2022			Domestic
	RM'million	% Contribution	RM'million	% Contribution	Growth %	Market Share %
Residential Properties	77,191	50%	**82,434**	**49%**	6.8%	11%
Transport Vehicles	16,769	11%	**17,654**	**10%**	5.3%	8%
SME	26,019	17%	**30,115**	**18%**	15.7%	9%

The residential properties segment expanded by 6.8% y-o-y to RM82.4 billion, backed by a healthy loan/financing pipeline. Transport vehicle loans/financing stood at RM17.7 billion, a 5.3% y-o-y growth driven by the increase in vehicle sales activities and the sales tax exemption.



Reported SME loans growth was encouraging with a 15.7% y-o-y expansion to RM30.1 billion, as we supported SMEs in their business and financial needs during the pandemic period and their ongoing recovery journeys. We provided funding amounting to RM2.4 billion via our financing schemes and various BNM funded / government guaranteed schemes.

Within this SME portfolio, the Bank's community banking initiative continued its solid performance with encouraging growth of 17.0% y-o-y, attributed to proactive efforts to engage and understand the challenges and needs of our clients.

5 ASSET QUALITY

SOLID ASSET QUALITY; MAINTAINING A PRUDENT STANCE AMID THE CHALLENGING BUSINESS BACKDROP

Asset quality was managed diligently while we extended necessary and timely assistance to our customers to support their business recovery journeys. The Bank's loan/financing portfolio continued to perform better than overall industry GIL rate, recording a solid GIL ratio of 0.49% as at 30 June 2022.

Asset Quality by Key Segments	FY2021	FY2022	Industry Average
Residential Properties	0.35%	**0.38%**	1.32%
Transport Vehicles	0.43%	**0.20%**	0.55%
SME	1.10%	**1.25%**	3.71%

Asset quality remained healthy across the key segments of our loan/financing portfolio. As at 30 June 2022, our residential properties and SME portfolio reported GIL ratios of 0.38% and 1.25% respectively, well below the industry average.

The GIL ratio for our transport vehicles portfolio improved significantly to a record low of 0.20%, attributed to our strategies in taking early action on accounts with arrears, managing high risk accounts under our payment relief assistance programmes, and implementing various campaigns to remedy our pre-impaired and impaired accounts.

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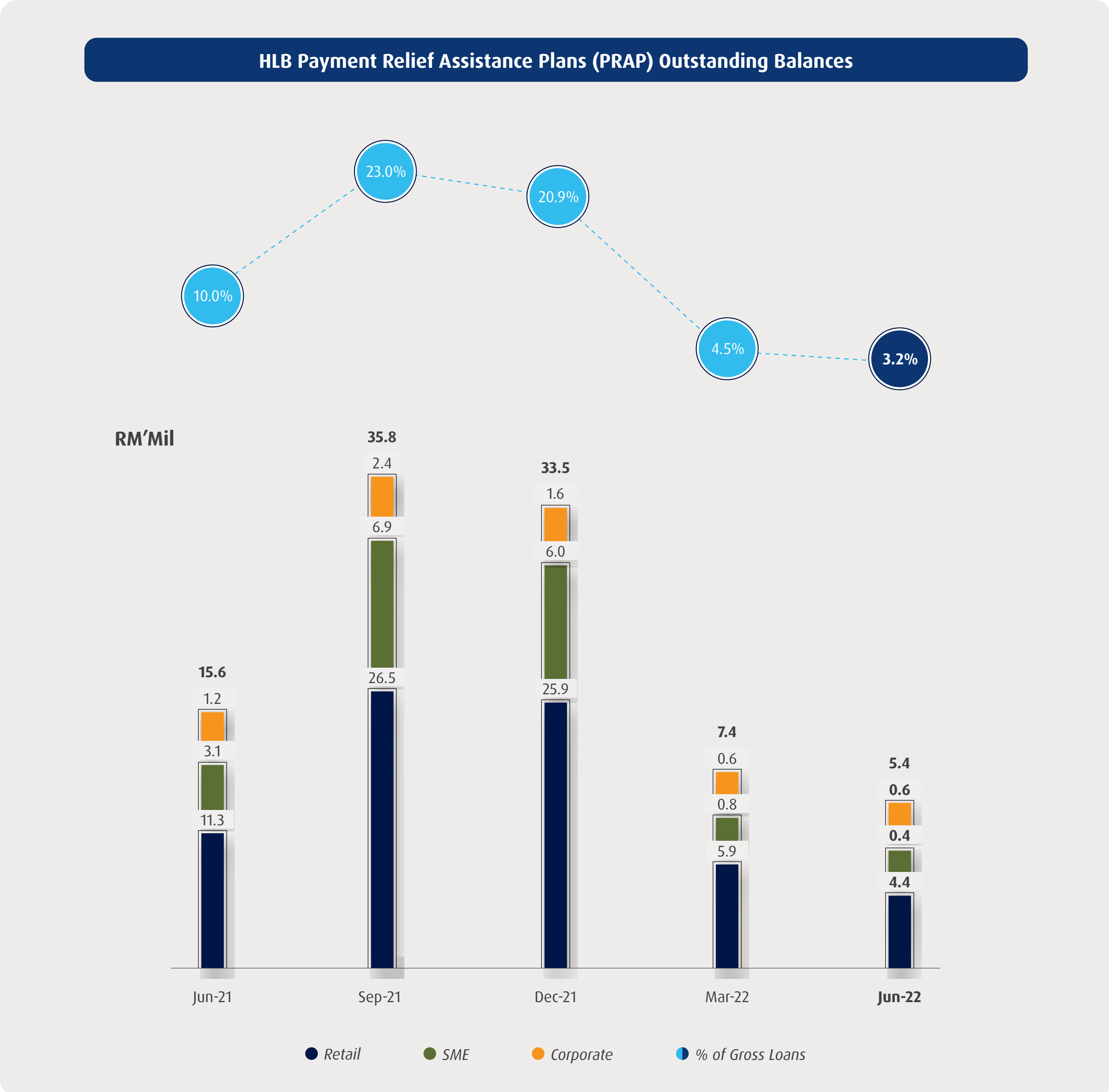
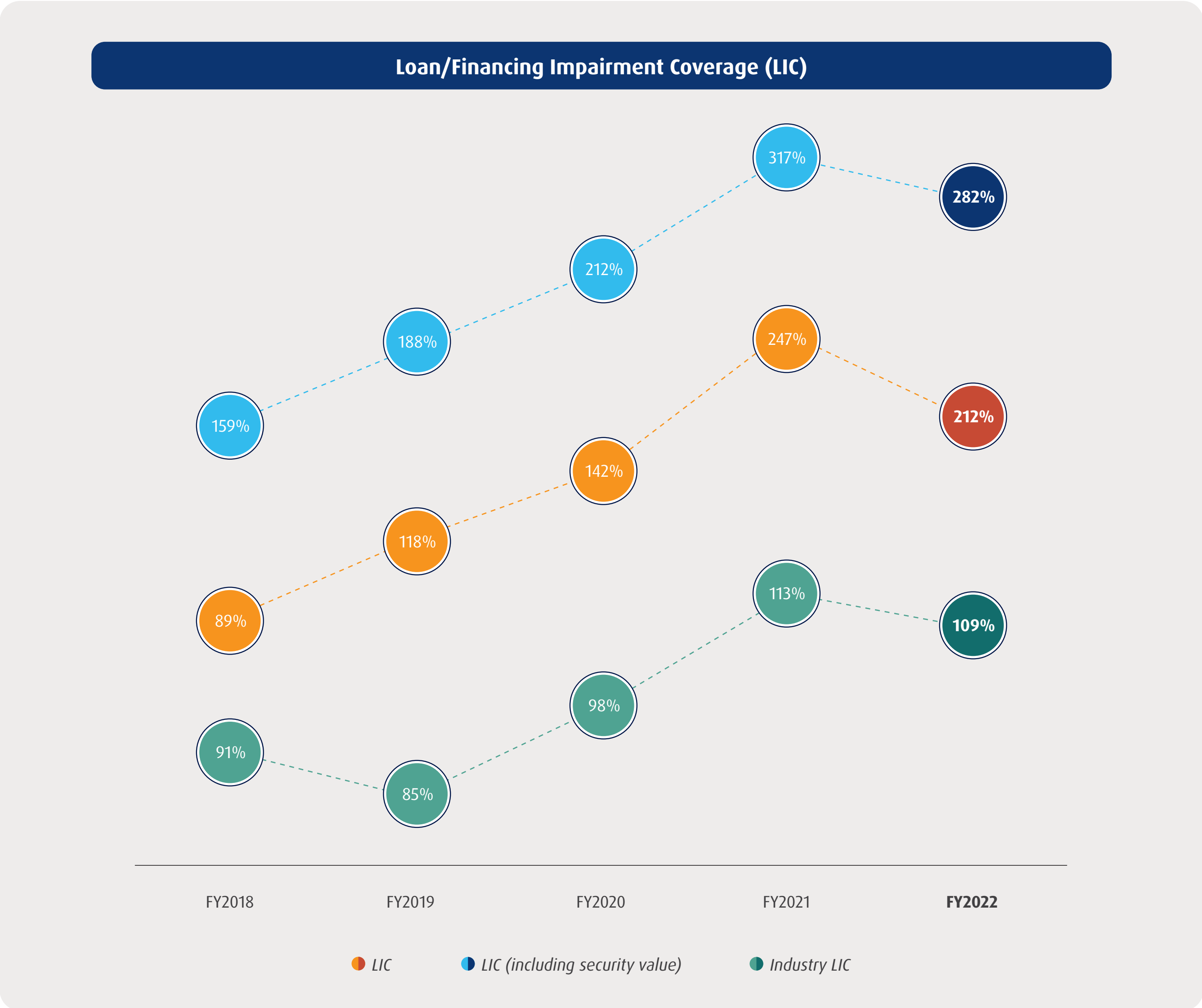


It is encouraging to observe the continuing downtrend of our outstanding PRAP balances. As at 30 June 2022, our total PRAP outstanding balance amounted to RM5.4 billion which represents only 3.2% of our gross loan/financing portfolio – one of the lowest among industry peers. Within the PRAP loan/financing portfolio, 82% are retail customers, with the remaining attributed to SME and corporate customers.

The Bank constantly monitors the financial health of customers and provide the needed assistance to ensure they are able to focus on their recovery efforts. Repayment capabilities of our customers have proven strong as more than 95% have resumed payments upon the maturity of their PRAP.



Amidst the positive sentiment towards economic recovery, we remained disciplined and prudent by maintaining sufficient pre-emptive impairment buffers.

Accordingly, the Bank's LIC ratio remains prudent at 212%, indicating the strength 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 282%.

6 CUSTOMER DEPOSITS

GROWTH MOMENTUM DRIVEN BY STRONG CASA EXPANSION

Customer Deposits by Domicile	FY2021 RM'million	FY2021 % Contribution	FY2022 RM'million	FY2022 % Contribution	Growth %
Total Domestic Operations	170,911	93%	**183,457**	**93%**	7.3%
International Operations	12,379	7%	**13,835**	**7%**	11.8%
of which					
Singapore	9,377	5.1%	**10,290**	**5.2%**	9.7%
Hong Kong	222	0.1%	**119**	**0.1%**	-46.6%
Vietnam	1,067	0.6%	**1,310**	**0.7%**	22.8%
Cambodia	1,713	0.9%	**2,117**	**1.1%**	23.6%
Total Customer Deposits	183,290	100%	**197,292**	**100%**	7.6%

Total customer deposits registered a 7.6% y-o-y growth to RM197.3 billion as at 30 June 2022, driven by strong CASA expansion.

Domestic customer deposits which comprise 93% of the Bank's total deposit base, increased 7.3% y-o-y to RM183.5 billion. Customer deposits for our international operations grew by 11.8% y-o-y.

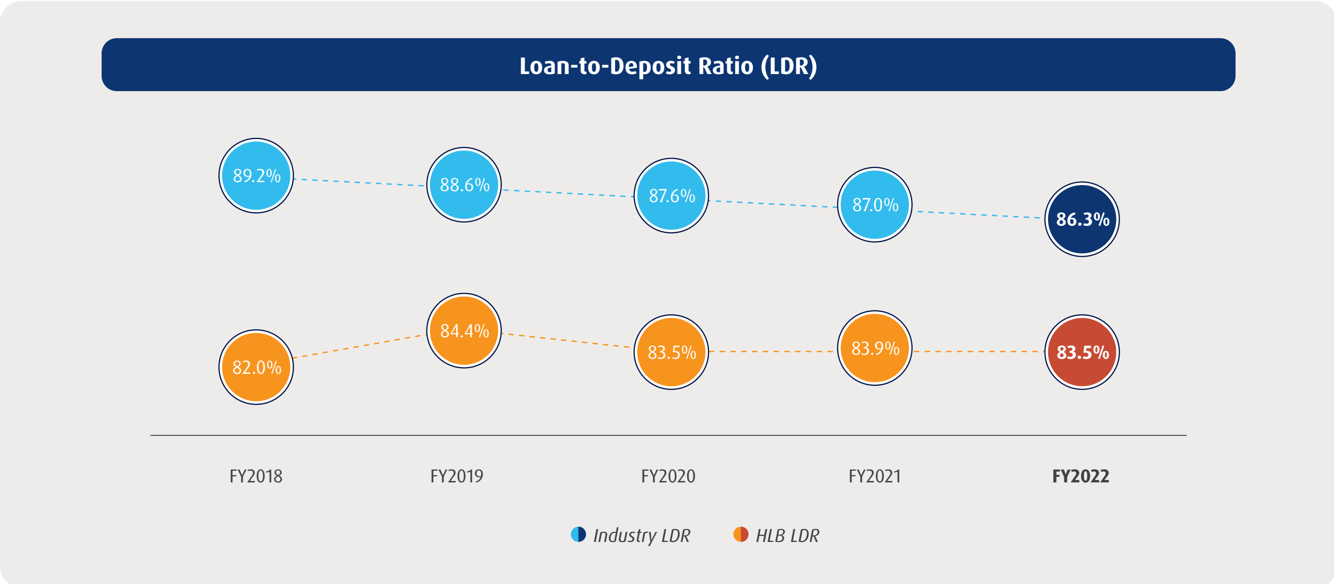
Customer Deposits by Key Product and Customer Type	FY2021 RM'million	FY2021 % Contribution	FY2022 RM'million	FY2022 % Contribution	Growth %	Domestic Market Share %
By key product type of deposits						
Demand and Savings Deposits (CASA)	59,232	32%	**66,051**	**33%**	11.5%	7%
Fixed Deposits	91,902	50%	**93,856**	**48%**	2.1%	8%
Total Core Deposits	151,133	82%	**159,907**	**81%**	5.8%	8%
By key type of customers						
Individual	93,779	51%	**99,405**	**50%**	6.0%	11%
Business Enterprises	85,069	46%	**92,431**	**47%**	8.7%	8%
Total Customer Deposits	183,290	100%	**197,292**	**100%**	7.6%	8%

Core customer deposits comprising demand, savings and fixed deposits made up 81% of our total customer deposits base and expanded by 5.8% y-o-y. CASA increased 11.5% y-o-y to RM66.1 billion, leading to an improved CASA ratio of 33.5%. The solid growth is attributable to the Bank's intensified acquisition within the community and good traction from our cash management offerings. Fixed deposits increased 2.1% y-o-y to RM93.9 billion, representing a domestic market share of 8%.

The Bank's stable funding base continues to be backed by a solid individual deposit base that grew 6.0% y-o-y to RM99.4 billion, represented by an industry leading mix of 50.4%.

7 LIQUIDITY

HEALTHY LIQUIDITY POSITIONS SUPPORT SUSTAINABLE BUSINESS GROWTH



With regards to our funding and liquidity, our position remains stable and prudent with LDR at 83.5%.

	FY2021	FY2022
Liquidity Coverage Ratio (LCR)	145%	**145%**
Loan to Funds Ratio (LTF)	85%	**85%**
Loan to Funds & Equity Ratio (LTFE)	74%	**73%**

As at 30 June 2022, the Bank's LCR position remained comfortable at 145%, exceeding the regulatory requirement. LTF and LTFE ratios are 85% and 73% 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 sound fundamentals, strong retail and SME franchises, and effective risk management.

Our consistent business 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	26-Aug-22	Long-Term Rating: AAA Short-Term Rating: P1 Subordinated Notes: AA1 Additional Tier 1 Capital Securities: A1
Moody's Investors Services Ltd	10-Feb-22	Long-Term Rating: A3 Short-Term Rating: P2

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9 CAPITAL MANAGEMENT

INTRODUCTION

HLB's capital management framework consists of policies and procedures required for the cost-efficient use of capital by the Bank and its principal subsidiaries, while ensuring that sufficient capital levels are retained.

The framework outlines the risk profiles, management targets and relevant regulative standards or guidelines that each business should adhere to.

The capital management structure aims to:

- **Keep capital ratios at levels above regulatory minimums or internal capital thresholds.**
- **Support the Bank's strong credit ratings.**
- **Be open to future strategic opportunities.**
- **Allocate capital efficiently to businesses and optimise return on capital.**
- **Be resilient during stressful economic and financial conditions.**

CAPITAL MANAGEMENT FRAMEWORK

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

i) Comprehensive Risk Assessment under ICAAP

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

As part of this process, a range of stress tests are applied to the Bank's base capital levels, taken 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 adjust and set its internal capital targets accordingly. These targets are reviewed annually to ensure that capital levels are robust, maintained above regulatory requirements and sufficient for the Bank to be able to withstand difficult economic circumstances.

ii) Capital Plan

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

CAPITAL INITIATIVES

The Bank is devoted to ensuring its capital position meets the rigorous Basel III capital requirements and stakeholder requirements, while ensuring it is aligned with strategic business objectives.

Major initiatives undertaken over the years include:

i) Equity Capital

As at June 2022, the Bank held 38.3 million treasury shares that had been bought back previously. These shares, which can be made available for sale, can be used to improve the Bank's CET 1.

ii) Debt Capital

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

In April 2022, the Bank issued its first Green Additional Tier 1 Capital Securities amounting to RM900 million in nominal value for the purpose of financing or refinancing new or existing green assets, projects or companies that meet the eligibility criteria outlined in HLB's Green Bond Framework.

iii) Healthy Dividend Payout

The Bank does not have a fixed dividend payout policy but takes into consideration a balance between growth and proactive capital management to ensure the long-term sustainability of dividend pay-outs to shareholders. The Board has declared a final dividend of 37 sen per share, bringing the total dividend to 55 sen for FY2022, up from 50 sen the prior year.

CAPITAL ADEQUACY RATIO

i) Minimum capital adequacy requirements

Under Bank Negara Malaysia's (BNM) Capital Adequacy Framework, banks are required to retain 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 required to maintain the following capital buffers in addition to 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 exposure 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 the central bank 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 reviews the list of D-SIBs on an annual basis. However, they may review the list as and when deemed necessary if there are major structural changes to the banking system, e.g. a merger or significant restructuring exercise by a bank or 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, BNM may exercise its own discretion to require financial institutions to comply at the entity level.
- On 5 February 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 2021 and 2022.

After proposed dividend	HLB Group		HLB Entity		Regulatory Minimum with CCB*	
	FY2021	FY2022	FY2021	FY2022	2021	2022
CET 1 Ratio	13.6%	**13.4%**	13.3%	**13.3%**	7.00%	**7.00%**
Tier 1 Ratio	14.1%	**14.5%**	13.6%	**14.4%**	8.50%	**8.50%**
Total Capital Ratio	16.2%	**16.7%**	15.7%	**16.4%**	10.50%	**10.50%**

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

Management Discussion & Analysis

BUSINESS OPERATIONS REVIEW

1 PERSONAL FINANCIAL SERVICES ("PFS")

OVERVIEW

The Malaysian economy charted a strong recovery despite movement restrictions that were still in effect during the first three months of FY2022. Following the challenging first quarter where only essential sectors were allowed to open, there was a strong rebound in business and economic activity from the second quarter onwards. In tandem with this, the PFS business benefited from the growth momentum and contributed 51% and 35% of the Bank's revenue and pre-tax profit, respectively.

HLB also ensured discipline in managing asset quality, maintaining a solid and low GIL ratio for PFS of 0.40% in FY2022. The low GIL ratio gives us the headroom to support our customers with their credit needs and provide further payment relief assistance when the government's PEMULIH programme expired.

Although operating in a challenging business environment, our business momentum remained strong and we achieved loan/financing growth of 5% year-on-year ("y-o-y") and double-digit volume growth across most loan products, building a good pipeline for the coming year.

The Digital Way Forward

Digital banking at HLB is primed for further growth as evidenced by the rapid adoption of digital banking and payments that continued strongly post-pandemic. Besides digital financial transactions increasing by 36% y-o-y, our Connect platform saw a 13% growth in its user base. With over two million users in total, the number of monthly active users on Connect also improved to 71% of the PFS customer base in FY2022 compared to 66% in FY2021.

The Bank has come up with new ways to engage with our customers through the launch of the "Connect Rewards" feature, encouraging app stickiness and incentivising customers to pay via HLB QR Pay more often. As a result, the number of transactions via HLB QR Pay increased six-fold while the number of unique HLB QR Pay customers quadrupled. We saw significant growth across various financial product applications executed through Connect, where personal loans funded grew by 48%, balance transfers by 67% and flexi payment plans by 112%. In total, 92% of all financial and non-financial PFS transactions are now conducted via Connect.

We are at the forefront of changing customer trends, seizing the opportunities available as the confluence of digital and new trends reshapes the banking and financial industry and becomes more pronounced. In the year under review, we refocused our digital campaigns and efforts on online product offerings, such as "Buy-Now-Pay-Later", "Digital Wealth Management" features and "Cashless Society", and encouraged junior savers to participate in the cashless environment via our Junior Debit Card Reload product. All of these products recorded significant growth in FY2022 and we expect the growing acceptance of digital banking to continue driving business growth in these areas.

Reimagining Selling Personal Financial Services Online

HLB's Digital Day is a significant highlight of the Bank's calendar, a time when we celebrate with and reward our customers with incredible deals for our retail banking products. The one-month campaign also provides us with the platform to showcase the digital capabilities and features of our products and services. In FY2022, Digital Day was bigger and better. Compared to the year before, the campaign generated 17% more eFD placements, 23% more personal loans funded and 3 times more flexi payment plan applications.

36%
Y-O-Y INCREASE IN DIGITAL RETAIL FINANCIAL TRANSACTIONS

92%
OF ALL FINANCIAL AND NON-FINANCIAL PFS TRANSACTIONS ARE NOW CONDUCTED VIA CONNECT

The steady growth we see every year at our Digital Day is clear evidence of our customers' receptiveness to digital products and shows that a strong and comprehensive campaign will enable consumer stickiness. Leveraging this approach, we launched the "Connect One-Day Offer" Monthly Promotion campaign starting from 11 November 2021, resulting in personal loans funded hitting an all-time high on the Connect platform on 3 March 2022. Going forward, we will be launching more engaging cross-selling features to interact with customers in real time, to provide a more contextualised and personalised customer experience.

Customer Reach and Acquisition with Digital Transformation

In the year under review, HLB focused on sharpening our abilities to acquire customers within the post-pandemic banking environment by increasing the simplicity, accessibility, inclusivity and security of our products and services. Since the introduction of e-KYC in 2020, which was a watershed moment for the Bank, we have continued to work on delivering efficient, effective and relevant services to our customers. For example, the account opening process for Apply@HLB has been simplified further into a five-step customer journey, with debit cards being delivered to the customer's doorstep, saving customers a trip to the bank branch. This led to a 6.6 times y-o-y growth in new accounts.

At HLB, we embrace the different needs and preferences of our customers, making inclusivity a priority throughout our retail banking digital initiatives. Beyond the innovations seen in our applications and internet banking platforms, which generally cater to the digitally savvy, we have adopted a "phygital" approach to reach customers who prefer a human touch in their banking activities. In this way, we not only build trust and relationships, but also expand the potential pool of customers. In FY2022, Personal Loan Specialists, who are enabled with inBranch tablets and engage with customers face-to-face, drove significant growth in personal loan and credit card applications.

Our Mobile Deposit Specialists have also intensified the acquisition of customers through community-based programmes such as HLB@School and HLB@Work. The HLB@School programme, in particular, has unlocked the latent potential of deposits from the junior segment of customers. To date, we have rolled out the programme to 50 schools, with 13 of them now part of a cashless ecosystem. In opening an account, students also gain access to the HLB Pocket Connect App, which enables them to track their spending and become more financially literate by engaging in sustainability-related tasks. In addition, parents can monitor and manage their children's bank accounts anytime and anywhere through the HLB Connect online and mobile banking platform.

The HLB e-Commerce platform has seen steady growth since it established its online store on Shopee Mall, where a total of eight HLB CASA products are now on offer. The Bank has accumulated over 100,000 followers and a shop rating of 4.8 since its launch in January 2020, and we have obtained over 33,000 new CASA accounts through this channel alone. We expect further growth in this area as we continue reaching out to Shopee's large user base with more exciting offers.

In the next financial year, we will enhance the digital banking journey for SMEs by introducing the Connect App for sole proprietors, enhanced with cross-border QR capabilities, to support SME business owners and operators in their digital transformation journeys.

PFS Deposits

PFS CASA grew 6.4% y-o-y while the CASA ratio continued to improve to 37.3% from 36.9% previously. In line with the revival of economic activities and PFS Deposit's commitment to proactively reach out to customers on account opening, new accounts grew by 33.3% versus FY2021.

In line with our efforts to nurture environmental stewardship among the

younger generation, HLB renewed its partnership with APE Malaysia in 2022 to help foster smart money management among junior consumers and to instil environmentally conscious behaviours. Leveraging the Bank's HLB Pocket Connect, HLB Earth Hero is a first-in-market personalised banking platform specifically designed for young children to learn to "Earn, Save and Spend" via an engaging "Task" section that is linked to an eco-friendly mission aimed at reforestation in Borneo. This digital initiative delivers a digital banking platform that is truly fun, relevant and innovative for the younger generation and has concurrently supported a 92.2% y-o-y growth in junior account opening. Under the HLB Earth Hero programme, we have planted 2,500 trees in Borneo, with an additional 2,500 to be planted in the coming year.

Cashless transactions have become the norm in the post-pandemic landscape and as part of our inclusivity efforts to enable more customers, including those from non-urban areas, to go cashless, we commenced our "Project Cashless Kampung" initiative. This initiative was rolled out in Sekinchan, Selangor, a small town of 24,000 residents, and aims to enable all 800 business owners to receive cashless and contactless payments while educating the community about the safety and simplicity of such payment systems. The initial phase will see HLB facilitating the opening of bank accounts and debit cards for the entire Sekinchan community without them needing to visit a bank branch.

As we move into a new financial year, PFS Deposits is committed to continuing our move towards a more digitalised business environment. We will continue to put customer needs at the forefront and explore more business opportunities to emerge stronger and strengthen our balance sheet.

PFS Loans

The mortgage business recorded stronger loan/financing growth of 5.4% y-o-y in FY2022 compared to the 4.2% recorded in FY2021. On the back of the ongoing economic recovery, mortgage application volume grew by 23% while approval volume grew by 32% compared to FY2021. Given our focus on the affordable housing segment, especially on first homebuyers, approvals for properties valued below RM500,000 grew by 42%. We continue to innovate to improve market coverage and the customer experience, with collaborations underway with several prop tech and fintech partners to enhance the property buying and financing journey for customers.

The business responded to climate change concerns by introducing the HLB Solar Plus Loan/Financing-i product, which provides financing for homeowners to install solar energy systems.

The auto loan/financing business recorded stronger loan/financing growth of 4.0% y-o-y in FY2022 against the backdrop of new model launches, sales tax exemptions and strong promotional offers by car manufacturers. We expanded our penetration within the top five brands of the new car segment through strategic collaborations and better dealer coverage that contributed to overall application volume, which grew by 29% while approval volume grew by 45% compared to FY2021. As part of the effort of enhancing digital customer experiences, we launched a new e-Acceptance process to enable the customer to experience a seamless and paperless loan/financing acceptance process. Going forward, the business is committed to improving efficiency through further improvements in productivity, turnaround time, process simplification and digital customer experiences.

The Bank's personal loans/financing new funding grew by 31% y-o-y, marking a turnaround from the year before, in line with the increased economic activity and an improving pandemic situation. Additionally, with the payment relief programmes coming to an end, the Bank experienced higher demand for financing, resulting in growth in acquisition volumes. In FY2022, the Bank also focused on acquisition in the self-employed segment as more businesses resumed operations following the discontinuation of lockdowns, resulting in higher approval rates and bigger loan sizes.

Regional Wealth Management ("RWM")

The RWM team delivered a resilient performance despite the volatile market conditions resulting from global inflationary fears. The team adapted swiftly to the choppy equity market, which performed well in the first half of FY2022 before turning sharply lower in the second half. Balanced funds, which traditionally perform better in periods of market stress, were impacted as well by the sell-offs in fixed income markets.

Overall, assets under management ("AUM") increased by 18% y-o-y despite lower unit trust AUM in the same period. The weaker Unit Trust sales were offset by strong performance in Bancassurance, Fixed Income and Structured Products. Bancassurance fee income grew by 58% y-o-y, mainly contributed by strong credit insurance sales driven by the solid property market recovery. For investments, the team's defensive posture saw clients seeking shelter in capital-protected products that garnered strong sales growth of more than 212%. Despite the tough market conditions, RWM managed to increase total income by 10% y-o-y with slower expense growth leading to positive JAWS.

In FY2022, RWM made great strides in bringing our customers' investing experience online. Our clients are now able to view their investment portfolios on Connect and soon will even be able to transact unit trusts there. This work will continue into FY2023 as we enable our relationship managers ("RMs") to transact and view client portfolios on-the-go. This will increase overall RM productivity and also improve compliance control of the sales process.

Looking ahead, equity market volatility is expected to continue into FY2023 but RWM is confident that its diverse product range and disciplined focus on cross-selling and client experience will see the business contribute strongly to the Bank's performance next year. With robust deposits growth recorded this year, the stage has also been set for the business to grow its product leveraging portfolio strongly in FY2023.

Payments Business

FY2022 was a year of recovery for the payments business in tandem with the easing of movement restrictions in Malaysia. Benefiting from a consistent strategy to drive top-of-wallet behaviour through "Everyday Spend" and a shift in consumer behaviour towards cashless payments, credit card retail spends returned to pre-pandemic levels. Credit card market share was maintained at greater-than-7% while debit card retail spend grew 111% y-o-y, with market share increasing to 5%. The merchant-acquiring business grew from strength to strength, benefitting from optimisation efforts and new key merchants, helping to cement our leading position in the grocery, convenience store and pharmacy segments.

The outlook for the payments business remains positive as the economy continues to recover. To ensure growth through scale, we will be looking to accelerate new card acquisition through cross-selling synergy programmes for PFS customers and focusing on lifestyle and travel-related spends to capture the pent-up demand from existing card customers. We want to see all businesses succeed, regardless of size, and with that in mind, the merchant-acquiring business will be expanding its focus to the micro-businesses segment to further drive cashless payment acceptance.

Moving Forward

Technology, innovation, service delivery and workforce transformation to meet customer needs will be what drive the Bank forward into the new norm. Step changes in our distribution model, where we combine the benefits of our rich digital interfaces with high-touch advisory experiences, will give us many opportunities to further evolve how we onboard and serve all our customers, especially those in the underserved segments.

Our digital banking platform, Connect, has seen significant user adoption across the wide spectrum of services it offers, especially in the last two years. We see this as a major growth opportunity, where we can work to unlock the potential of this digital platform, and to this end, the next stage will see us doubling down on efforts and investments to commercialise Connect further. Connect will be the preferred, integrated platform to remodel our digitally assisted IR-enabled service delivery via multichannel, multisegment digitisation and intensified customer engagement efforts. This will lead to increased scale and a more cost-efficient model across all our business and product lines, and more importantly, significantly expand our reach and change the way we acquire and serve customers, partners, merchants and small businesses for the better.

When combined with ongoing optimisation initiatives in the more traditional but critical parts of the business, we expect to see fundamental structural changes to the PFS business model that will see our reach expand with greater penetration into new or underserved communities. In addition, with lower operating costs, we can deliver a broader range of services to more people, scale up customer onboarding more efficiently, uplift customer engagement and satisfaction rates and deepen partner or ecosystem relationships. These efforts will position the PFS franchise on a stronger, differentiated and even more competitive footing.

In FY2023, we will intensify our efforts to build an integrated, agile payments strategy that will serve today's needs while looking forward to capitalising on the accelerated changes taking place across the consumer, merchant and payments landscapes. There is also the opportunity to further transform the PFS organisation to be even more data-driven, leveraging technological tools and analytics to create more targeted and personalised solutions for our customers and partners.

Clearly, all these efforts require significant human capital investments, in terms of new capabilities and higher capacity, as well as the upskilling or retooling of our workforce. We have laid out a strategic change agenda for our going forward plan and are highly energised and excited to execute and deliver on the transformation.

Management Discussion & Analysis
BUSINESS OPERATIONS REVIEW

2 BUSINESS & CORPORATE BANKING ("BCB")

OVERVIEW

The BCB division delivered a strong performance in a challenging operating environment, with loans/financing growth outpacing that of the industry at 11% y-o-y. We continue to focus on our strategic segments of commercial and SME client segments, both of which registered strong growth, expanding by 13% and 17% y-o-y respectively. The strong growth in loans/financing was complemented by robust growth in demand deposits, which were up by 27% y-o-y.

The loans/financing and deposits growth momentum, coupled with our continued emphasis on cross selling and holistic relationship management of BCB client relationships translated to a 9% y-o-y operating income growth. BCB's recorded revenue of RM1,489 million and PBT of RM917 million for the year, representing a 27% and 21% contribution to the Bank's total income and PBT.

BCB LOANS/FINANCING GROWTH OUTPACING THAT OF THE INDUSTRY AT

+11% Y-O-Y

ROBUST GROWTH IN DEMAND DEPOSITS BY

+27% Y-O-Y

Assisting Our Clients

As the Malaysian economy recovers and businesses embarked on their respective business recovery roadmaps, HLB has remained supportive by providing them with the financial support they needed.

This was done through the provision of working capital facilities to assist businesses seeking to re-start, or through a range of bank-initiated payment relief assistance programmes and the facilitation of access to government financial assistance programmes. One of these programmes was the HLB PEMULIH Government Guarantee Scheme Programme ("PGGS") aimed at assisting businesses on their roads to recovery via financing of up to RM1 million with a maximum tenure of seven years. In FY2022, RM128 million was disbursed under this programme. To further our objective of offering holistic banking services to our SME clients, we established an SME Cash, Trade and Foreign Exchange ("CTFX") team to engage our clients on our trade financing, cash management and Foreign Exchange ("FX") hedging services.

Enhancing the Customer Experience

BCB continues to progress on its ambition to deliver exceptional customer experiences by leveraging our digital transformation strategies. In the year under review, we enhanced our products and services and optimised internal processes to produce more efficient, seamless and frictionless customer journeys.

We have progressively enhanced our BCB digital onboarding experience for account opening and Hong Leong ConnectFirst ("HLCF") sign-ups, where nine out of ten new accounts are now being onboarded digitally. This feature has enabled significant time and cost savings for our clients as it facilitates the entire journey of becoming a HLB business client by eliminating some of the traditional pain points and without the need to adhere to branch opening hours.

We continued to work on improving the HLCF corporate internet banking platform by including multilingual options for customers and introduced the use of eTokens. In the year under review, a treasury module was incorporated into the HLCF platform to give our clients a quick and easy way to fulfil their FX booking requirements. We also launched a new and improved business current account service, the PrimeBiz Current Account that enables our clients to earn rebates from their CA balances, which can then be used to offset selected transaction fees and charges.

BCB ESG and Sustainability

As HLB remains resolutely committed to sustainability, we continuously engage with our stakeholders to refine BCB's ESG Policy & Assessment Framework, with a view towards raising awareness and facilitating sustainability practices among our clients. As part this effort, we launched the HLB BCB Sustainability Roundtable series in February 2021. Since then, we have successfully completed seven sustainability roundtables thus far, covering a range of topics such as palm oil, renewable energy (solar and biogas), waste management, chemicals manufacturing, plastics manufacturing and steel manufacturing. These roundtables bring together industry experts and business leaders to foster meaningful conversations on selected topics and deliver key insights useful to our audience.

One other feature of BCB's business and sustainability agenda is our focus on and support towards financing of renewable energy projects over the last few years. On this note, we are pleased with HLB's recognition as the Best Bank for Sustainable Energy Financing at the National Energy Awards in 2021.

Moving Forward

The growth in our business over the last year is a result of our continued engagement and support for our clients, particularly SMEs, during this difficult period. We are appreciative of the recognition we received during the year under review for our efforts in the form of awards and accolades such as our fourth consecutive award as the Best SME Bank in Malaysia and the Best Cash Management Bank in Malaysia from The Asian Banker. In addition, we were recognised as the Top Financial Institution Partner in the Commercial Bank Category by Credit Guarantee Corporation at the 26th FI & SME Awards in 2021.

Moving forward, BCB will remain focused on supporting Malaysian businesses, via our comprehensive suite of financing and banking services, which we will continue to improve to meet the evolving needs of the market and our clients. In doing so, we are committed to continuously enhancing the security, reliability and capabilities of our various digital channels, which are now the primary channel in serving our clients. We have been and will continue to fulfil our role and responsibility as a key pillar of the nation's economy by providing capital to businesses and institutions and remain committed to doing so in a responsible and sustainable manner.

3 GLOBAL MARKETS ("GM")

OVERVIEW

Amid the increased headwinds and volatility in financial markets, the GM business managed to produce a set of resilient results, both in terms of revenue and profits. We recorded revenue and PBT of RM681 million and RM561 million, respectively, representing a 12% contribution to the Bank's total income and 13% to the Bank's PBT for FY2022.

System liquidity was well managed by BNM despite a global call for liquidity tightening post-pandemic from major central bankers, underscoring BNM's efforts in ensuring resilient domestic growth whilst managing inflationary pressures. Key ratios such as the industry loan-to-deposit ratio ("LDR"), liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR") remained stable during this period despite fears that the end of loan/financing moratoriums would cause the ratios to deteriorate.

REVENUE

RM681 million

12%

CONTRIBUTION TO THE BANK'S TOTAL INCOME

PBT

RM561 million

13%

CONTRIBUTION TO THE BANK'S PBT

Performance Review

With the pandemic being progressively subdued as the year unfolded, our teams transitioned seamlessly as normalcy and business activities resumed 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.

The Bank's liquid asset portfolio faced tough headwinds this year as GM suffered from lower portfolio yields within a rising interest rate environment while managing rising funding costs and negative mark to market in our bond holdings. Trading income was also impacted by the local and global bond sell-offs, while the narrowing of USD/MYR interest rate differentials provided a tougher backdrop in managing our trading books. This resulted in lower monetised gains in our fair value through other comprehensive income ("FVOCI") investments.

Expectations of an accelerated pace of rate hikes in FY2022 also caused our institutional client base to stay on the sidelines across asset classes, leading to lower overall market volume across the fixed income and MYR structured product spaces. However, due to the lower liquidity in these markets, we were able to capture better spreads to maintain our market share in the spaces we compete in. GM was once again recognised by leading publication, The Asset, as we won the Best Local Currency Bond Individuals in Research, Sales and Trading for 2022, thereby affirming Hong Leong Bank's leading position in the local institutional space.

The Bank saw a strong uptick in FX volumes as major economies gradually opened up in the second half of 2021. Digital remittance volumes continued to remain strong, exceeding our branch volumes throughout FY2022, in line with the greater adoption of digital banking channels by our customers even during the post-pandemic era. The upgrading of our digital capabilities will continue as we aim to handle a wider variety of FX transactions to meet the needs of our customers.

Initiatives in the Past Year

In FY2022, GM continued to work closely with our internal partners and clients to deliver innovative treasury solutions for the Bank's clients. Collaborating with our BCB partners, we launched Hong Leong ConnectFirst Live, which allows our corporate clients to book FX rates directly with us. This breakthrough is not just limited to spot FX trades, but also includes forward contracts for clients, in line with our initiative to drive our SME & corporates segment FX volume. We also launched LiveRate for our internal users (such as branches) for a more seamless end-to-end delivery of FX-related transactions.

We have also been laying the groundwork for our entry into the equity business in FY2023, with system enhancements to our Murex trading system and key personnel already in place. 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

The Malaysian economy demonstrated encouraging strength in its post-pandemic recovery in FY2022, supported by BNM's timely policy response and the government's pandemic assistance programmes. However, COVID-19 left us with new challenges, particularly soaring commodity prices and supply-demand imbalances. The situation was exacerbated by the Russia-Ukraine conflict, which fuelled further pressures on raw material and input costs as well as energy costs. Although the supply chain disruption is expected to ease in the coming year, supply shortages in some sectors are expected to persist well into 2023. Inflation is therefore expected to remain elevated for a prolonged period, which has prompted central banks around the world to tighten monetary policy.

Looking ahead, we expect interest rates to increase in the first half of FY2023 in all the countries we operate in, as central banks adopt a more hawkish monetary policy stance. Our fixed income investment book performance will be impacted by the rise in interest rates. However, through prudent balance sheet management, we have deliberately kept our bond book durations short. This allows us to capitalise on the higher interest rate environment by replenishing maturities with bonds at higher yields. We are also assessing the probability that global economies will slip into a recession, which is a potential consequence of aggressive policy tightening.

The rebound in global trade flows has been positive for FX volumes and our profitability, as we expect our SME, commercial, corporate and retail customers to continue to be active in FY2023. GM will also be looking to increase our share of wallet in the wealth management space via more product offerings.

4 ISLAMIC BANKING

OVERVIEW

Hong Leong Islamic Bank ("HLISB") delivered a resilient financial performance amid a highly challenging operating environment, charting healthy asset growth despite recording a lower profit before zakat and taxation ("PBZT"). In FY2022, HLISB recorded PBZT of RM438 million while total assets grew by 14% y-o-y to RM51.4 billion, above the average industry rate of 9%. Financing assets recorded 11% y-o-y growth, also above the average industry rate of 10%, attributed to the healthy growth of our retail, SMEs and corporate businesses financing. Asset quality also continued to be robust with a low gross impaired financing ("GIF") ratio at 0.44% as at year-end compared to last year's ratio of 0.40%.

TOTAL ASSETS
RM51.4 billion
+14% Y-O-Y

FINANCING ASSETS
RM36.4 billion
+11% Y-O-Y

Sustaining Financial Growth

We remain steadfast in playing our role as a sustainable and inclusive financial partner to help our customers adjust to the post-pandemic economic environment, led by our "Digital at the Core" ethos and brand promise of delivering services that are built around our customers' needs.

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

Our Progress in Islamic Banking

Amid the ongoing economic recovery, HLISB strengthened its resilience by building upon its digital efforts and enhancing the customer experience. Guided by our brand promise of "Built Around You", we continued our journey to make HLISB a one-stop Islamic bank that provides innovative and diversified financial solutions. For example, our Personal Financial Services-i ("PFS-i") business has enhanced its market presence, driven by digital strategies that engage with customers through a multitude of Islamic wealth management services and products that offer a simplified banking journey.

To support the Bank's sustainability efforts, we introduced a new green energy financing facility, Solar Plus Financing-i, that enables homeowners to install a solar-powered energy system and immediately enjoy savings on monthly electricity bills. Meanwhile, our established Term Investment Account-i ("TIA-i") that offers conveniently packaged and high-quality financing assets continued to gain a strong footing among investment-savvy Malaysians. Our retail fund size has grown 40% y-o-y to RM618 million, from RM440 million in the previous year.

In FY2022, our customers chose digital payments over cash for their daily transactions, largely due to the changes in consumer behaviour brought about by the pandemic, which have driven greater digital adoption. For instance, there was a 38.7% y-o-y increase in debit card transactions compared to the market average of 15.7% as at March 2022. Additionally, online transactions for ASNB increased to RM48.5 million versus RM41.2 million in the year before.

For our Islamic Business and Corporate Banking ("BCB-i"), we sustained our performance by digitalising and enhancing more of our products and services to improve delivery and turnaround time. To improve the online experience for our business customers, we are currently working on an improved user interface and user experience ("UI/UX") for the ConnectFirst platform to provide a more seamless customer experience. We continued to assist SMEs in their growth journeys through our partnerships with SME Corporation via the Shariah-Compliant SME Financing Scheme 3.0 ("SSFS 3.0") Programme and Syarikat Jaminan Pembiayaan Perniagaan ("SJPP") programme, which helped SMEs and Halal sector businesses to raise financing for their operating and capital needs. In the year under review, we launched targeted and specific campaigns, such as the BCB-i ARM Incentive Campaign and Trade Finance Staff Incentive Campaign, to encourage our employees to increase the financing utilisation of our SME customers.

The Halal sector offers exciting opportunities for HLISB, and in FY2022, we recorded a 15.5% growth in Halal assets thanks to emerging Halal sectors such as manufacturing, agriculture and health and pharmaceuticals. To position ourselves as the preferred financial partner in the Halal ecosystem, selected staff have attended programmes such as the Halal Industry Fundamentals and Malaysia Halal Certification to enable them to better serve our customers. Through a greater understanding of the Halal sector, we aim to further expand our services by offering more solutions to cater for the segment and introducing Halal certification advisory services.

Shariah excellence has continued to play a key role as a business enabler where we strive to embed a strong culture of learning anchored on creating value-based outcomes within the Bank and the community we serve. In FY2022, we further strengthened our Shariah compliance culture through disciplined implementation of Shariah governance as guided by the central bank's Policy Document on Shariah Governance ("SGPD"). The key initiatives include business-focused research activities, knowledge-sharing programmes with the community via "Celik Muamalat" and our annual Shariah Compliance Month to cement greater Shariah awareness among all employees.

Moving Forward

Looking ahead, we are committed to spearheading new ways of engagement with our customers through Islamic banking for them to grow and prosper. In doing so, we are cognisant of the growing importance of carrying out our business in a responsible and sustainable manner. Guided by the principles of value-based intermediation and the Bank's sustainability agenda, we will continue to transition towards a value-based business model that, at its core, considers the impact of our actions on People, Prosperity and Planet. This is also aligned with our strategy to contribute to the aspirations of the newly unveiled BNM Financial Sector Blueprint 2022-2026 in propelling Islamic finance further and promoting value-based finance for a greater impact on the community.

To realise these ambitions, we plan to provide more value-based finance solutions, support financial inclusion via our Islamic wealth management services, expand the SME and Halal business, upskill our workforce and explore the realm of Islamic social finance.

5 INTERNATIONAL

PROFIT CONTRIBUTION FROM BOCD

RM1.0 billion

+40.5% Y-O-Y

HLBS LOANS GROWTH OF

23.2%

Y-O-Y

HLBVN LOANS GROWTH OF

39.3%

Y-O-Y

HLBCAM LOANS GROWTH OF

32.0%

Y-O-Y

Bank of Chengdu ("BOCD")

BOCD achieved strong profit growth in the year under review, contributing 23.2% of the Bank's PBT or RM1.0 billion, which was a 40.5% improvement from the previous year. Going forward, BOCD's strategy is to expand its loan portfolio within its current selected business segments and geographical areas, supported by solid deposit growth. Maintaining the foundations of robust asset quality and continuous enhancement of internal management capabilities will help BOCD remain competitive and achieve strong financial performances, strengthening its position amongst the top listed city commercial banks in China.

Hong Leong Bank Singapore ("HLBS")

HLBS recorded better performance y-o-y with an operating profit of RM78.5 million in FY2022 (FY2021: RM62.7 million) against total income of RM187.4 million (FY2021: RM166.0 million), while its loan book grew 23.2% y-o-y or RM1.4 billion to RM7.6 billion.

The Branch's growth was driven by its ongoing transformation into a more holistic financial services provider, from a niche Private Wealth Management ("PWM") outfit into BCB and niche segments of PFS, which have enabled greater customer coverage.

The PWM business is set to transform into a regional hub for high-net-worth business owners and their families through nimble and tailored solutioning services, supported by an experienced team of wealth managers and advisors. To help us achieve this, PWM upgraded its wealth platform and services in 2021 to enable more products and service provisions, provided through a consolidated view of the clients' portfolios.

PFS has charted impressive growth since inception in 2015, steadily building up a SGD900 million auto loan book over the years while capturing a market share of 11% in the process. Following this success, PFS has now branched out into personal banking, providing personal loans and deposit products to capture a slice of the mass affluent segment. A greater number of products and services are also being digitalised with a mobile banking application targeted for launch in 2023 to enable banking "on-the-go".

For BCB, the strategic focus for growth is to entrench ourselves in the local business community. Our value proposition in the SME and commercial customers space is to support their growth locally and regionally via simple and reliable solutions while improving market connectivity through digital platforms for cash management and trade financing. To date, BCB has garnered a loan book of SGD1 billion, comprising financing to SMEs and commercial clients in sectors such as manufacturing, construction, food, wholesale trade and financial services. To increase our value proposition, we launched a corporate internet banking platform in 2022 and will add a payment gateway platform in early 2023.

Hong Leong Bank Vietnam ("HLBVN")

Vietnam's economic growth beat expectations in the first half of calendar year 2022, achieving 5.1% y-o-y growth in the first quarter and 7.7% y-o-y growth in the second quarter. Against this backdrop, HLBVN recorded solid performance throughout FY2022, achieving loan growth of 39.3% and deposit growth of 22.8% y-o-y while maintaining a low GIL ratio at 0.10%. Total income increased by 29.2% y-o-y driven by the strong loan growth and a 14bps improvement in NIM. Coupled with relatively stable operating expenses, CIR improved by 21.8% y-o-y. Given the overall positive performance, the franchise turned profitable recording PBT of RM11.0 million.

In parallel, HLBVN continued to invest in building and improving its digital capabilities to better serve its customers. After introducing a new mobile app, a digital unsecured personal loan and eKYC for retail customers, the franchise is now working on enhancing the digital banking platform for business and corporate customers so that we can continue the strong franchise growth seen in the year under review maintained in the years ahead.

Hong Leong Bank Cambodia ("HLBCAM")

HLBCAM achieved a record PBT of RM40.5 million in FY2022 (FY2021: RM32.1 million), backed by higher total income of 34.9% y-o-y to RM93.7 million, despite the economic headwinds caused by the pandemic and various macroeconomic factors. Asset quality remained sound with a GIL ratio of 0.48%, ranking us the best among peers in the industry.

In FY2022, we undertook several major initiatives to secure the long-term sustainability of our business. This included launching our corporate internet banking platform, known as ConnectFirst, an all-in-one account with up to 11 multi-currencies to increase our customer base, making enhancements to our mobile banking capabilities for both retail and corporate customers, and performing various operational improvements. We also introduced the universal branch manager model and SME banking to better serve our customers. This aligns with the Kingdom's agenda to grow and support SMEs with easy, seamless and convenient access to financing in enhancing business resilience and recovery beyond the COVID-19 pandemic.

HLBCAM believes that serving the community is not only important to being a responsible corporate citizen, but also contributes to the overall long-term sustainability of its business. In this regard, HLBCAM is helping the community through the "Save, Spend to Donate" Campaign where we contribute 1% from the total spend incurred by customers on their HLB Mastercards to the Kantha Bopha Foundation. The Bank has already donated USD25,000 on 25 July 2021 from the proceeds of this campaign with the objective of creating a more vibrant community where the Bank operates.

Much of HLBCAM's success is a product of our local talents who deliver results time and time again. HLBCAM strives to achieve a high-performing culture and is grooming local talents to be future leaders of the Bank, leveraging on the shared resources of the Hong Leong Banking Group Talent Development Framework. HLBCAM is also committed to providing local talents with international secondment opportunities at franchises in other countries for them to gain and exchange knowledge while expanding their exposure to different banking environments and challenges.

Looking ahead, we aim to grow our loan portfolio in Cambodia rapidly over the next 3 to 5 years so that we can position ourselves strongly in the industry. Our strategic plan for business upliftment will focus on accelerating growth in our customer base in tandem with improving the cross-selling efforts to the existing and new customer base. Most importantly, our key focus remains on digitalisation and creating seamless customer experience. We plan to launch the Bakong peer-to-peer instant fund transfer service for our retail customers in August 2022 and introduce a number of operational excellence initiatives to improve customer experience and optimise costs.

Hong Leong Bank Hong Kong ("HLBHK")

Hong Kong's economy shrank sharply in the first quarter of 2022 with a contraction in real GDP, reversing the growth trend seen in the preceding year. Various economic activities, as well as business sentiment, were adversely affected by the severe restrictions and social distancing measures amid recurring waves of COVID-19 since January 2022. External factors, including the weak global economy, supply chain disruptions, geopolitical tensions and U.S.-China relations, also weighed on Hong Kong's economy.

Despite the challenging macroeconomic backdrop and ongoing pandemic, HLBHK has steadily built up the SME business prudently in the year under review by onboarding high quality and established customers. In addition to SME loans, the Global Markets team has also worked in tandem with BCB to expand the treasury sales business and successfully closed deals in 2022, while maintaining strong liquidity levels in the global market operations.

Looking ahead, the local economy is expected to slowly recover following the easing of social distancing restrictions since late April 2022 as a result of fewer COVID-19 cases in the territories. Nonetheless, Hong Kong's closed borders and rising inflation may still put pressure on the economy. We will therefore continue to maintain our cautious stance in growing our SME loan portfolio while actively cross-selling FX and trade finance services to enhance income streams as guided by our strong risk management and compliance culture.

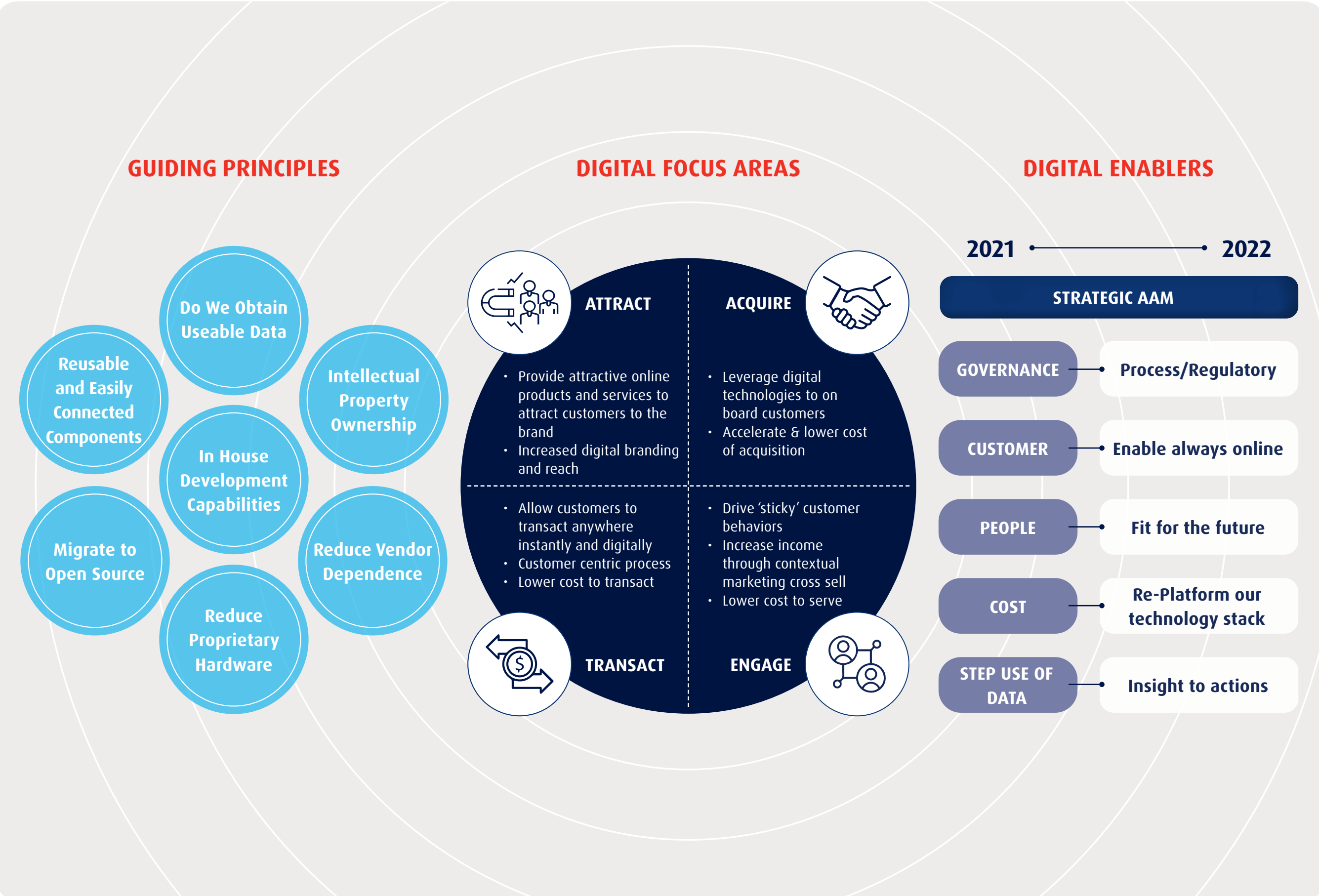
Management Discussion & Analysis
BUSINESS OPERATIONS REVIEW

6 INFORMATION TECHNOLOGY ("IT")

In FY2022, HLB continued to see encouraging and sustained growth in digital adoption across all retail, wealth, SME, business and corporate customers. The pronounced digital acceptance was a direct result of our "Digital at the Core" and "Built Around You" ethos, which permeated into customer-focused initiatives that broadened our ecosystem and made it more adaptable, reliable and secure. While the overall focus was on meeting the ever-changing needs of both internal and external stakeholders, the IT unit also ensured that we delivered cost-effective and sustainable solutions.

Besides enabling more features for customers and improving the collaboration and productivity tools available to employees, we continued to strengthen the digital ecosystem through system refreshes/replatforming and a general renewal of its working parts. In addition, there was a strong emphasis on regional enablement and the introduction of new transactional services that were successfully brought online. Overall, in FY2022, the IT team implemented 44 projects, completed 942 system enhancements and reduced unscheduled downtime by 48% as compared to the previous year. Work is underway to improve this further.

Fundamentally, we continued to execute on our strategic initiatives and our digital transformation strategy put in place over the past few years. We are pleased that the transformation continues to drive measurable value for the franchise. In this context, the team has been able to increase the digital enablement of our products and services from 38% to 85% across Malaysia and other geographies since 2016. We have also done this in a cost-efficient manner, focusing on building scalable digital and IT solutions through the use of enterprise open-source software and creating applications in-house.



Enabling the Business

In the year under review, we invested considerable time and effort in producing solutions both domestically and regionally in our focus areas of 'Governance', 'Customer', 'People', 'Cost' and 'Data Analytics'. We seized on the opportunities to build on the digital adoptions that occurred as a result of the pandemic environment to drive new digital efficiencies and allow customers to transact anytime and anywhere. In addition, we further increased the size of HLB's digital portfolio and improved operational and system resilience.

Governance

Given the highly regulated environment we operate in, governance is a crucial component of the overall business and is embedded in every process or operation. To overcome the challenges of fulfilling regulatory requirements that traditionally rely on manual processes, we continue to persevere by bringing in technology solutions that create more efficient and robust business processes.

In FY2022, we introduced straight-through processing for customer onboarding and remittances. This solution has been deployed to all geographies where Hong Leong Bank has a presence and has reduced friction for the internal stakeholders when onboarding customers. Previously, to onboard new customers, frontline employees would need to toggle between screens and systems, complete forms and email them to other parties for processing and wait on a response. Not only was this inefficient, but it was also prone to human error, leading to inefficiencies and time wasted, frustrating both customers and internal stakeholders alike.

Our onboarding solution is a one-stop shop that integrates all customer touchpoints with origination systems and straight-through e-KYC self-registration solutions. This also provides real-time integrated scanning across domestic and international databases and an integrated real-time workflow approval capability. It allows our relationship managers to spend more time conversing with and guiding customers on their financial needs and wants.

Moving forward, there will be a continued focus on governance-related initiatives, with the team already working on enhancements in fraud monitoring capabilities both in Malaysia and regionally, as well as increased regulatory technology initiatives for statutory reporting and statistical analysis.

Customer

Notwithstanding the advancements made in governance-based initiatives, we remained focused on putting the customers at the forefront of all our plans. We continued to remove friction for customers, improved self-care functionalities and strengthened the digital offerings portfolio, while making it easier for internal stakeholders to spend more time on customer-related activities. With HLB's ethos of being "Digital at the Core", we will continue to build innovative digital capabilities to support our consumer and business customers as the country transitions from the pandemic to endemic state.

MAKING BUSINESS BANKING EASIER

Corporates and SMEs are a mainstay of HLB's business and a customer segment that continues to grow in strength. Throughout the year under review, we worked hard to make banking easier for them, whether it was for the onboarding journey, obtaining financing or simplifying their daily transactions.

The team, in collaboration with the business, continued to enhance the branch iPad solution for the onboarding of customers, offering customers options beyond the normal branch visit to complete their journeys. This solution enables customers to begin their onboarding journey by uploading their documents via an offline web interface and they can continue the process either by having a relationship manager visit them at a place and time of their convenience or by visiting a branch. Once signed up, customers gain immediate access to the Hong Leong ConnectFirst corporate internet banking platform, providing customers frictionless access to all the functionalities of their accounts while improving the productivity of our employees at the same time.

A considerable amount of time was also spent on establishing a new Business and Corporate Banking loan origination system to speed up the turnaround time for new financing or loan facilities annual reviews etc. The system provides a significant upgrade for the creation and approval of all corporate and SME facilities as it removes or reduces redundant fields, forms, processes, tasks and approvals, enables concurrent workflows to avoid delays and automates data collection from third parties. Frontline teams have also been equipped with a mobile application for on-the-fly referrals and lead management, a system which has been extended to solicitors and valuers, who are very much part of the financing ecosystem.

Our efforts were also directed at strengthening our corporate internet and mobile banking capabilities, with the launch of an updated version of the ConnectFirst platform and a Huawei native mobile application. The launch of the revitalised web platform simplifies navigation and customer journeys by offering customers a choice of three languages, a simplified login without the need to remember the password and more user-friendly facial recognition capabilities. We also leveraged our in-house DevOps teams to build online FX capabilities on ConnectFirst, enabling the booking and transactions of foreign currency via a direct link to our Global Markets booking systems. In addition, customers can now digitally upload and submit their trade documentation, which allows for a much faster processing turnaround time and greater convenience for trade financing.

For our customers who rely on point of sales to drive their business, we built and launched the HLB BizBuddy mobile application. This is a convenient and hassle-free way for business owners to accept customer payments via a range of QR code options, including DuitNow QR and WeChat Pay, to monitor transactions in real time and instantly refund any same-day purchase cancellations.

HLB also continued to develop the application programming interface ("API") ecosystem by introducing the corporate settlement API, which enables customers to integrate their various operating systems with ConnectFirst. For example, they can integrate their payroll and accounting systems with ConnectFirst to enable the seamless processing and payments of their payrolls. The system is able to support a wide range of single, online and bulk payment/transfers. In addition to the settlement API, the team built and enabled an API for third-party SMEs to utilise. This API allows the third party to integrate and use Hong Leong Bank's payment rails to allow instant transfers from the third party's wallet to any financial institution in Malaysia.

Some of the improvements introduced in Malaysia were extended to our regional offices, with the new ConnectFirst platform being rolled out in Singapore and Cambodia. The system brings a host of new online capabilities to the region, with customers now being able to view and transact online and conduct payroll and bulk file uploads and instant transfers, among other things.

Moving into FY2023, there will be a continued focus on enhancing the digital offerings for Business Banking with the launch of the e-KYB ("Know Your Business") project. With e-KYB, SME customers will be able to instantly open a current account via Hong Leong Bank's website by submitting an account opening board resolution, whereby e-KYC will be conducted based on the backgrounds of the directors of the company. In addition, there will be a new full-service mobile app released in Singapore and Cambodia to complement the web-based platform.

Driving Seamless, Convenient and Connected Retail Banking

Retail banking is an important portfolio for HLB and also a complex business that requires us to consider the needs and preferences of a large and diverse customer base. In the year under review, HLB sustained its commitment to understanding customer and consumer trends while being proactive and agile in delivering new and improved offerings in Malaysia and the region.

Using the extensive customer feedback and insights that we obtain from customers and partnering with the in-house Business and DevOps teams, we designed, built and commissioned a multitude of new features and services to drive the self-help agenda. In FY2022, the team brought the following features online for our customers:

- Dormant account activation
- Refunds of over-payments
- Credit card renewal
- Straight-through online remittance
- Direct online transfer to mobile wallets.

Another key feature that was brought online for Malaysian customers was the tracking application for auto loans, mortgages, credit cards and personal loans. The Track My Application feature enables customers to track their application progress in real time, upload additional supporting documents and access their loan agreements anytime, anywhere. Since its launch, there have been over 1.4 million visits, where 80% of customers have accessed this feature and 90% of them have given it a 5 out of 5 rating. While it is clear the feature has gained good traction with our customers, our sales team has also benefited from the significant reduction in calls from customers asking for updates. Building on this success, we went a step further by allowing the e-acceptance of auto loans, thereby enabling the online completion of the entire journey for this particular product.

For the mobile banking application, HLB rolled out the AppAuthorise function that eliminates the need for the transaction authorisation code ("TAC") via SMS. This feature not only provides a more seamless interaction for the customer, but also exponentially increases the security of the transaction as it does not rely on technologies maintained outside of the Bank. Another significant enhancement for customers delivered by the in-house team was the integration of the back-end of the investment bank with share margin financing for online buy/sell authorisations, settlements and order amendments. To encourage greater digital adoption among our customers, we also enabled view-only digital banking access to allow less digitally savvy customers to become acquainted with our digital channels and eventually convert them into fully active digital banking users.

Our regional franchises continued to see greater maturity in their respective digital transformations, leveraging many of the lessons obtained from the Malaysian franchise. In the year under review, there was a myriad of new transactional services that were successfully brought online. In Cambodia, we introduced customer onboarding via smartphone and upgraded the mobile banking application to enable features such as FD account opening, transfers via QR code, cross-currency transfers and bill payments.

In Singapore, customers now receive a consolidated account statement for products they hold, and the internet banking platform was revamped to provide a more seamless experience. In addition, we now provide short-term loans for Grab employees via the super-app, while a straight-through second-hand car application was launched to allow car resellers to seamlessly connect with the Bank for the provision of loans.

Moving ahead, we have planned a number of other upgrades and enhancements. In Malaysia, there will be a new rewards and loyalty system, improved reliability in merchant terminals performance and a new customer service chat feature for the mobile app and online wealth management products. In Singapore, we plan to launch a new mobile banking application that will also allow straight-through remittances, while Cambodia will implement a QR wallet collaboration and mobile onboarding capabilities.

Ensuring Operational Resilience

Aside from the numerous initiatives implemented to support our customers, the IT team continued to strengthen the back-end ecosystem to ensure 24/7 availability for our customers. In the year under review, we successfully ran our core and front-end systems and conducted all the operational processes seamlessly out of our alternate technology facility for a period of two weeks. This was the first time the Bank had put its systems to such a test and was a testament to the work the team have been doing over the previous years to increase resilience.

In maintaining an always available and resilient ecosystem, we proactively refreshed our systems by adopting newer, more scalable cost-effective technologies. For example, the entire retail banking web and mobile applications in the region were migrated to a more innovative platform that also made them cloud-ready and horizontally scalable. This migration initiative was all the more significant as it was completed by HLB's internal team with no reliance on external parties.

Aside from the refreshes/replatforming of the front-end retail offerings, within the technology ecosystem, the following systems were all refreshed:

- Signature verification system
- Merchant system interface system
- Statement and notice archival system
- Middleware system
- Internal chatbot system
- Wealth management system
- Datamart for the data warehouse
- Gateway for electronic check clearing
- E-statementing system
- Cambodian branch teller, trade finance and treasury system
- Central billing system
- Trade Finance AML compliance system
- Cheque processing system
- Fraud validation system
- Compliance system for anti-money laundering system
- Enterprise Technology automation system, together with,
- 4,500+ end-user devices upgraded.

People

HLB's employees are a crucial enabler of the good work the IT team continues to do and the main driver of its future aspirations. In this context, we focused on future-proofing and enabling a technically strong and independent team. In the year under review, the team continued to grow in strength, expanding its expertise in grassroots software development and emerging technologies.

The Centre of Excellence ("CoE") team currently consists of more than 90 development professionals with varying skill sets covering a range of software development languages. They continue to deliver the solutions that the Bank requires through DevOps capabilities, full-stack development, integration and support services, enhancement capabilities, operating system maintenance and facilities management. In FY2022, the team delivered around 60 enhancements to corporate internet sites, more than 120 enhancements to mobile banking and over 240 enhancements to internet banking. These efforts have helped to save considerable time and expenditure in facilitating services to customers and demonstrated the team's ability and agility to come up with innovative solutions that deliver significant value to the Bank.

Cost

Leveraging our IT strategy and principles, the Bank was able to contain its costs and maintain a flat budget while delivering exceptional value to the business. We continue to develop and own the intellectual property rights where it is feasible and we intend to maintain this approach as it has saved the Bank around RM10 million over standard engagements within the financial year. We will continue to invest in newer technologies that can optimise our costs. For example, the regional debit card core banking system that has been, and continues to be, rolled out around the region has been able to assist the franchise in digital enablement at a far more sustainable cost point.

Looking Ahead

There are a number of large-scale and important initiatives which will see us improving our overall contribution in supporting our businesses in their growth aspirations. Moving into the new year, there will be a continued push towards implementing sustainable cost initiatives and evaluating cloud opportunities and fit-for-future technologies we can migrate to. This includes:

- Launching a state-of-the-art smart Data Centre, implementing newer networking and security components and further reducing carbon footprint by utilising newer and more environmentally friendly cooling technologies and practices.
- Launching a new data warehouse and data science system, enabling us to continue improving our ability to collect and analyse data in real time, when required, so that insights can lead to better customer offers, support and business processes internally.
- Launching a new mobile application in Singapore.
- Launching online wealth management offerings.
- Continued focus on system refreshes and renewals.
- Launching a new loyalty system.
- Improving on unscheduled downtimes through alternate system enablement.

Cybersecurity

STRENGTHENING CYBERSECURITY READINESS AND RESPONSIVENESS

With the continued digitalisation of financial services, cybersecurity arguably presents one of the biggest risk to all financial institutions. The same digital ecosystem that accelerates innovation are a double-edged sword, providing immense upsides to consumers and businesses but also carrying with them risks and vulnerabilities such as operational disruptions, data breaches, fraud and financial losses. If not managed well, these risks can severely affect trust in the Bank, financial results and stability of operations, as well as impact the broader economy. To mitigate this, we conduct cyber drills to ensure our defences are resilient and well prepared for any cyber incident. The central bank, BNM, has also conducted industry-wide cyber drills to test the overall effectiveness of the industry in responding to cyber incidents.

POST-COVID-19 HYBRID WORKING MODEL SECURITY RISK

While the post-pandemic situation has seen businesses recover and resume work from office, we are seeing a trend which is moving towards a hybrid working model. In this context, the Bank has prioritised security monitoring and security alerts on devices used by our employees. We have implemented better security monitoring and alert platforms such as End Point Detection and Network Access Control on their devices to ensure that we can quickly and reliably respond to any cyber threats. This will continue to be an ongoing security challenge and one that will require constant monitoring, upgrades in the network and infrastructure and up-to-date security patches and employees knowledge and skillset.

THE RISE OF ADVANCED PERSISTENT THREAT

An advanced persistent threat (“APT”) is a type of cyberattack campaign in which an intruder, or team of intruders, establishes an illicit, long-term presence on a network to mine highly sensitive data. Based on BNM’s Malaysian Financial Sector Trends & Cyber Security Landscape Report, several noted APT groups have targeted financial institutions in the past and may pose a threat to Malaysian banking and financial systems. The Bank has implemented a range of security controls and platforms to guard against APT cyberattacks. Besides continuous monitoring of APT alerts by the IT security operation centre (“SOC”) team, a Cyber Threat Intelligence (“CTI”) team has been set up to proactively gather cyber threat intelligence from different sources and to work on countering the security vulnerabilities of the banking system.

CLOUD COMPUTING SECURITY

Cloud computing has proven to be a major component in the hosting of services on the internet. Hosted on data centres located in different parts of the world, these services can be accessed by any supported device through a cloud service provider. Thus, access management to these cloud service providers is an important risk that needs to be addressed in order to protect the Bank’s data. To govern the access to cloud services, HLB has implemented the Identity Governance and Access platform, which prevents unauthorised personnel or unauthorised employees from gaining access.

7 DIGITAL & INNOVATION OFFICE

In the year under review, HLB resolutely advanced towards its goal of becoming a highly digital and innovative financial services company in ASEAN, recording steady growth in digital adoption rates and positive customer satisfaction ratings. The progress seen in these key indicators was the result of our ubiquitous digital-first culture that is collectively focused on innovating new solutions for our customers.

We are strong believers in listening, understanding and eventually fulfilling the needs of our customers in our bid to remain relevant in an ever-changing financial services market. We are able to consistently improve the customer experience through our context-rich, real-time customer feedback mechanism that provides timely and actionable insights. In addition, this enables us to introduce new digital capabilities to fill identified gaps, thus helping to drive digital adoption and financial inclusion.

Today, over 2.3 million of 3.5 million of our customers are already on our digital platform, a 13% increase y-o-y. Of this, 1.9 million are registered with the Hong Leong Connect mobile banking app, a 19% increase y-o-y. Beyond the encouraging growth of the user base, our digital channels have been well received, as evidenced by the strong Customer Satisfaction Score ("CSAT"). In FY2022, our mobile banking app users rated us 4.41 on a 5-point scale and gave us an 87% 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 was rated at 4.28 and 89%, respectively.

As for our business customers, higher digital adoption was propelled by the launch of our new business internet banking platform, HLB ConnectFirst, in early 2022, as well as by the launch of the business mobile banking application the year before. There are now close to 100,000 users while mobile banking customers have grown by a staggering 284% y-o-y. Our business customers have also rated us positively, giving our mobile banking CSAT a score of 4.66 and 90%, as well as 4.24 and 77% for our internet banking platform.

These accomplishments did not occur overnight and are the result of the three foundational pillars that we established, invested in and matured over the years. These pillars are (1) Infrastructure; (2) Customer-Obsessed Culture; and (3) Strategic Programmes – all with the ultimate goal of being the enablers of the Bank of the Future.

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PILLAR 1: INFRASTRUCTURE

Enabling Innovation with the Right Environment and Solutions

Our innovation spaces, the Customer Experience Lab ("CX Lab") and the community hub, Jumpstart@65, continue to provide a conducive environment for facilitating collaborative sessions. They are the ideal working spaces for customers and cross-functional business operations and technology teams, as well as ecosystem value creators, to come together to co-create innovative solutions.

With the country easing into the endemic phase, we have started to ramp up physical events, utilising the co-creation spaces to bring back the "human connection" between colleagues, partners and our communities. These include design thinking workshops, customer co-creation sessions, UI/UX research, rapid prototyping and usability testing sessions.

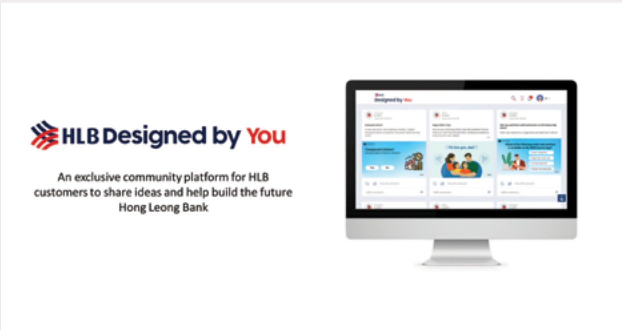
The return to normalcy and the resultant chances to learn more about our customers in the post-pandemic era are crucial to our ability to shape the digital banking experience of tomorrow. Over the past year, HLB has connected with over 2,000 customers and non-customers to identify the potential trends and opportunities that we can convert into relevant products and services. Additionally, we ran over 30 customer research projects, more than 59 testing sessions and 13 post-launch evaluation initiatives.

We are also strong advocates of technology and the use of data to corroborate our findings. HLB is the only bank in Malaysia to utilise the state-of-the-art Tobii eye-tracking solution to provide us with unique insights into the human psyche. The technology enables us to visualise the journeys of our customers, thus giving us deeper and more thorough insights into how our customers behave and visually react to the digital assets and prototypes that we have developed.

PILLAR 2: CUSTOMER-OBSESSED CULTURE

A Customer-First Approach That Is "Built Around You"

While the infrastructure or hardware is important for innovation to thrive, the software or approach we use is equally important. In this context, human-centred design continues to be our innovation approach of choice in creating desirable digital experiences. This approach calls on us to empathise with our customers when designing customer journeys and creating as well as testing rapid prototypes for our service and product offerings. The insights gathered have proven to be valuable in creating and rolling out customer-centric product offerings and services for the Bank.



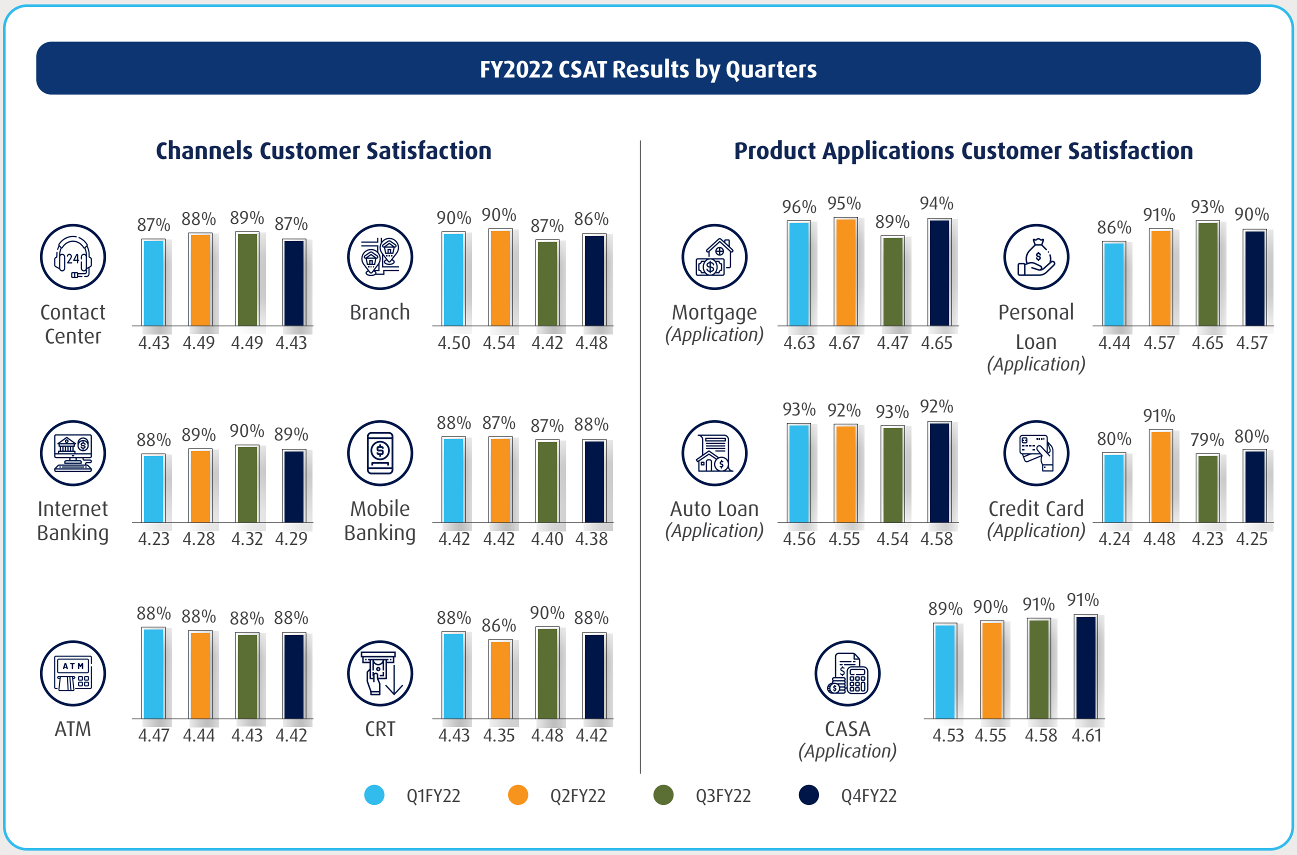
PILLAR 2: CUSTOMER-OBSESSED CULTURE (CONT'D.)

This customer-obsessed culture extends to the numerous methods we employ to better understand customer needs in order to build the Hong Leong Bank of the future. Besides the insight studies and ethnographic research, the Bank's "Designed by You" ("DBY") platform continues to power our "outside-in" ideation approach. It serves as an exclusive community platform for HLB customers where we are able to engage in meaningful two-way virtual discussions and crowdsource ideas to improve the banking experience for our customers. Today, DBY has over 9,000 community members, has conducted 29,000 engagements and has obtained over 2,500 ideas and suggestions. Being the first of its kind in Malaysia, HLB won the award for Best Customer Insights Initiative from the Digital Banker at the recent 2022 Digital CX Awards, beating other banks in the global arena.

To ensure we are meeting expectations and our brand promise of "Built Around You", we are obsessed with knowing what our customers think about their experiences with our products and services. The "Voice of Customer" ("VOC") platform helps us achieve this, as we relentlessly collect feedback on touchpoint experiences with contact centres, branches, self-service terminals and digital banking channels. We also want to know how we can further improve product journeys like mortgages, auto loans, credit cards, personal loans and CASA.

Over the past year, we have collected feedback from over 540,000 customers, turned it into insights and worked with the respective business teams to either enhance the product or service or develop new digital experiences. In the event of urgent situations that involve adverse customer feedback, we introduced the Red Alerts functionality via our internal Google Chat platform. This enables us to notify frontline staff to swiftly implement service recovery to alleviate the situation.

Our VOC initiative has resulted in progressive improvements in our customer satisfaction scores where our channel and product satisfaction scores are close to meeting our targets of 4.35 and 90%.



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.

PILLAR 3: STRATEGIC PROGRAMMES

As we continuously source new ideas and insights to drive us towards becoming a highly digital and innovative financial services company in ASEAN, we are cognisant that some of the best ideas can originate from outside the banking industry. Thus, we recognise the importance of collaborating with strategic partners and ecosystem players, in addition to engaging with public and private institutions for research & development and talent recruitment. Over the years, we have fostered close working relationships with key public agencies in Malaysia like Cradle, MDEC and MRANTI, placing ourselves close to where the freshest and most innovative ideas are conceived.

In collaboration with our ecosystem partners, we completed the fourth iteration of our HLB LaunchPad mentorship programme in December 2021. The programme aims to nurture young Malaysian entrepreneurs and foster collaboration with the emerging generation of fintech practitioners and other tech-savvy start-ups. It is also a platform to identify high-potential start-ups with whom HLB can partner with to go to market, build new capabilities or expand into new markets and customer segments. This year, we selected three partners, Datacultr, Alfie Tech and Qresit, with a focus on solving sustainability-related pain points to make a positive ESG impact in the areas of alternative credit scoring and micro-lending for the "new to credit" segment and digital receipts.

At HLB, we believe in recruiting young talents with a shared passion and grooming them into in-house talents across our digital and technology domains. Today, our Management Associate and Digital Graduate Trainee Programmes are nurturing a group of high-calibre graduates. Under these programmes, graduates will undergo 12 to 24 months of rigorous on-the-job training, where they will be equipped with key competencies across our six digital pillars framework as well as role rotations. This will give them a solid foundation with skills that are fit for the future and prepare them to be future HLB digital leaders.

HLB's ongoing hackathons have also been a source of inspiration in helping us identify new talents to bolster the capabilities of our existing teams. These events bring together the entire ecosystem of developers, designers and disruptive thinkers from academia, Big Tech and start-ups to help develop solutions to customer problems and identify new business models. In November 2021, we successfully organised the "HLB Can You Hack It: ASEAN Edition 2021" as part of the Bank's effort to build a pipeline of fit-for-future talents, in collaboration with our tech partner and the tech community.

A total of 91 shortlisted teams tackled problem statements across the Auto Loan, SME, Mortgage, Compliance and Islamic Banking businesses over three gruelling days. Participants delivered functional prototypes in less than 72 hours by leveraging various tools and technologies, publicly available APIs and data and insights from subject matter and industry experts. At the end of the competition period, 48 teams managed to complete their projects and showcased the prototypes they built, with 14 teams making it to the finals. The hackathon is a great display of the vast and diverse digital talent that we have in the marketplace today, and through it, we identified a number of potential future talents for our permanent and internship roles.

Moving Forward

Our "Digital at the Core" strategy has been crucial in helping us navigate an evolving and rapidly changing market landscape, while providing us with opportunities to accelerate our digitalisation journey in new and innovative ways. HLB will continue to invest in our digital transformation efforts to deliver over-and-beyond customer experiences to maximise the value we create for our stakeholders. Having established a reputation as a bank that is dynamic, digital, adaptable and highly customer-centric, we believe that innovation never stops. There are numerous other opportunities in the areas of next-generation A.I. and big data/analytics, Industry 4.0 solutions and start-up/fintech partnerships, as well as the API economy and cloud-based solutions, which will help to drive HLB forward.

8 HUMAN RESOURCES ("HR")

INTRODUCTION

HLB continually seeks opportunities to strengthen its human capital value chain. The Bank's human resources initiatives are guided by its "Digital at the Core" ethos and "Built Around You" brand promise to customers, and these are applied to build depth and seek further improvements in the employee experience. This year, we continued to do exactly this; for example, progressing our employer branding efforts by improving ties with key stakeholders to attract, recruit and onboard talents and promoting internal opportunities to develop, nurture and motivate existing employees to develop a high-performance culture.

In this section, we are pleased to share our key achievements on the talent management front for the year under review.

HLB as the Employer of Choice

The Bank strives to hire and retain candidates who possess the right aptitudes and attitudes to sustain our high-performance culture. The skills we value include the agility to learn and adapt, as well as the ability to be resilient, improvise and be agile enough to rise to challenges and overcome them.

At HLB, our focus lies in attracting, engaging with and recruiting the best talents available by sharing our culture, the way we work and the opportunities offered to them for personal and professional growth, which are key to our Employer Value Proposition ("EVP").

Using all the touchpoints at our disposal, we showcase our people's career journeys to potential candidates via a multichannel approach to reach our target audience and entice them to apply for our opportunities.

We have merged employer branding efforts into a multi-year integrated campaign.

Pictured: Bunting design featuring former interns who are now in permanent roles at the Bank.

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As part of our efforts to build and nurture the talent pipeline, we seek to establish deeper bonds with academic institutions both within Malaysia and abroad to ensure that the Bank always has a steady supply of industry-ready talents.

Our university outreach activities continue to gather momentum and in FY2022, we hosted 20 virtual engagement sessions for senior management and business unit heads from across the organisation.

Aside from fresh talents drawn from academic institutions, we have reached out to training academies and talent resource companies, pledging to interview and hire their candidates in order to sharpen our efforts to recruit digital talents. We have taken a similar approach to meet our human capital needs for the Personal Financial Services Division. As a testament to our efforts to establish the talent pipeline, HLB was named as a leading employer by the School of Mathematical Sciences at Sunway University.

Internship programmes remain core to our university outreach strategy as we understand that the experience interns have with us will shape and sharpen their intent to join us later. 22 out of 112 interns, or approximately 20%, have made the transition to full-time employees. This is a testament to our entrepreneurial work culture, which empowers our workforce to take pride in and ownership of their work and our organisation, as well as challenge themselves to learn by doing more.

We encourage our employees to experience multiple career paths within our organisation and to take advantage of the varied opportunities offered at the Bank to develop their skills. To drive employee career progression and encourage our employees to embrace opportunities within the Bank, we organised the first Virtual Career Day. In addition, throughout the year, we shared immediate opportunities for internal transfers through weekly email blasts.

As a result of these initiatives, 341 vacancies were filled by our own employees, who were given priority to explore the opportunities within the Bank via the job portal on Workday. This resulted in positive experiences for our employees and enabled them to further their career journeys and "learn by doing more" at the Bank.

The Bank intends to continue to work closely with academic institutions and other candidate sources virtually and via face-to-face engagement sessions, in tandem with renewed participation in internship and career fairs.

Pictured (L-R): Posters for university talks at Raffles University with UI/UX students and a LinkedIn Clinic and Career Opportunities Talk at TAR UC.

Our latest recruitment video showcases a selection of our former interns in permanent roles across the organisation to demonstrate to potential candidates the value of an internship at HLB.

The Bank's first Virtual Career Day saw department heads committing their time to share career journeys within their divisions and answer questions from employees.

Our LinkedIn follower base continued its growth trend with a 32% y-o-y increase in new followers. Additionally, our efforts to showcase our people and life at HLB were acknowledged by LinkedIn for the second consecutive year by naming us as "One of the 15 best workplaces for career growth in Malaysia".

Our efforts in talent management and retention initiatives were recognised at the annual HR Excellence Awards where the Bank won a Gold award in both these categories. HLB is a four-time recipient of the Excellence in HR Innovation award (2018-2021) and a two-time recipient of the HR Leader & Young HR Talent of the Year award (2019-2020).

Additionally, the Bank received accolades for Best First Time Manager Programme (Silver) and Best Career Development Programme (Bronze) at the Employee Experience Awards 2022.

The Bank continues to move its talent management efforts forward, as evidenced by the industry accolades and awards we have received.

Pictured (L-R): HLB at the HR Excellence Awards 2021 and the Employee Experience Awards 2022.

Developing Our Pipeline of Talent

One of the key talent management activities that support HLB's efforts to conduct its business and achieve our goals as an organisation is our ability to build a sustainable talent pool. Over the last six years, the Bank has onboarded 417 graduates via its Management Associate and Graduate Trainee Programmes. A total of 235 graduates have been placed in permanent positions within the various divisions of the Bank upon completion of these programmes.

To strengthen our pool of managers, 98 talents were identified and shortlisted for the HLB Leaders Programme in April 2021. The second cohort of the

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leadership training programme is expected to commence in FY2022/23.

The programme consists of three pillars that are aimed at developing talent, which are:

- An Individual Development Plan discussion between the talent, HR and the line manager to ascertain the goals and development needs of the individual.
- Developmental offerings customised to the talent's requirements.
- Opportunities for cross-functional networking and collaboration.

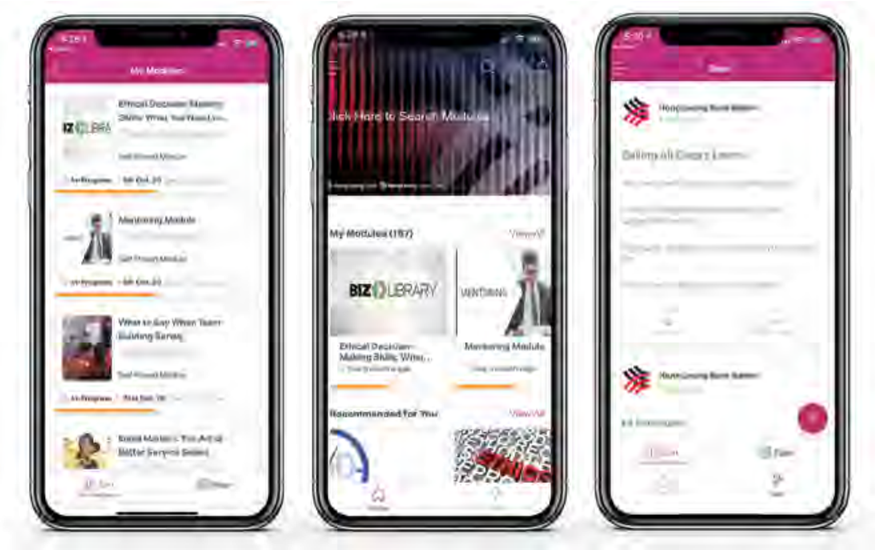
Our people managers are coached on how to retain key talents by having meaningful conversations with their teams through the "Driving the People Agenda" workshops. The outcomes of these conversations are captured as part of the performance management process on Workday for every employee within the Bank. This year, we continued to reach out to newly promoted and newly hired people managers, with the conversations serving as a pulse on employee career aspirations and providing direction for possible internal recruitment opportunities.

Professionalising Our People

HLB has put in place comprehensive policies to ensure excellence in all that we do. This helps us to deliver value to our stakeholders, the communities in which we operate and our customers. Maintaining strong compliance and governance practices and creating an environment where employees are able to practise the highest levels of professional standards and competencies are clear priorities for us.

All HLB employees are required to fulfil a minimum of 40 hours of training every fiscal year, with at least one training day focused on subjects with a digital and/or sustainability focus. This enables them to keep abreast of the latest developments in the industry as well as outside of it. It is also compulsory for employees to complete mandatory e-learning modules on a quarterly basis via the HLB@Workday platform.

Employees are able to grow their awareness of the digital landscape, soft skills and various other topics through curated e-learning sent Bank-wide weekly by HR as well as by subscribing to our e-learning content library, named "Disprz", which offers a wide range of business communications, soft skills best practices and role-specific training modules.



The Disprz e-learning platform provides more than 50,000 courses to employees on a first come, first served basis.

New employees undergo a virtual onboarding programme that comprises 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 two key programmes, namely the "Coaching for Performance" and "Driving the People Agenda" workshops. Both programmes seek to inculcate the values of ownership and accountability in people managers and their teams, equipping them with the tools to manage their teams across the entire spectrum of talent management, from talent branding and attraction to recruitment, performance management and the importance of coaching, as well as talent identification and succession planning.

We continue to strengthen our collaboration with the Asian Institute of Chartered Bankers ("AICB") in the five core areas of audit, anti-money laundering ("AML"), compliance, credit and risk to ensure that employees are equipped and certified with the skills they need to keep pace with the fast-evolving banking environment. As per the industry-wide commitment signed in October 2017 between AICB and the member banks of the Association of Banks in Malaysia ("ABM"), all key personnel in critical job functions in the five core areas are required to obtain the relevant certification within five years of their appointment date. 1,207 HLB employees have been identified to complete the certification by 2027, of whom 33% are now pursuing certification while 43% have completed their respective courses.

Policies, Processes and Culture

Underpinned by the Bank's values and policies, the organisation seeks to strive for a balance between prudent risk-taking behaviours and the associated rewards. Our policies and processes aim to promote a high-performance culture at HLB.

Employees are guided by our 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), and 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 Learning & Development Management Policy. All our policies are reviewed on an annual basis to ensure that they remain relevant in the face of the changing landscape and are aligned with the corporate governance standards expected by the regulators.

Our business goals are guided by the HLB values and underpinned by the policies we have in place. 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 Bank-wide compliance culture. Employees are provided with training and development at organisational, team and individual levels that are practical and can be applied in everyday scenarios.

In addition to the Company-wide training modules, employees in key roles are selected for additional role-based compliance courses. These role-specific training modules include the "No Training, No Sales" module for SME banking employees and the "No Certification, No Sales" module for PFS/PFS-I employees, both of which aim to ensure that our employees are knowledgeable about the products we offer and have the requisite compliance and customer service skills to provide a superior customer experience.

100% of the workforce Bank-wide have been enrolled in compliance e-learning modules on an annual basis as part of mandatory refresher courses in line with the Bank's ongoing focus on raising awareness and driving the right behaviours and conduct. Further to this, more than 3,300 customer-facing employees completed customised role-based compliance training this year. To test for effectiveness and knowledge retention, and to make sure the policies and procedures learned have been taken to heart, an assessment requiring a 70% pass score is conducted 30 days after the training module is completed.

Training in Sustainable Business Practices

HLB is committed to long-lasting solutions via its ESG and Value-based Intermediation Financing and Investment Impact ("VBI") frameworks.

Sustainability training focused on awareness and how it can apply in key areas of the organisation is now a core module in Bank-wide mandatory e-learning. As of FY2022, the sustainability training sessions have been attended by over 8,000 employees within the Banking group, with sustainability now embedded as a key topic in our onboarding sessions for new hires.

Our management associates and the Head of Credit, Sustainability & Balance Sheet Risks participated in this year's "Virtual Brown Bag on Sustainability", which focused on climate concerns in conjunction with Earth Day.

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For role-based training programmes, ongoing efforts include regular refresher sessions with the senior management team and the Board of Directors. The topics covered in the training include the impact of climate change on business and consumers, environmental and social themes such as waste management, people practices and examples of incorporating sustainable practices within a company and a walk-through of the ESG policy and assessment framework, as well as the customer assessment process.

In FY2022, we conducted monthly ESG refresher courses for our account relationship managers to ensure competency in performing client-level ESG due diligence, as well as social risk and impact assessment training. The ESG policy and assessment framework – a "checklist" developed by us to assist customers – is key to the onboarding training for newly recruited relationship managers.

Celebrating Our People

In order to continue to provide relevant, meaningful and positive employee experiences at every stage of our employees' professional lives and create an inclusive and conducive workplace, we have focused our efforts on three key pillars – employee engagement, employee appreciation and employee wellness.

The Bank offers employees open lines of communication through multiple channels to engage with the senior management team and leaders throughout the organisation. This allows us to engage with our employees on the diverse topics of interest that matter to them and offer various forms of financial assistance and guidance on topics that are of concern to employees and the organisation.

Highlights of engagement activities include the Women in Banking series of virtual Brown Bag talks and our C-Level coffee chat sessions, where employees are able to connect with and receive work advice and mentorship from leaders. In addition to these sessions, we have added a financial counselling outreach channel on our Workday platform for employees who may want to speak to a qualified counsellor in person.

We held a Virtual Learning Festival with invited speakers from diverse backgrounds – a start-up, an entrepreneur and a member of the visually impaired community – to share how they learn, as a means of maximising employee learning.

The Virtual Learning Festival was organised to encourage employees to maximise learning opportunities by adopting a growth mindset.

Throughout FY2022, we continued to offer employees the opportunity to engage with division heads for them to seek advice and learn from thought leaders on a range of career and organisational topics through the C-Level coffee chat sessions.

Management Discussion & Analysis
BUSINESS OPERATIONS REVIEW

To leverage the wealth of experience of our women leaders, we launched the Women in Banking Virtual Brown Bag series of talks to provide inspiration and advice to all employees.

Employee Appreciation

We continue to emphasise the importance of recognising our people who have gone above and beyond to answer the call of duty through the eTOUCH platform.

The year-long eTOUCH campaign is centred on Appreciation Day, a day when our GMD/CEO shares a message of appreciation and presents a small gift to thank employees Bank-wide for their efforts throughout the financial year on behalf of the senior management team.

We celebrated Appreciation Day on the last day of the financial year with a gift for all employees Bank-wide and a heartfelt message of appreciation from senior management.

Our eTOUCH platform remains key to cultivating a culture of appreciation for colleagues who have gone above and beyond their duty to help customers, colleagues or others around them.

Employee Wellness

The physical, emotional and mental well-being of our people has always been a key focus of our wellness activities, such as virtual run and virtual exercise sessions, virtual brown bag sessions on physical and mental well-being, as well as special health-themed infographics.

Our wellness activities provide a holistic platform for employees to practise and nurture long-lasting habits to improve their quality of life.

Management Discussion & Analysis
BUSINESS OPERATIONS REVIEW

Between July and August 2021, a vaccination drive was organised to fully vaccinate more than 800 people, including business teams, building tenants and support staff, who did not obtain an appointment via the MySejahtera app.

PlusVibes, a mobile-first well-being platform, is our key touchpoint to help our employees build personal resiliency and strength in both body and mind. In October 2022, PlusVibes will relaunch with new features and improved functionality for users.

All employees have access to the mobile-first content and articles on topics such as finance, family, leadership, self-development and relationships to 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 the feature helps employees administer self-care as and when required.

Should an employee decide that a conversation or further assistance is needed, they can connect with a qualified counsellor via the app. Additionally, employees have the option of browsing through a list of relevant associations and deciding if they wish to reach out to any of them.

The PlusVibes all-in-one well-being app includes a visual representation of a user's life areas (Wheel of Life), the option to speak to qualified listeners through messaging, relaxation activities and inspirational content for employee self-care.

Employee Engagement

At HLB, the objective of our employee engagement activities is to provide a platform for employees to bond with their colleagues through virtual games such as Virtual Escape Rooms and Trivia, as well as thematic activities such as the International Family Day contest and Breast Cancer Awareness Month.

Our engagement activities provide opportunities for all employees to bond through shared interests and foster better working relationships among colleagues.

OVERVIEW

The Hong Leong Bank 2022 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 from 1 July 2021 to 30 June 2022 ("FY2022").

This statement has been prepared in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad under the Bursa Malaysia Sustainability Reporting Guide (2nd Edition), the recently released Task Force on Climate-related Financial Disclosures ("TCFD") Application Guide for Malaysian Financial Institutions, and further guided by the Global Reporting Initiative Standards ("GRI Standards") Core option and the United Nations Sustainable Development Goals ("UN SDGs").

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 2022.

Global ESG Indices and Assessments

We continuously endeavour to strengthen the implementation of ESG practices into our business operations. Testament to our ESG efforts, we continued to be recognised by leading sustainability ratings and indices, which use comprehensive standards to evaluate sustainability efforts.

FTSE4GOOD

- Constituent of FTSE4Good Bursa Malaysia index for the 5th consecutive year
- Top 25% by ESG ratings among public listed companies in the FBM EMAS Index, which was assessed by FTSE Russell
- Improved ESG score to 3.7 out of 5.0, ahead of the overall banking sector's average of 2.6

MORGAN STANLEY CAPITAL INTERNATIONAL ("MSCI") ESG RATING

- Achieved an ESG rating of A, with a score of 4.9 during the 2022 MSCI ESG rating assessment, an improvement of ranking bands from our previous year's assessment, above the banking industry average of 4.8 (which includes foreign banks)

S&P GLOBAL CORPORATE SUSTAINABILITY ASSESSMENT

- Scored 52 out of 100 as at 31 December 2021, which signifies a 21-point improvement from the previous year of assessment and compares favourably to banking industry average of 38
- Currently placed in the 72nd percentile in the Dow Jones Sustainability Index ("DJSI").

Our Sustainability Approach

We are driven by our ambition of becoming a financial institution that creates long term value for all our stakeholders through the integration of ESG practices into our business strategy which allows us to better manage our operations. Our Sustainability Themes guide our strategy of incorporating impactful measures and raising accountability in the foundation of our business operations, with aims towards operational resilience and longevity.

Sustainability Themes

HLB Corporate Vision

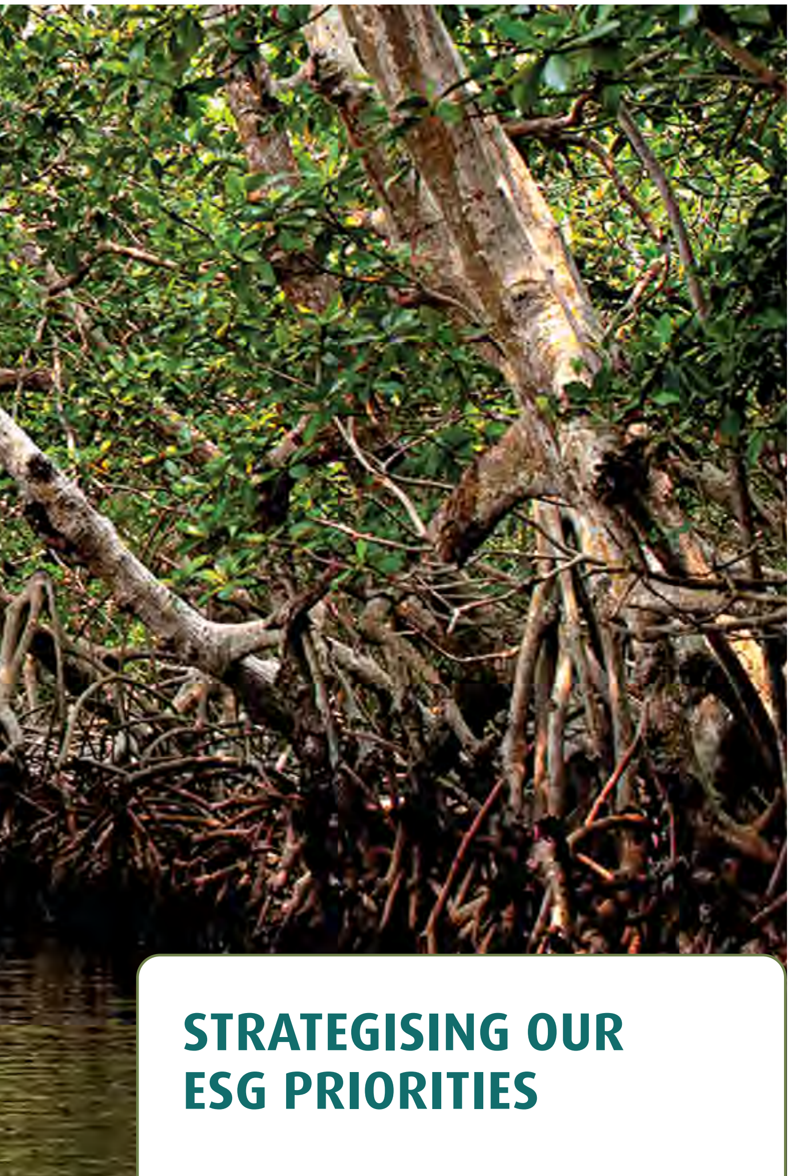
To be a highly digital and innovative ASEAN financial services company

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

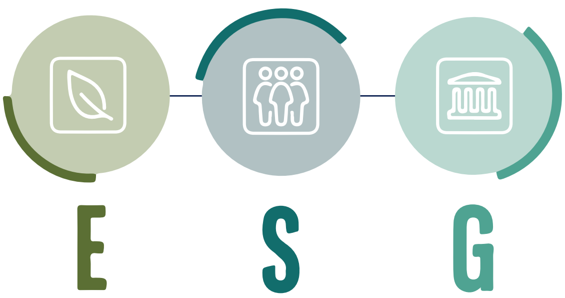
HLB Sustainability Themes

- Digital at the Core
- Workforce Readiness
- Socially Responsible Business
- Environmental Management
- Community Investment



STRATEGISING OUR ESG PRIORITIES

We realise the importance of stakeholder engagement in the pathway to sustainability, which is why we frequently communicate with our stakeholders to keep abreast of current trends and to remain updated on any changes in their priorities. Engagement with our stakeholders provides us with essential input which helps us to identify, prioritise and address our most important ESG priorities.



Collaborating with our Key Stakeholders

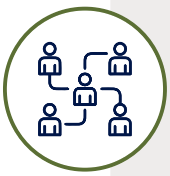
BNM and the Securities Commission have established the Joint Committee on Climate Change ("JC3") with industry representation to pursue collaborative actions for building climate resilience in the Malaysian financial sector.

HLB is a participating member of the sub-committees under JC3 to accelerate and build industry capacity. In 2021, HLB together with other pilot Malaysian Banks contributed to the development of the BNM CCPT and are actively involved in its implementation through the industry group meetings. Through this, the Bank has provided constructive feedback and suggestions to enable greater clarity and ensure a standardised approach in adopting the BNM CCPT Classifications. Additionally, we also actively participate in Sub-Committee 3 ("SC3") engagements through the contribution of box articles (i.e. on products and innovation); which will later be incorporated in the JC3 report.

The Bank also contributed in drafting the Malaysian TCFD Application Guide for Malaysian Financial Institutions which outlines key recommendations that could be utilised as practical resources to facilitate the adoption of TCFD Recommendations by the Malaysian financial industry.

Build capacity through the sharing of knowledge, expertise and best practices in assessing and managing climate-related risk

Identify issues, challenges and priorities faced by the financial sector in managing the transition towards a low carbon economy



Facilitate collaboration between stakeholders in advancing coordinated solutions to address arising challenges and issues

MATERIALITY

As a financial institution that has progressively embedded sustainability into our business practices, our approach to creating long-term value is guided by the material matters that impact us and our stakeholders. We conduct regular materiality assessments as they influence how we manage and mitigate the impacts of ESG efforts. In FY2021, we conducted an in-depth materiality assessment which was driven by a four-step process.

The materiality assessment revealed 15 topics of importance to our stakeholders, which were revised and placed under our 5 sustainability themes. These topics continue to guide our efforts in managing ESG risks and opportunities.

For more information on our Material topics and their descriptions, please refer to pages 17-19 of our Sustainability Report 2022 available here.

37.5% of our Board **ARE REPRESENTED BY WOMEN DIRECTORS**	**62.5%** of our Board **ARE REPRESENTED BY INDEPENDENT DIRECTORS**	**FREQUENCY OF SUSTAINABILITY-RELATED MEETINGS** **27** meetings

Accountability in embedding sustainable practices into the business is driven from the top. The Bank's Board of Directors leads the company's approach to sustainability, including the management of ESG risks and opportunities. The Board Risk Management Committee complements the Board in its responsibility for ensuring that sustainability efforts and policies are in line with the core principles and objectives of our institution.

Governing Body	Roles/Responsibilities
Board of Directors (BOD)	To establish a sound governance structure for the implementation of sustainability efforts and practices in business operations, to ensure that sustainability is embedded in business operations.
Board Risk Management Committee (BRMC)	Supports the Board in overseeing the management of the Bank's sustainability strategy and ESG risks.
Board Audit and Risk Management Committee (BARMC)	
Shariah Committee	Tasked with the main responsibility of providing independent advice to the Board and management on Shariah rules and principles.
Sustainability Committee (SC)	Composed of senior management and act as the enabler of the Bank's sustainability strategies and initiatives.
Sustainability Working Committee (SWC)	Comprised of managers /senior officers from Business Units and Support Units who will execute Sustainability initiatives and programmes.

The various bodies governing sustainability at the Bank regularly convene to discuss and deliberate key topics that rapidly drive our sustainability agenda. The key topics that we discuss revolve around our Sustainability Themes, as they provide us with a strategic guide for our efforts in sustainability to be more focused and meaningful.

Our dedicated teams focus on sustainability integration within the organisation to further strengthen our governance structure. Our Sustainability Department, led by the Head of Sustainability acts as the secretariat to Sustainability Governance in the Bank. Additionally, our Sustainability Risk department supports the Bank's risk management initiatives and is led by the Head of Sustainability Risk.

Embedding Sustainability Awareness at Board and Senior Management level

In FY2022, to further strengthen the awareness of sustainability within the organisation, particularly at senior management level, we established the Sustainability Expert Sessions which is a series of engagements that feature subject matter experts on thematic and trending topics that are most relevant to the Bank's sustainability initiatives and strategy. These engagement sessions will allow Senior Management and members of the sustainability working committee to be empowered with sound knowledge as well as new developments and trends on key areas of sustainability.

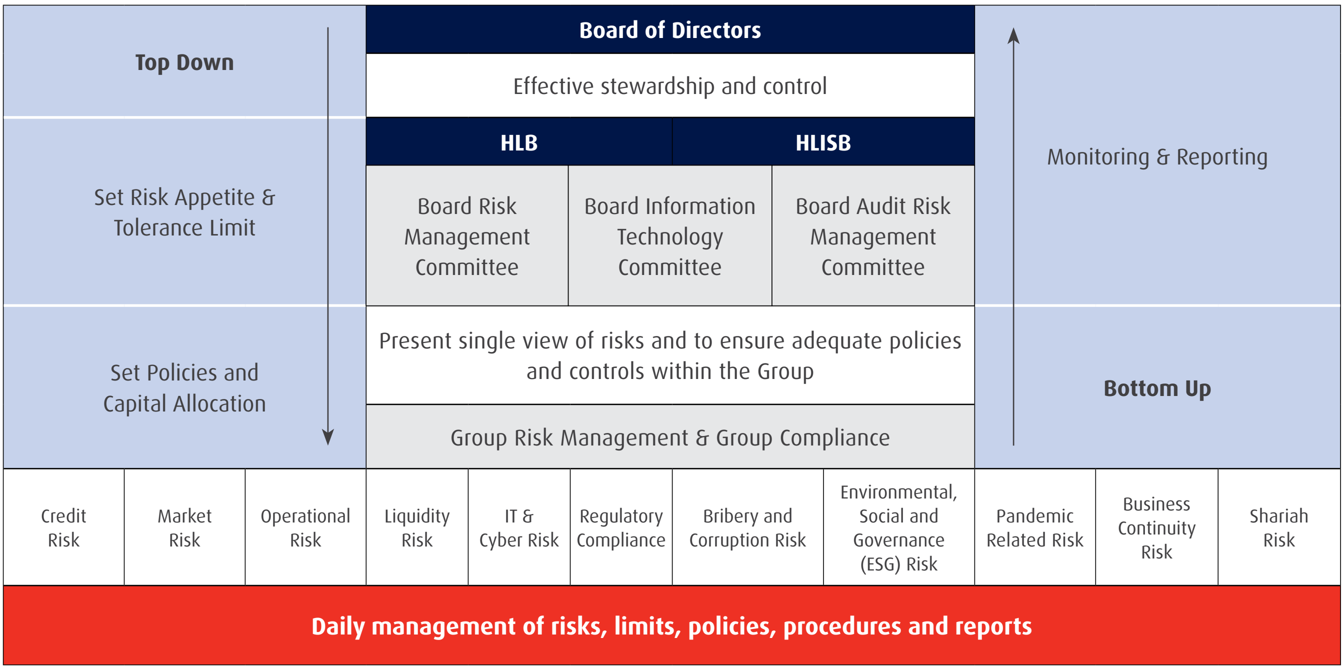
SUSTAINABILITY RISK MANAGEMENT

There is a growing need for organisations to embed sustainability ideals in their business practices to ensure the long-term viability of businesses. With this growing need, it is vital for the Bank to continue growing its business in a sustainable and environment friendly manner through conscious consideration of potential impacts that may be inflicted onto our stakeholders namely people, communities and the planet to advance in tandem with these sustainability developments and aspirations.

Our dedication and efforts in promoting sustainability both in our business operations as well as to our suppliers and customers has provided us with the foundation to achieve our responsibilities with regard to ESG, and in doing so, align with investor expectations and regulatory requirements.

We understand that the organisations and individuals which we do business with will create both social and environmental impacts, whether directly or indirectly. In light of this, we apply a whole-of-bank approach towards integrating ESG risk considerations into our operational framework. This is to ensure we continue to deliver long-term value, protect the future of our community and the environment whilst growing our business.

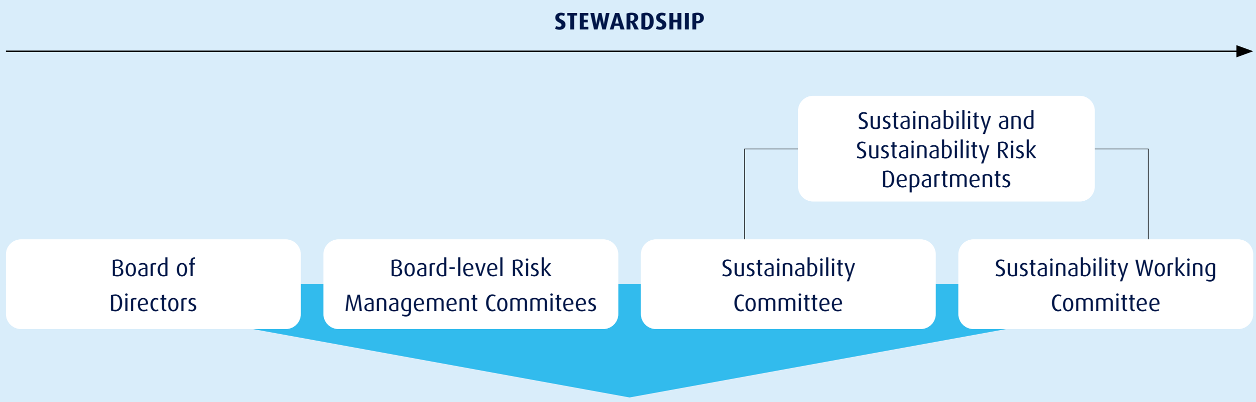
Enterprise view and management of risks



As our Sustainability Risk Management journey progresses, we have elevated ESG risk from being an emerging risk to a material risk to the Bank's decision making.

Sustainability Risk Governance

Our organisation is built around robust risk governance mechanisms and already possesses a well-established Sustainability Risk Governance Framework for the management of ESG risks. In recent years, we have stepped-up our efforts in addressing climate change by progressively embedding climate considerations into these existing risk management mechanisms.



01 ***1st Line***
Business lines/departments

- Responsible for identifying, mitigating and managing ESG risks arising from their business activities/operations.

02 ***2nd Line***
Group Risk Management

- Facilitates the setting of risk policies and risk measurement, monitoring of risk metrics and escalation of risk reports and concerns to management and Board.
- Provides advisory for and conducts validation of bank-wide ESG initiatives including in the areas of policies and governance as well as in risk monitoring and reporting.

03 ***3rd Line***
Group Internal Audit

- Provides independent assurance on and verification of the effectiveness of the implementation of the Bank's ESG policies and operations.

Strategic sustainability priorities are set by the Board of Directors who are responsible for ensuring sound governance and effective oversight of the Bank's Sustainability Strategy. They delegate the review of management's implementation of the Bank's Sustainability Strategy to our Board-level Risk Management Committees.

The Sustainability Committee and Sustainability Working Committee are both responsible for the implementation of 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 both the Sustainability department and the Sustainability Risk department.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE ("TCFD") EXECUTIVE SUMMARY

We continue to disclose our approach towards managing climate risks and opportunities which are aligned with recommendations of The Task Force on Climate-related Financial Disclosure (TCFD). This year, we have taken guidance from BNM's TCFD Application Guide in developing our climate-related disclosures around the four thematic areas: Governance, Strategy, Risk Management and Metrics and Targets. As outlined in the guide, we have addressed and discussed most of the basic recommendations below.

Aspect	Governance	Strategy	Risk Management	Metrics and Targets
Executive Summary	• The Board of Directors (including the BRMC) and Senior Management oversee all strategic measures and implement climate-related initiatives across the Bank. • The Bank's Sustainability Committee (SC) and Sustainability Working Committee (SWC) steer and execute the Bank's sustainability strategies, including climate-related ones. • The Sustainability Department is responsible for the coordination and monitoring of the Bank's sustainability efforts while the Sustainability Risk function within Group Risk Management ("GRM") reviews and validates the progress of the initiatives and climate-related risks • The Bank's senior management team are assessed against scorecard objectives which are aligned with the Bank's sustainability and climate-related targets and strategy.	• Identified a number of risk factors and opportunities which we monitor over the short, medium and long term horizon. • Assessed the potential positive financial, business and operational impact arising from climate risks. • Integrated ESG aspects in the Bank's policies and procedures. • Continuously develop climate-friendly products and services, while promoting sustainable investing. • The Bank has begun quantifying the impacts of sustainability risks, by embedding climate considerations into its risk appetite statements and is progressively enhancing the systemisation of data capture.	• The process for identifying, measuring and managing climate-related risks and opportunities is defined and integrated into the existing risk management framework. • The Bank has developed a Sustainability Risk Governance Framework that addresses the climate change risks that may arise as we implement our corporate strategy, policies and initiatives across the Bank.	• Developed metrics and targets to track and monitor progress against our sustainability strategy, including GHG emissions. • Continue to refine our methodologies, including adding granularity and updating external client and industry data, as these become available over time. • Implemented a 5-year plan to upgrade and retrofit our operational facilities with EE&C measures

Aspect	Governance	Strategy	Risk Management	Metrics and Targets
FY2022 Highlights	• Enhanced the governance structure and appointed respective Heads of Sustainability and Sustainability Risks. • 27 sustainability-related meetings held throughout FY2022, where climate-related topics (e.g. carbon offsetting initiatives, physical risk identification and assessment) were discussed. • All of our directors have knowledge and skills in corporate governance, risk management and/or Sustainability. • SC, SWC and Employees' KRA is linked to sustainability and climate-related non-financial performance targets commencing FY2022.	• Launched Green Bond Framework to guide the Bank's bond issuance and launched first Green AT1 Bond, worth RM 900 million. • Continued our green car financing and expanded our green product offerings to include Solar Plus loan/financing for retail customers. • Introduced Regional Wealth Management ESG Framework to guide our investment processes. • 39 vendors assessed for ESG under the Vendor Sustainability Self-Assessment. • Refined our lending assessment flow to systematically assess the potential ESG risks associated with the property development projects and monitor their carbon footprint. • Further enhanced our BCB ESG framework to have trifurcated assessment ratings for the respective environmental, social and governance components.	• Exploring opportunities with external service providers to develop a risk scorecard to identify our physical risks, and aim to establish a baseline, as well as targets, to meaningfully assess and measure our physical risks.	• Committed to achieve net zero for operational emissions by 2030 and overall emissions by 2050, aligned with Malaysia's Net Zero target by 2050. • Measuring and monitoring Scope 1 and Scope 2 GHG emissions for all Malaysian operations as well as Scope 3 - business travel emissions. • We are building a GHG emissions calculator, which will be used to measure Scope 3 emissions generated by our employees' commute, as well as our company vehicles. • Kick-started a carbon offsetting project to plant 50,000 mangrove trees in collaboration with MNS.

For more details on our Sustainability Risk Management, TCFD Strategy, and Green Portfolio Exposure, please refer to Chapter 2: Accelerating Sustainability Integration on page 23-37 of our 2022 Sustainability Report.

GOOD BUSINESS CONDUCT

KEY HIGHLIGHTS IN FY2022

Engaged with over **6,300 employees, accounting for 82% of our workforce**, for our Monthly Thematic Huddles focusing on ABC.

Engaged with more than **4,900 employees, Senior Management, Board of Directors, Shariah Committee members as well as 370 external business partners** for our Corporate Liability Training.

UPHOLDING ETHICS AND INTEGRITY

To achieve high standards for all our employees as part of our continuous commitment towards improving our businesses, the Bank is dedicated in ensuring that our employees are well-equipped and highly competent in handling the responsibilities that come with respective roles while exhibiting the highest standards of behaviour and professionalism.

To uphold and maintain a high ethical standard, we conduct an Anti-Bribery and Corruption ("ABC") risk assessment of the overall Bank's operations at least biennially across the organisation. ABC cases, if any, are deliberated by the Disciplinary Committee ("DC") followed by the RCGC and the Board of Directors during the BRMC or BARMC meetings regarding the appropriate action taken until successful resolution.

The Bank's Anti-Bribery and Corruption Compliance Programme cements our zero-tolerance position towards corrupt activities, including bribery. The Ethics and Integrity Unit led by the Bank's Ethics and Integrity Officer ("EIO") monitors the implementation of our ABC Programme and deals with all anti-bribery and corruption matters.

For more details on managing bribery and corruption risks, please refer to our ABC Policy

PREVENTION OF FINANCIAL CRIME

Following the FY2021 upgrades to our AML system to improve screening capabilities for onboarding and monitoring our customers, in FY2022, we introduced new modules to this system and continued our capacity building engagement efforts with our employees.

List of modules introduced	Total no of employees trained	Total no of training hours
Three new modules covering KYC, ACM and AML	379	758

Following the rollout in Malaysia, the AML System was launched for our Cambodia, Singapore and Vietnam operations. The implementation of the new system marked a milestone for our regional operations as it acts as an integrated automated platform that not only improves our due diligence processes but also enhances our transaction monitoring controls. The new AML System became fully operational in FY2022.

Our team has made continuous efforts to support the smooth transition to the AML System from both functional and technical perspectives, demonstrating one of our values: Collaborate to Win. The launch of the new system is our organisation's firm commitment to making the banking ecosystem safer and better for our customers and stakeholders.

MECHANISMS TO UPHOLD GOOD BUSINESS CONDUCT

The Bank has established various platforms of engagements with employees to further strengthen a culture of accountability and good business conduct from within. Complementing these efforts is the platform that we have created to empower our employees to escalate any unethical behaviour in the workplace.

Our Whistleblowing Policy was established to uphold the integrity of our operations, under which all employees, associates and customers of the Bank are encouraged to report any genuine concerns relating to improper conduct involving or occurring within the organisation. Reports may be made anonymously and cover issues relating to integrity or criminal offences such as fraud, theft, criminal breach of trust, corruption, bribery and blackmail. Whistleblowers who make a disclosure in good faith will be protected from punitive measures to the extent that is allowed by law and subject to conditions stipulated in the Whistleblowing Policy.

Scan QR Code for the Whistleblowing Policy

For more details on our Ethics, Integrity and Compliance, please refer to Chapter 3: Good Business Conduct on page 39-42 of our 2022 Sustainability Report.

DIGITAL AT THE CORE

KEY HIGHLIGHTS IN FY2022

- **23.6% increase** in the total number of digital transactions
- **18% growth** in customer base in all digital platforms
- **6% increase** in corporate banking digital transactions via the HLB ConnectFirst platform
- HLB Connect App is used by more than **1,900,000 users**
- More than **2,340,000 customers** on HLB Connect Online
- **32,590 new accounts** registered via Apply@HLB app

The rapid pace of digital adoption has had an impact on how our customers utilise financial services. Customers expect to be able to access banking services with more ease and speed without compromising security. In order to meet this digital momentum, we focus on a multi-faceted approach of developing cutting-edge digital solutions, forming strategic partnerships, and enhancing our digital infrastructure to satisfy customer demands. This enables us to provide sustainable products that take into account ESG factors. These initiatives have improved our efficiency and competitiveness, enabling HLB to generate long-term value for our stakeholders while thriving as a business.

INNOVATIVE DIGITAL SOLUTIONS

We have always been a strong proponent of digital financial solutions in line with our core principles of being Digital at the Core. By providing innovative digital solutions for our customers and clients, we strive to create positive environmental impacts while being profitable. Throughout the years, we have consistently improved our current array of digital financial products by introducing numerous digital firsts. By doing this, we hope to hasten the expansion of digital financial services.

Tailored Solutions in Sustaining a Digital Momentum					
For Retail Customers				**For the Youth**	**For SME, Commercial & Corporate Customers**
Apply@HLB	HLB's Official Store on Shopee	HLB Connect Online	HLB Connect App	HLB Pocket Connect	HLB ConnectFirst for Business
Introducing Digital Firsts in Malaysia		**Continuously Improving Existing Digital Products**			

For more details on our Innovative Digital Solutions, please refer to Chapter 4: Digital at the Core on page 45-49 of our 2022 Sustainability Report.

OUR DIGITAL INITIATIVES

Sustaining the Momentum Towards a Cashless Society

The Bank supports the digital development of the Malaysian banking sector in an effort to add value for our customers. We continue to encourage the development of an integrated financial ecosystem where digital payment methods facilitate simple financial transactions as cashless transactions gain traction.

HLB@School

Objective
To promote financial literacy and enable a cashless ecosystem in schools

Programme Context
Rolled out in FY2022, the project was formed when a primary school with limited resources, and with just 400 students, in the east coast of Malaysia reached out to the Bank on their dream to transform their school into a cashless ecosystem. We promptly formed a taskforce to turn their dream into reality and rolled out the project within six months.

To date, the Hong Leong Bank team has presented the proposition to school leadership members of over 200 schools.

Impact & Outreach
- Created a cashless ecosystem within schools' infrastructure (such as enabling cashless payments for purchase of food from school canteens)
- Promote financial literacy in participating schools
- Provided school students with essential knowledge on handling finances

HLB@Kampung

Objective
To promote financial literacy and accessibility in non-urban areas, thus bridging the socioeconomic gap within the country.

Programme Context
Moving forward, HLB aims to provide the Sekinchan community with easy access to debit cards and bank accounts without having to visit a bank branch.

The Bank aims to provide 800 businesses with an HLB DuitNow starter kit, which includes an All-in-One Payment Terminal accepts both card and QR payments as as a DuitNow QR that enables businesses accept contactless QR payments from mobile banking apps and eWallets.

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

For more details on Our Digital Initiatives, please refer to Chapter 4: Digital at the Core on page 49 of our 2022 Sustainability Report.

OUR DIGITAL INFRASTRUCTURE

Cyber Security and Data Privacy Resilience

As our customers increasingly transition towards digital banking channels, it has become even more pertinent for financial institutions to maintain robust cyber security controls. Maintaining consumer trust and ensuring the long-term integrity of our company both depend on the secure management of data. We place a high priority on preserving customer privacy and personal information and have in place robust controls to ensure access and data security.

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

OUR ROBUST CYBER SECURITY AND DATA PRIVACY CONTROLS

Governance Structure

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

Policies

- Board Policy on Technology Risk Management
- Board Policy on Cyber Resilience
- Board Policy on Data Management
- Board Policy on Data Protection and Customer Secrecy

Secure Infrastructure

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

OUR CYBER SECURITY INITIATIVES

e-Learning

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

Thematic Huddles on Cyber Risk Awareness

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

Quarterly Cyber Security and Risk Awareness Videos

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

Promoting Gamification

To ensure continuous awareness on Cyber Security and Risk, HLB also introduced measures with engaging gamification elements including a cyber security pop quiz and a cyber security crossword puzzle. We also introduced a virtual cyber security ambassador in the form of an avatar that promotes cyber security best practices within our organisation.

For more details on Cyber Security and Data Privacy, please refer to Chapter 4: Digital at the Core on page 50-51 of our 2022 Sustainability Report.

Enhancing Customer Experience

Customer expectations now centre on a more streamlined, practical and simplified banking experience due to the advancement of technology development. By using our Customer Experience ("CX") Lab, we are able to take advantage of the opportunities brought forth by changing customer demands.

Our CX Lab promotes cross-departmental cooperation while offering a favourable setting for product idea generation and prototyping. The Lab primarily enables us to gather comprehensive consumer insights so that we can meet their needs. We collect these insights using a variety of techniques, including A/B testing, gaze tracking, quantitative research, ethnographic research and qualitative research.

KEY OUTCOMES FROM OUR CX LAB IN FY2022

27 CUSTOMER RESEARCH PROJECTS	**59** USABILITY TESTING SESSIONS	**13** POST LAUNCH EVALUATION INITIATIVES

Connected with over 2,000 customers and non-customers with the intent to identify opportunities to enable their life moments and make banking more delightful.

We use various platforms to actively interact and listen to our customers. Additionally, our internal chat platforms include a notification function called 'Red Alert' Closed Loop Feedback Mechanism that allows us to immediately alert frontline staff when we receive any unfavourable client feedback. This enables quick problem solving.

PLATFORMS USED TO ASSESS OUR CUSTOMER EXPERIENCE

In FY2022, we gathered feedback from **over 540,000 customers** via our Voice of Customer ("VOC") platform

Since the launch of 'Designed by You' Community Platform, **over 9,000 registered customers** **over 29,000 engagements** have shared ideas for HLB to improve customer experience

FY2022 CUSTOMER SATISFACTION SCORE HIGHLIGHTS

4.41 out of 5 on average by our mobile banking users and **4.28 out of 5** by our internet banking users

4.46 out of 5 on average by customers who called our Contact Centre

4.49 out of 5 on average by customers who visited our branches and **4.43 out of 5** by our SST users

OUR PROGRESS FROM FY2021

Close to **2% and 0.5%** **increase** respectively in mobile banking and internet banking

4.7% **increase** in satisfaction scores amongst customers who called the Contact Centre

2.3% and 1.3% **increase** respectively in branch and SST users

For more details on Enhancing Customer Experience, please refer to Chapter 4: Digital at the Core on page 52-53 of our 2022 Sustainability Report.

WORKFORCE READINESS

KEY HIGHLIGHTS IN FY2022

12% increase in average training hours per employee, from **69.4 hours to 77.5 hours**	**2,912 employees** voluntarily completed **60,742 e-learning courses** on the HLB@Workday platform, recording a **44.9% increase** from FY2021	**Launched our HLB Employee CSR Programme ("HECP") to promote employee volunteerism**

Our overarching value of being 'Here for the Long Term' extends to how we care for our employees. At HLB, we strive to create employee experiences that enable them to have a meaningful career experience with us. The following core pillars drive our efforts in nurturing a sustainable employee experience.

Our approach to enabling workplace readiness centres around our focus to digitalise core HR processes, as well as learning experiences. Key to our efforts is the HLB@Workday platform, which has facilitated convenience to our employees to access our resources wherever they work. This mobile-first strategy enables adaptability to how we engage and provide training for our employees.

Building The Talent Pipeline

We are cognisant that talent plays a crucial factor in enabling our sustainability agenda. The Bank focuses on attracting and sustaining a diverse and inclusive talent pipeline, selected based on merit and potential. Towards building a robust talent pipeline, we offer structured internships and training programmes that empower candidates to be ready for our workplace.

SKILLED TALENT PIPELINE HIGHLIGHTS OVER THE LAST 6 YEARS...

Internship Programme	Graduate Trainee	Management Associate	Protege
Over 350 graduates have benefitted from our internship programme with 34 graduates converted into a permanent role	337 graduate trainees ("GTs") have been pipelined, and 196 GTs are now in a permanent role across the Bank	80 Management Associates ("MAs") have been pipelined, with 39 MAs now in a permanent role across the Bank	125 graduates have been pipelined, with 54 of them offered a full-time role at HLB upon completion of the programme

Instilling Sustainability Awareness

Over the past two years, we have undertaken a multi-faceted approach to instil sustainability awareness and empower our employees to build a positive mindset towards ESG, in line with the Bank's commitment to deliver long lasting ESG and VBI solutions. In FY2022, we continue to utilise our training programmes, brown bag sessions as well as our internal communication tools to engage with our employees on sustainability-related issues.

FY2022 SUSTAINABILITY TRAINING HIGHLIGHTS

More than 8,000 employees completed the mandatory e-learning course on sustainability	**1,875 new employees** have been trained on sustainability as part of their onboarding	Conducted **6 Brown Bag Lunch & Learn sessions** on sustainability-related topics, **attended by 551 participations**

INTERACTIVE SUSTAINABILITY-AWARENESS RAISING INITIATIVES

HLB's Annual Sustainability Month	#HLBGreenBag
Launched in 2020, our annual Sustainability Month event aims to raise awareness and expand ESG knowledge among employees from our Malaysian and overseas operations. In FY2022, the six-week long campaign included webinar sessions, contests, workshops and dissemination of sustainability-related infographics.	An initiative introduced in FY2022 to engage Bank-wide employees on a regular basis via sharing of sustainability-related information and virtual interactive contests.

Talent Management and Engagement

In FY2022, sustainability has become a key measure of progress for the Bank and as a result, has been integrated into the Performance Indicators for all employees. As part of HLB's core value of being 'Here for the Long Term', we are determined to realise these values by ensuring senior management officers have relevant sustainability targets integrated into their own KRAs and are responsible for embedding sustainability into all initiatives within their divisions.

EMPLOYEE WELL-BEING, HEALTH AND SAFETY

Our employees' health and safety has always been a key priority for the Bank and we are committed to nurture our people into a healthy and supportive workforce. To that end, we adopt a multi-faceted approach to care for our employees and their families, providing holistic support to address their physical and mental health.

In FY2022, 195 employees completed the Occupational Safety & Health training session 'Emergency Response Preparedness', achieving 1,365 training hours.

Health and Safety	FY2019	FY2020	FY2021	FY2022
Percentage of absenteeism rate (%)	28.57%	17.30%	15.96%	**16.87%**
Total No. of accidents with fatalities	NIL	NIL	NIL	**NIL**
Total no. of days lost due to accidents in and outside of workplace	1,311	799	740	**119**
Total no. of accidents in the workplace	5	5	8	**4**

For more details on how we prioritise our employees' wellness, health and safety, please refer to the Workforce Readiness chapter on page 54 of our 2022 Sustainability Report.

DIVERSE AND INCLUSIVE WORKFORCE

Culture and gender diversity remain a founding principle of the Bank. We believe it strengthens businesses and stimulates diverse ideas, resulting in effective and innovative products and solutions. To that end, our Code of Conduct establishes the basis for a creating a safe and inclusive workplace free of discrimination to ensure all our employees are well provided for regardless of their demography, age or background. We have implemented a meritocratic approach in all HR practices across the Bank including the recruitment, remuneration and training & development processes.

SNAPSHOT OF OUR HR PERFORMANCE DATA IN FY2022

Total No. of employees	Workforce Diversity	Total No. of Employees by Contract	Total no. of employee turnover
8,008 MALE 37.1% FEMALE 62.9%	CHINESE 57.9% MALAY 31.1% INDIAN 8.1% OTHERS 2.9%	PERMANENT CONTRACT 99% TEMPORARY CONTRACT 1%	**1,393**

For more details on how we care for our employees and our HR performance data, please refer to the Workforce Readiness chapter on page 67 of our 2022 Sustainability Report.

SOCIALLY RESPONSIBLE BUSINESS

KEY HIGHLIGHTS IN FY2022

Developed the
Regional Wealth Management ESG Framework
to ensure ESG risks in all wealth management products offered to customers

39 top tier vendors
completed the pilot Vendor Sustainability Self-Assessment

4,114 training hours
completed for the mandatory e-Learning course on Fair Treatment of Financial Consumers

Conducted
5 Sustainability roundtables
for our customers

Completed a
securitisation exercise worth RM300 million with Cagamas
which is the first concurrent double-issuance of ASEAN Sustainability SRI Sukuk and the ASEAN Sustainability Bonds in Malaysia

At Hong Leong Bank, we are committed to helping businesses transition to more sustainable business models as we work towards mitigating the effects of climate change on the environment. The growing demand for sustainable banking activities and practices continues to emphasise the importance of incorporating ESG risks into our business strategies and operations. We seek to innovate and be mindful of our sustainability agenda as we manage the inherent risks effectively.

ENABLING A SUSTAINABLE ECONOMY

In line with our theme to be a Socially Responsible Business, our BCB ESG Policy & Assessment Framework embraces an inclusionary approach that focuses on providing support to our SME, commercial and corporate customers in the HLB identified Environmental & Social (E&S) high risk sectors to adopt more sustainable business practices and pivot towards a lower carbon footprint, thus supporting the local transition to a more sustainable economy

OUR ESG STRATEGY FOR SME, COMMERCIAL AND CORPORATE CUSTOMERS

To assist our stakeholders in their transition towards more sustainable business practices	To promote sustainable business practices by providing best-in-class products and services to our customers	To inculcate a cultural shift in our employees to ensure employees are kept abreast of the latest ESG developments and risk area considerations across the Bank's operations

In FY2022, we refined our ESG Policy & Assessment Framework to further mitigate the Bank's ESG risk.

OUR THREE-STAGE ESG ASSESSMENT FRAMEWORK

Stages		
1 **Initial Screening**	**2** **Sector/Sub-sector Screening**	**3** **Customer E&S Due Diligence Screening**
Process		
First ESG assessment to determine if the customer's business activities fall within HLB's general exclusions list. Businesses that do not fall in this list will proceed to the second screening stage.	Stage 2 of the screening exercise assesses if customer's business activities fall under HLB identified high E&S risk sectors. Businesses that fall under these sectors will then be subject to further assessment under the enhanced E&S due diligence screening in stage 3. Other businesses will proceed to the credit assessment process.	Screening conducted to understand the businesses' ability to mitigate the identified E&S risk areas associated with their business activities. Customers classified as high risk will be encouraged to undergo mitigation plans to address the residual E&S risks in their business activities.
Details		
ESG Framework Exclusion List[1] • Involvement in money laundering, crime, terrorism or illegal activities (e.g. illegal waste management, illegal deforestation, etc.) • Involvement in pornography, prostitution • Production or trade in military weapons or firearms • Involvement in forced labour, exploitation of children and human trafficking • Activities resulting in significant conversion or degradation of any high biodiversity value areas[2] • Operations which use fire for land clearance or preparation of land[3] • Fishing activities using drift nets or explosives • Financing of any greenfield coal-fired power plants[4] and financing of all coal-fired power plants effective 1st July, 2026[4]	**High E&S Sensitive Sectors** • Forestry • Metals & Mining/ Quarrying • Non-renewable energy • Palm Oil • Agriculture • Fisheries • Selected Manufacturing • Recycling & Waste Management • Transportation	**Selected E&S Criteria** • Toxic materials emissions • GHG emissions • Energy use efficiency • Effluent monitoring & control • Water use efficiency • Human rights & labour working conditions • Hazardous waste, non-hazardous waste • Indigenous people, local communities & culture heritage

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

1. *HLISB will also adhere to the exclusions in the Shariah Compliance Policy as per the current practices.*
2. *Areas designated by law or relevant competent authority to serve the purpose of nature protection, unless the business activity is carried out in compliance with the National and / or State Biodiversity Legislation.*
3. *Use of fire for land clearance or preparation of land shall be avoided except in specific situations, such as obtaining the necessary authority approvals.*
4. *This includes purchasing bonds/sukuk to finance any green field coal-fired power plants.*

ESG Customer Engagement

As a socially responsible bank, we are committed in our efforts to empower our customers in their sustainability transformation. The HLB Sustainability Roundtable, introduced in FY2021 to raise awareness and inspire change, has covered several different topics and sectors over the year, featuring panellists ranging from the industry experts to regulators. In FY2022, we held five virtual roundtable dialogues, reaching circa 7,000 stakeholders, that included discussion topics on palm oil, renewable energy (biogas), waste management, chemical manufacturing and metals manufacturing.

For more details on our BCB ESG Policy and Assessment, please refer to Chapter 6: Socially Responsible Business on page 73 of our 2022 Sustainability Report.

SUSTAINABLE SUPPLY CHAIN

FY2022 KEY HIGHLIGHTS

Overall, **97% of the vendors** from the pilot Vendor Sustainability Self-Assessment have demonstrated adequate ESG awareness and adopted ESG practices in their operations.	**62% of vendors** from the initial self-assessment exercise scored Best in Class and in their sustainability scores.	Subsequent Assessments are in progress in staggered stages, for approximately **721 vendors** with completion slated for the fourth quarter of FY2023.

For more details on our Sustainable Supply Chain, please refer to Chapter 6: Socially Responsible Business on page 80 of our 2022 Sustainability Report.

FINANCIAL INCLUSION & EMPOWERMENT

KEY HIGHLIGHTS IN FY2022

Over 5,400 SMEs
supported under the Payment Relief Assistance Programme ("PRAP")
amounting to RM 9.2 billion

97% of applications approved
under the PRAP amounting to
RM 5.74 billion to the B40 community

Supported **860 accounts**
amounting to **RM 164 million**
through our 'Flood Relief Assistance' programme

Supported over **120 SME merchants**
and invested over **RM 300,000**
to support the SME business community
under the #HLBSAPOTLOKAL campaign

Installed
3 new Talking ATMs for the visually-impaired banking customers
in Jalan Kenanga, Kuala Lumpur and Electra House, Sarawak;

As a financial institution, we believe it is our responsibility to ensure that all segments of society have access to secure financial services and products. To this end, we are committed to offering banking services to all communities, particularly focusing on the underserved and the SMEs. We aim to enable financial inclusion for all especially those who have not had access to traditional banking as well as to address the financing gap for SMEs. We believe these efforts are particularly necessary after the impact that the COVID-19 pandemic had on businesses and individuals.

FINANCIAL ACCESSIBILITY FOR SMES

SMEs are the backbone of our nation's economy as they serve as important contributors to job creation and economic growth. Aligned to this need, we are committed to support and empower local SMEs', spurring their financial growth and development via tailored solutions and mentoring opportunities. To enable continuous communication with them, we conduct frequent webinars and regularly feature our updates and latest SME offerings on our social media channels. In FY2022, we continued to enhance our key SME programmes such as HLB LaunchPad and iSTART@HLB.

HLB LAUNCHPAD

- Collaborating with ecosystem partners such as MBAN, Cradle, Malaysia Digital Economy Corporation ("MDEC"), PitchIn and MaGIC, the mentorship programme serves as a platform for us to partner with high-potential start-ups to build our capabilities, expand into new markets and ultimately create a positive ESG impact in the long term.
- To date, we continue to work with our current and previous winners, in line with the aims of the programme.

iSTART@HLB

- We collaborate with partners such as Cradle and MaGIC to offer comprehensive SME business solutions which will boost their businesses.
- In FY2022, we on-boarded 360 SMEs through this initiative, a 48% jump from the previous financial year.

#HLBSAPOTLOKAL

In line with our commitment to support local businesses, we launched a cashback campaign called #HLBSAPOTLOKAL this year. Launched in conjunction with Deepavali celebrations, the campaign aimed to help local SMEs build a larger following and regain any business momentum lost over the pandemic period. Under this campaign, we aim to bring awareness to the public about local SMEs' products and services by incentivising customers to spend at selected local merchants. We hope this initiative will give local merchants a little boost as they work towards rejuvenating their business post-pandemic. Since the launch of the campaign, we managed to support over 120 SME merchants and invested over RM 300,000 in efforts to support the SME business community.

Jumpstart@65

Jumpstart@65 is a community hub that aims to inspire the communities by teaching them purposeful life and digital skills, as well as to build a network of people to co-create and collaborate to design innovative solutions for the communities, the Bank and for the Hong Leong Group. Run by HLB's Digital Innovation Office, the newly renovated space located in Jalan Tun H.S. Lee in Kuala Lumpur, houses a cafe, co-working spaces, three customer usability labs and a community centre.

JUMPSTART@65 IN FY2022

Engagements with our HLB Launchpad winners and Hong Leong Foundation's partners	**13 co-creation sessions** conducted with customers	**3 training sessions** with students in partnership with Hong Leong Foundation on digital skills, financial literacy and educational programmes	**3 Community Workshops** with NGOs & Social Enterprises

For more details on our financial inclusion efforts, please refer to Chapter 7: Financial Inclusion & Empowerment on page 81 of our 2022 Sustainability Report.

ADDRESSING CLIMATE IMPACT

KEY HIGHLIGHTS IN FY2022

Committed to
Net Zero Emissions by 2050

Introduced the
HLB Green Bond Framework and
Launched our inaugural
Green AT1 Bond, worth RM 900 million

Approved over RM 2.4 billion
of Renewable Energy Financing

Over 700 projects have been assessed thus far under the Developer End Financing Framework

In line with our Green Car Financing Framework, disbursed financing for **over 1,090 hybrid and electric vehicles**, which made up around **3.7% of our total car hire purchase financing**

Kick-started our first major carbon-offset project

Planted over 2,500 trees under the Earth Hero platform

OUR NET ZERO COMMITMENT

FY2022 marks a significant year in our efforts towards strengthening our climate pledge. This year we updated our key GHG emissions reduction targets, including the commitment to achieve Net Zero carbon emissions by 2050. These emissions reduction targets guide us to make meaningful strides toward our carbon neutrality ambition.

Identified **baseline year** which is **FY2019**

Set short term target of **15% to 25% reduction** of GHG emissions **by 2026**

Set medium term target of **Net Zero Emission** for our operational emissions - **GHG Scope 1 and 2 by 2030**

Set long-term target of **Net Zero GHG Emission Scope 1, 2 and 3 by 2050**

Our approach towards realising our Net Zero commitments revolves around our concerted efforts in enabling our customers and clients to sustainably transition to a low carbon economy while managing and mitigating the direct impacts our business has on the environment.

OUR ROAD TO NET ZERO

Towards a Low Carbon Economy

- Climate Risk Management
- Green Financing Solutions

Managing Our Environmental Footprint

- Reducing Our Carbon Footprint
- Optimising Resource Efficiency
- Instilling Environmental Ownership

TOWARDS A LOW CARBON ECONOMY

Climate change is a pressing global challenge with widespread repercussions for sustainable development. Climate-related risks and opportunities affect the way we do our business and as such, it is pertinent that we effectively address them moving forward. As a financial institution, we recognise that we are well-positioned to drive the transition towards a low carbon economy.

We are committed to supporting green growth by mobilising our capital into sustainable financing options, towards greening our portfolio exposure. Aligned to this, we continue to look for opportunities to support our customers who are keen to mitigate their environmental impacts and support climate change adaptation.

HLB'S GREEN FINANCING SOLUTIONS

INTRODUCED GREEN DEBT FINANCING IN FY2022

EXISTING FINANCING SCHEMES

- Enabling Access to Cleaner Energy with Renewable Energy Financing
- Promoting Green Transportation via Green Car Financing
- Supporting Green Developments via Developer End Financing

For more information on our Green Financing Solutions, please refer to page 89 of our 2022 Sustainability Report. Sustainability Report.

Managing our Environmental Footprint

As we accelerate sustainability integration in our business, we are committed to making a positive impact on our environment, guided by our carbon neutrality ambitions. Beyond incorporating environmental considerations into our banking activities, we are also cognisant of the need to responsibly manage and offset our operational footprint. Aligned with our Environmental Policy on Energy, Water and Waste Management, we continue to work towards optimising our resource efficiency across our operations and inculcating a sense of environmental ownership among our stakeholders.

Reducing Our Carbon Footprint

In light of our Net Zero ambitions, we have stepped up our efforts to actively reduce our carbon footprint. In particular, the Bank is embarking on carbon reduction and carbon offsetting initiatives to achieve our carbon reduction targets from our FY2019 baselines.

Embarking on our Carbon-Offset Project

In FY2022, we kick-started our first major carbon-offset project. Working in collaboration with the Malaysian Nature Society ("MNS"), HLB embarked on a mangrove swamp ecosystem rehabilitation and conservation project at the Kuala Selangor Nature Park. HLB will help to restore degraded forest land by planting approximately 50,000 new mangrove trees in the area over the next three years.

As of July 2022, we have germinated more than 37,000 seedlings and planted over 15,000 mangrove trees.

Greening Our Buildings

As a major portion of our operational GHG emissions stems from our consumption of purchased electricity, we are investing in our physical infrastructure to drive eco-efficiency and mitigate its environmental impact.

Aligned to this plan, we introduced a 5-year plan to upgrade and retrofit our operational facilities with Energy Efficiency and Conservation ("EE&C") measures. To date, we have rolled out these measures at our corporate buildings (Hong Leong Tower and PJ City Tower A) and to our branches across Malaysia.

SNAPSHOT OF OUR ENVIRONMENTAL PERFORMANCE DATA IN FY2022

Total GHG Emissions	Total Energy Consumption	Total Water Consumption	Total Paper Consumption
22,877 tCO_2eq *(6.5% reduction from FY2021)* **SCOPE 1 - 89 TCO_2EQ** **SCOPE 2 - 22,134 TCO_2EQ** **SCOPE 3 - 655 TCO_2EQ**	**38,922,523** kWh *(6% reduction from FY2021)*	**61,192*** m^3 *(19% reduction from FY2021)* **For HLT and PJCA (strategic buildings only)*	**71,121** reams *(34.6% reduction from FY2021)*

For more information on how we manage our climate impact and for our YoY Environmental Performance Data, please refer to Chapter 8: Addressing Climate Impact on page 96 of our 2022 Sustainability Report.

COMMUNITY INVESTMENT

KEY HIGHLIGHTS IN FY2022

3,700 instances of employee participation and volunteer efforts and contribution of more than RM 1.14 million to various causes.	Impacted 4,952 students, as well as 9,000 individuals in need of food aid and meal support nationwide, in conjunction with our Malaysia Day 2021 campaign.	Reached out to more than 840 students via our DuitSmart financial literacy workshops.

We are an organisation that believes in giving back to the community in a meaningful, impactful and inclusive manner. Relying on the expertise and resources available to us as a financial institution, we aim to prioritise the development of financial literacy, to bolster financial inclusion for all members of the community, and to create robust platforms to aid social enterprises. These principles stem from a strong sense of accountability towards our customers and larger community.

HLB Jumpstart

Social enterprises are an essential part of our nation's socio-economic development as they have a dual function of generating economic value while creating social welfare opportunities for those in need. In an effort to provide these businesses with specialised assistance, we created HLB Jumpstart. The Jumpstart programme connects social enterprises with experts and professionals in finance, branding and advertising, business, innovation and volunteerism, so that we can be part of their long-term journey. To date, we have partnered with a total of 5 social enterprises, each of which have contributed to different causes in Malaysia.

SURI achieved **a 346% increase** in sales benefitting **40 mothers**	**Green Hero** achieved **a 370% increase** in average yearly sales	**Coffee For Good** has provided training and employment opportunity to **3 additional youths, increasing the number by 60%**	**The Asli Co.** achieved **a 373% increase** increase in average yearly sales and **grew its team from 10 to 63 Orang Asli mothers and 5 full time Orang Asli youths**	**Benak Raya** has achieved **a 192% increase** in average yearly sales

FINANCIAL LITERACY

In our effort to enhance the overall financial health of the country, our DuitSmart Platform aims to empower Malaysians with the relevant information which will enable them to make sound financial decisions.

Our DuitSmart Platform	The Communities We Impact
Launched in partnership with Debt Agency of Malaysia ("AKPK") and the University of Malaya	**Students (Universities and Secondary Schools)** • Reached out to more than 840 students across 7 schools and 7 universities via 21 financial literacy workshops
Advocates and promotes financial literacy, aligned with the Bank's core focus in community investment towards financial inclusion for all communities in Malaysia	**Visually-Impaired Community** • Reached out to more than 240 students across 5 schools for the visually-impaired
Outreach programmes conducted via online and physical face-to-face sessions	**Broader Society via Digital Platforms** • Our bite-sized social media content for the public currently stands at around 3.1 million views

CONTRIBUTING TO OUR COMMUNITIES

We believe that we are in a position to make a tangible difference to our communities in need. Being a responsible corporate citizen, we recognise that we have a duty and responsibility to assist those who are in need of support. In forming strategic collaborations, we endeavour to expand our reach to these communities and increase the long-term impact of our contributions.

PARTNERING WITH FINANCIAL INDUSTRY COLLECTIVE OUTREACH ("FINCO")

We are collaborators with one of the largest collective impact initiatives in Malaysia, known as FINCO, by supporting their implementation of sustainable community outreach programmes through shared funding and resources for children and young people.

In FY2022, we conducted two virtual strategic outreach events in which we engaged with school students and guided them on important topics of leadership and financial literacy. Our Senior Management and GMD participated in the events, to show our strong commitment in giving back to the community. These events allowed us to highlight to the students the importance of having the right mindset in determining their career pathway and a chance to learn about the practical applications of good financial habits and concepts through simulated real-life events. We also contributed upwards of RM34,000 to communities impacted by COVID-19 through the FINCO COVID-19 Relief Initiative. Moving forward, we endeavour to continue supporting similar initiatives.

Our efforts in giving back to the communities that support us are driven by our dedicated employees across the Bank. Within our organisation, there is a strong sense of volunteerism amongst our employees which is a key driver of our contribution back to the community. This sense of volunteerism stems from a sense of accountability that is felt by our employees to give back and do what is necessary to aid the community.

For more details on our community engagement, please refer to the Community Investment chapter on page 98 of our 2022 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

Lau Souk Huan

Cheong Soo Ching

Fa'izah binti Mohamed Amin

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

Domenic Fuda

GROUP COMPANY SECRETARY

Jack Lee Tiong Jie

MAICSA 7060133

SSM PC No. 202008001704

AUDITORS

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146)
Chartered Accountants
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REGISTERED OFFICE

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WEBSITE

www.hlb.com.my

Board of Directors' Profile

TAN SRI QUEK LENG CHAN

Chairman/
Non-Executive/Non-Independent

Malaysian | 79 | Male

YBhg Tan Sri Quek Leng Chan 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") 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"), a public company. He is also the Chairman of the Council of Members of Hong Leong Bank Vietnam Limited ("HLBVN").

TAN KONG KHOON

Executive Director/
Non-Independent

Singaporean | 65 | Male

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

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

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

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

Mr Tan was appointed to the Board of 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

Non-Executive Director/ Non-Independent

Singaporean | 69 | 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 the 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 Stock Exchange of Hong Kong Limited. He is a non-executive director of GuocoLand Limited (GGL's subsidiary listed on Singapore Exchange Securities Trading Limited). 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

Non-Executive Director/ Independent

Malaysian | 70 | 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.

DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

Non-Executive Director/ Independent

British and Malaysian Permanent Resident | 70 | 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 Remuneration Committee ("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

Non-Executive Director/ Independent

Malaysian | 73 | 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 and HLISB.

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

Board of Directors' Profile

LAU SOUK HUAN

Non-Executive Director/ Independent

Malaysian | 58 | 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 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 and BAC. She is the Chairman of BITC of HLB and HLISB.

CHEONG SOO CHING

Non-Executive Director/ Independent

Malaysian | 62 | Female

Ms Cheong Soo Ching is a Certified Public Accountant of Malaysian Institute of Certified Public Accountants (MICPA), a Certified Information System Auditor of the Information Systems Audit and Control Association (ISACA) and a member of the Malaysian Institute of Accountants. Ms Cheong is also a fellow member of the Life Management Institute (LOMA).

Ms Cheong has more than 35 years of experience in governance, risk management, compliance and auditing work. She began her career with Ernst and Whinney (now known as Ernst and Young ("EY")) in 1980. She was seconded to the London office of EY for 2 years where she was trained in information system auditing. She continued her career in information system auditing in Malayan Banking Berhad for 2 years and 2 government agencies in Australia for 5 years.

Ms Cheong joined Great Eastern Life Assurance Malaysia Berhad ("GE") upon returning to Malaysia from Australia in 1996. During her tenure in GE, she has served in key positions in internal audit, strategic planning, special projects and risk management function. The last position she held was Chief Risk Officer where she was responsible for governance, risk management, compliance, Business Continuity Management, Anti-Money Laundering (AML) and market conduct. She retired from GE in January 2020.

Ms Cheong was appointed to the Board of HLB on 18 May 2022 and is a member of the RC of HLB and BITC of HLB and HLISB.

FA'IZAH BINTI MOHAMED AMIN

Non-Executive Director/ Independent

Malaysian | 54 | Female

Puan Fa'izah binti Mohamed Amin holds a Bachelor of Arts (Honours, 2nd Upper) in Political Science from Brock University in Canada.

Puan Fa'izah carries more than 20 years of cross-industry credentials, in local conglomerates and multinational corporations. She began her career as a Foreign Correspondent in an American News Wire in the Kuala Lumpur Bureau, before moving on to become an Information Specialist in the United States Information Agency (States Department). She then joined Time Broadcast Group as its Head of News Division in 1995. In 1999, Puan Fa'izah joined TM Berhad, holding multiple portfolios until 2014, inclusive of managing TM's New Media Strategy, heading its Planning & Innovation Group, leading the Group's Business Strategy and as its General Manager of Middle East & Africa Business and eventually as its General Manager of Technology Planning & ICT Business.

In 2014, Puan Fa'izah joined UMW Holdings Group and in 2015 she was appointed as the President of UMW Technology Sdn Bhd. She also carried the portfolio of UMW Group's Chief Digital Officer (CDO) throughout 2015 until 2018. In mid-2018, she left UMW and joined HP Inc as its Managing Director for Malaysia, overseeing HP's business and manufacturing operations. She resigned in November 2020.

Her credential as an Independent Board Member started in 2019 when she was appointed as an Independent Non-Executive Director for Cradle Fund Sdn Bhd, which she holds until today. In the same year, she was also elected as a Governor and Independent Director of American Chambers of Commerce (AMCHAM). As a Governor, she provided strategic guidance in the bilateral trade relationship between Malaysia and United States of America. Puan Fa'izah did not seek for re-election and retired as Governor and Independent Director of AMCHAM in August 2020. In January 2022, she was appointed as an Independent Non-Executive Director of DKSH Holdings (Malaysia) Berhad and Scicom (MSC) Berhad, both companies listed on the Main Market of Bursa Securities.

Puan Fa'izah was appointed to the Board of HLB on 1 September 2022.

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 2022.

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

Group Managing Director/ Chief Executive Officer

Australian | 55 | Male

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

Mr Fuda was appointed as the Group Managing Director and Chief Executive Officer of 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 ("HLISB"), Hong Leong Bank (Cambodia) PLC ("HLBCAM") as well as serve as a Council Member of Hong Leong Bank Vietnam Limited ("HLBVN"), all of which are wholly-owned subsidiaries of HLB. Mr Fuda is also a Council Member and General Purpose Committee Member of the AICB, Council Member of The Association of Banks in Malaysia (ABM) and 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

Chief Financial Officer

Malaysian | 56 | Male

Mr Malkit Singh Maan is a Chartered Accountant with the Malaysian Institute of Accountants and a fellow member of 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 31 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.

ANDREW JONG ANN KEE

**Managing Director,
Personal Financial Services**

Malaysian | 47 | Male

Mr Andrew Jong Ann Kee holds a LL.B. (Honours) from the University of Nottingham, United Kingdom and an MBA (Distinction) from Imperial College, London. He was a Chevening scholar at both graduate and post-graduate levels. He also holds the CFP CERT TM certification.

His most recent roles saw him leading the Mortgage and Retail Wealth businesses in the Personal Financial Services ("PFS") division of HLB. He also led strategy and planning initiatives for PFS. He assumed his current position on 2 April 2022.

Mr Andrew Jong has over 20 years of diverse professional experience across financial services, consultancy, manufacturing, e-commerce and conglomerate management, having built a successful track record in the areas of strategic planning, banking merger and integration, franchise regionalisation, business growth, capability building and consumer banking.

Mr Andrew Jong joined Hong Leong Group in 2005 and has since held numerous senior positions in different management and operating entities in the group.

YOW KUAN TUCK

**Managing Director,
Business and Corporate Banking**

Malaysian | 51 | 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 25 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

Managing Director, Regional Wealth Management

Malaysian | 48 | 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 assumed his current position on 2 April 2022.

Mr Hor brings with him over 27 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.

KELLY ONG HFEI BOON

Managing Director, Global Markets

Malaysian | 48 | Female

Ms Kelly Ong Hfei Boon completed the INSEAD Leadership Program in 2021 and IMD Transitioning Business Leaders (TBL) Program in 2015. She is also a Committee Member of Financial Market Association Malaysia in 2019/2020.

Ms Kelly Ong joined HLB on 18 January 2013 as Regional Head of Institutional Sales, Global Markets. She assumed her current position on 2 April 2022.

Ms Kelly Ong has over 20 years of experience in the financial services sector with deep expertise in Rates, Credit, Derivatives Trading and Sales, Structured Products, Market Risk and Asset Management.

Prior to HLB, Ms Kelly Ong was the Director, Head of Trading for Emerging Markets in The Royal Bank of Scotland (M) Bhd. She also had leadership roles at CIMB Investment Bank Berhad with her last role as Senior Vice President, Cross Market Trading in Group Treasury. She is an experienced trader and institutional sales head.

Key Senior Management of the Group

JASANI BIN ABDULLAH

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

Malaysian | 62 | 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 22 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.

AARON HO WAI CHOONG

Managing Director, China Operations

Malaysian | 67 | 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 Director and 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 36 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.

Key Senior Management of the Group

NG WEE LEE

Managing Director & Chief Executive, HLB Singapore Branch

Singaporean | 54 | 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 more than 30 years of experience in Corporate and Commercial Banking, holding senior positions in relationship management, risk & control, product & business development and marketing.

TERRENCE TEOH YIH MIN

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

Malaysian | 43 | Male

Mr Terrence Teoh Yih Min holds a Bachelor of Business, major in Banking, Finance and International Trade 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 Head of SME Banking of HLB Malaysia since 2012. HLB has been named Best SME Bank in Malaysia.

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 of Business Banking in UOB.

DUONG DUC HUNG

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

Vietnamese | 46 | 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 and was appointed as General Director of HLBVN on 14 February 2018.

Prior to HLBVN, Mr Duong had 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 was 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.

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 2022.

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 2022, nine (9) BAC meetings were held and the attendance of the BAC members was as follows:

Members	Attendance
Ms Chok Kwee Bee	9/9
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	9/9
Ms Lau Souk Huan	9/9

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 2022 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 2022 amounted to RM3,750,371, of which RM250,000 was payable in respect of non-audit services. Non-audit services accounted for 9% 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 2022 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 2022 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 2022 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.

WHISTLEBLOWING

The Group has in place the Whistleblowing policy and procedures to provide an avenue for all employees and directors of the Group, as well as any (legal or natural) person including those providing services to, or having a business relationship with the Group, to raise genuine concerns about any improper conduct or wrongful act (“Improper Conduct”) that is committed involving the Group and/or the Group’s employees and business partners through the Group’s whistleblowing channels on a confidential basis.

The BAC reviews the Group’s Whistleblowing Policy on an annual basis and as required, to ensure the policy is adequate and relevant to the Group, with compliance to applicable laws and regulation in relation to Whistleblowing. The BAC reviews and performs oversight on the effective implementation of the policies and procedures on Whistleblowing for the Group.

Upon receipt of any whistleblower report over Improper Conduct involving the Group, the Chairman of BAC shall decide whether the report should proceed to investigation and where applicable, forwarded the report to the appropriate person(s) in the Group to carry out the necessary actions. The BAC deliberated the outcome of whistleblowing reports and matters in the exclusive Whistleblowing agenda at the BAC meetings in a confidential manner, to:

i. discuss and review the investigation reports;

ii. deliberate on the findings and recommendation from the report; and

iii. decide on further steps to be taken in accordance with the Group’s Whistleblowing policy and procedures.

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 2022, 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 in regards to reviews of IT infrastructure, operations and information security management. The cost incurred for the Internal Audit function of the Bank in respect of the financial year ended 30 June 2022 was RM14.2 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 (collectively known as "the Bank").

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 (ESG) 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 Bank'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.

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 Bank which reinforces ethical, prudent and professional conduct and behaviour; and

    (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; and

    (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.

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.

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

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

    (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 policies.

Board Risk Management Committee (BRMC) Report

AUTHORITY

The BRMC is authorised by the Board to review any activities of the Bank 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 2022, eight (8) BRMC meetings and one (1) special BRMC meeting was held and the attendance of the BRMC members is recorded as follows:

Members	Attendance
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	9/9
Ms. Chok Kwee Bee	9/9
Ms. Lau Souk Huan	9/9

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, operational risk and environment, social and governance (ESG) 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 Bank's compliance activities to ensure that the Bank is in compliance to all established policies and external regulations.

With regards to the Covid-19 pandemic, the BRMC reviewed reports on the status of the Bank's loan repayment assistance, and staging criteria towards making financial allowances, and was updated on Management's continuous effort in helping the customers resume to their normal repayment plan.

The BRMC 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's business and operations. The BRMC deliberated on the progress of the Bank's adoption of BNM's Climate Change & Principle-based Taxonomy (CCPT) and the progress of enhancements to ESG assessment frameworks. In managing climate-related risk, in June 2022, the BRMC endorsed the embedding of a risk appetite statement on climate change resiliency, as we set towards the Bank's development of relevant risk metrics to manage climate-related risks.

Corporate Governance Overview, Risk Management & Internal Control Statement

"

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

"

Finance Committee on Corporate Governance

The Board of Directors ("Board") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which supports the three key principles of the Malaysian Code on Corporate Governance ("MCCG") 2021 namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Report 2022 of the Bank in relation to this statement is published on the Bank's website, www.hlb.com.my ("the Bank's Website").

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

SECTION 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.

SECTION A. ROLES AND RESPONSIBILITIES OF THE BOARD (CONTINUED)

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 Statement 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 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.

SECTION B. BOARD COMPOSITION

The Board currently comprises nine (9) Directors. The nine (9) Directors are made up of eight (8) Non-Executive Directors, of whom six (6) 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 nine (9) Directors, of whom four (4) 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 2022, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Bank.

SECTION 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

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

SECTION C. BOARD COMMITTEES (CONTINUED)

(C) NC (CONTINUED)

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

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.

Corporate Governance Overview, Risk Management & Internal Control Statement

SECTION C. BOARD COMMITTEES (CONTINUED)

(C) NC (CONTINUED)

(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 and GMD/CEO 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.

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.

SECTION C. BOARD COMMITTEES (CONTINUED)

(C) NC (CONTINUED)

(iv) Annual F&P Assessment (Continued)

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 2022 ("FY2022"), four (4) NC meetings were held and the attendance of the NC members were as follows:

Member	Attendance
Ms Chok Kwee Bee	4/4
Mr Tan Kong Khoon	4/4
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	4/4

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

- Carried out the Annual Board Assessment and was satisfied that the Board as a whole, Board Committees and individual Directors have continued to effectively discharge their duties and responsibilities in accordance with their respective TORs, and that the current Board composition in terms of Board balance, size and mix of skills is appropriate and effective for the discharge of its functions. The NC took cognisance of the merits of Board diversity including women participation on the Board, in adding value to the 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 Directors and CEO in accordance with the F&P Policy, BNM CG Policy and MMLR and recommended to the Board for consideration and approval;
- Reviewed the appointment of Directors in accordance with the F&P Policy, BNM CG Policy and MMLR and recommended to the Board for consideration and approval;
- Considered the re-election of Directors who are due for retirement at the Annual General Meeting pursuant to the Constitution of the Bank;
- Reviewed the succession planning for Directors;
- Reviewed the composition of Board Committees in accordance with the MCCG and recommended revisions to the Board Committees to the Board for consideration and approval; and
- Assessed potential candidates to fill vacancy(ies) in the Board and Board Committees and recommended to the Board for consideration and approval.

(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 Datuk Dr Md Hamzah bin Md Kassim
- Ms Cheong Soo Ching
  (Appointed as RC member with effect from 30 June 2022)

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

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

Member	Attendance
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	3/3
YBhg Tan Sri Quek Leng Chan[(1)]	3/3
YBhg Datuk Dr Md Hamzah bin Md Kassim	3/3
Ms Cheong Soo Ching [(2)]	-

(1) *Resigned as RC member with effect from 30 June 2022*
(2) *Appointed as RC member with effect from 30 June 2022*

SECTION C. BOARD COMMITTEES (CONTINUED)

(D) REMUNERATION COMMITTEE ("RC") (CONTINUED)

There was no RC meeting held for the FY2022 subsequent to the appointment of Ms Cheong Soo Ching as RC member.

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

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

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

The detailed remuneration of each Director during the FY2022 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.

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 (BIP)

C. Practices

Remuneration practices:
- Details how the remuneration principles will be achieved in practice
- Includes remuneration structures, design, implementation and workflow/procedures

SECTION C. BOARD COMMITTEES (CONTINUED)

(D) REMUNERATION COMMITTEE ("RC") (CONTINUED)

Guiding Principles

Principle 1 - Oversight by Remuneration Committee & Board of Directors

The RC's responsibilities are to recommend to the Board, 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 CG 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. The Bank has the discretion to impose an employment bond on employees who have received salary adjustments outside of the BIP cycle.

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, which now includes a prompt under the 'Here For The Long Term' value for employees to share their efforts in sustainability.

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.

SECTION C. BOARD COMMITTEES (CONTINUED)

(D) REMUNERATION COMMITTEE ("RC") (CONTINUED)

Remuneration Practices (continued)

Pay Mix Delivery and its Purpose (continued)

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 are 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.

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 Senior Management team (including GMD/CEO) and Material Risk Takers for the FY2022:

i) GMD/CEO

Name	Category	Cash (RM)	Shares (RM)	Total (RM)
Domenic Fuda	**Fixed remuneration**	2,641,200	-	**2,641,200**
	Variable remuneration			
	1. Non-deferred	7,942,500	-	**7,942,500**
	2. Deferred	2,028,766	2,028,734*	**4,057,500**

SECTION C. BOARD COMMITTEES (CONTINUED)

(D) REMUNERATION COMMITTEE ("RC") (CONTINUED)

Remuneration Practices (continued)

Remuneration Disclosure (continued)

The following depicts the total value of remuneration awarded to the Senior Management team (including GMD/CEO) and Material Risk Takers for the FY2022: (continued)

ii) Senior Management

	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2022 (RM)	Total amount of outstanding deferred remuneration paid out/ share vested in FYE2022 (RM)
Fixed Remuneration					
Cash-based	22	22,253,226		-	-
Shares and share-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Variable Remuneration					
Cash-based	22	13,037,523	1,506,093	2,064,337	1,301,581
Shares and share-linked instruments	21	-	1,538,866*	2,162,106*	4,718,140*
Other	-	-	-	-	-

Senior Management refers to management staff who have primary and significant responsibility for the management and performance of significant business activities of the Bank and any person who assumes primary or significant responsibility for key control functions of the Bank.

iii) Other Material Risk Takers

	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2022 (RM)	Total amount of outstanding deferred remuneration paid out/ share vested in FYE2022 (RM)
Fixed Remuneration					
Cash-based	10	6,442,797		-	-
Shares and share-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Variable Remuneration					
Cash-based	10	3,554,941	377,651	520,988	277,101
Shares and share-linked instruments	6	-	330,149*	454,609*	250,930*
Other	-	-	-	-	-

Other material risk takers refers to an officer who is not a member of Senior Management Officers of the Bank and who can materially commit or control significant amounts of the Bank's resources or whose actions are likely to have a significant impact on the Bank's risk profile.

*Note: * The value of share is based on the valuation used for MFRS2 Accounting.*

SECTION C. BOARD COMMITTEES (CONTINUED)

(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 Lau Souk Huan (Chairman)
  (Appointed as BITC Chairman with effect from 18 March 2022)
- YBhg Datuk Dr Md Hamzah bin Md Kassim
- Ms Cheong Soo Ching
  (Appointed as BITC member with effect from 30 June 2022)

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

During the FY2022, five (5) BITC meetings were held and the attendance of the BITC members were as follows:

Member	Attendance
Ms Lau Souk Huan	5/5
YBhg Datuk Dr Md Hamzah bin Md Kassim	5/5
Ms Chong Chye Neo[(1)]	4/4
Ms Cheong Soo Ching[(2)]	-

[(1)] *Retired as BITC Chairman on 21 February 2022*
[(2)] *Appointed as BITC member with effect from 30 June 2022*

There was no BITC meeting held for the FY2022 subsequent to the appointment of Ms Cheong Soo Ching as BITC member.

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

- 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 digital disruption, IT innovation and 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 and progress update of the information security roadmap;
- Reviewed the progress update of key IT Projects;
- Reviewed the progress of the electronic-Know Your Customer for Current Account and Savings Account opening project;
- Reviewed the production incidents and trends;
- 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;

SECTION C. BOARD COMMITTEES (CONTINUED)

(E) BITC (CONTINUED)

The BITC carried out the following activities in discharge of its duties in accordance with its TOR during the FY2022: (continued)

- Reviewed the critical patch development activities for critical IT infrastructure;
- Reviewed the Disaster Recovery on Maximum Tolerable Downtime (MTD) and Recovery Time Objectives (RTO);
- Reviewed the impact of 5G technologies towards the Bank's network;
- Reviewed the Cyber Risk Awareness Program;
- Reviewed the status of the compromise assessment initiative and results on Compromise Assessment on Bank's IT Infrastructure; and
- Reviewed the Risk Appetite Statement of Technology Risk for the financial year 2021/2022.

SECTION 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 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.

SECTION 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 since 2015. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the 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.

SECTION E. COMMITMENT (CONTINUED)

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 nine (9) times for the FY2022 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Director	Attendance
YBhg Tan Sri Quek Leng Chan	9/9
Mr Tan Kong Khoon	9/9
Mr Kwek Leng Hai	9/9
Ms Chok Kwee Bee	9/9
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	9/9
YBhg Datuk Dr Md Hamzah bin Md Kassim	9/9
Ms Lau Souk Huan	9/9
Ms Cheong Soo Ching[(1)]	1/1
Ms Chong Chye Neo[(2)]	6/6
Puan Fa'izah binti Mohamed Amin[(3)]	-

(1) *Appointed as Director with effect from 18 May 2022*
(2) *Retired as Director on 21 February 2022*
(3) *Appointed as Director with effect from 1 September 2022*

Puan Fa'izah binti Mohamed Amin was appointed to the Board after the close of the FY2022 and as such, did not attend any of the Board meetings held during the FY2022.

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

- BNM – Virtual engagement session with Chief Executive Officer/Chairmen of Financial Institutions & Associations in conjunction with the release of BNM Annual Report 2021, Economic & Monetary Review 2021 and Financial Stability Review
- BNM World Bank Group Report Launch – Exploring Nature related Financial Risks in Malaysia
- Bursa Malaysia – FIDE Forum - Dialogue on Sustainability
- FIDE Forum - Annual Dialogue with the Governor of Bank Negara Malaysia
- FIDE Forum - Dialogue on Climate Risk Management and Scenario Analysis

SECTION E. COMMITMENT (CONTINUED)

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

- FIDE Forum - Dialogue on Risk Management in Technology (RMiT): Insights 1 year on
- FIDE Forum - Meta Finance: The Next Frontier of the Global Economy
- FIDE Forum - MyFintech Week Masterclasses
  - Getting it Right: Securing Results from Digital Transformation
  - Web 3.0 and the Future of Finance
  - Deep Dive into DeFi
- FIDE Forum - The 2050 Net Zero Carbon Emissions Target Finance's Role
- FIDE Forum - The Board's Role and Responsibilities in Crisis Communication
- Focus Group Discussion for BNM-FIDE Forum Dialogue
- HLAH Group - KPMG – Sustainable Insurance
- HLB & HLISB - Re engineering Islamic Social Finance (ISF): An Option or a Must?
- HLCB Group - AML/CFT & TFS – Evolving Challenges & Expectations in Regulatory Compliance
- HLCB Group - ESG Briefing by Synergio Global Sdn Bhd
- HLFG - Cyber Risk Awareness Training
- HLFG Group - Anti-Corruption Empowerment Talk Series by Malaysian Anti-Corruption Commission
- HLFG Group – Citigroup - Briefing on "Rise of Fintech and Future of Banking"
- HLMT - Overview of Valuation for Insurance and Takaful
- ICLIF - Market Risk Management: Banking Sector
- ICLIF - SC's Audit Oversight Board Conversation with Audit Committees Intentional Integrity: How Smart Companies Can Lead an Ethical Revolution
- ICLIF - Climate Change: Impact on Banks & Role of the Boards
- International Shariah Research Academy for Islamic Finance (ISRA) - Islamic Finance for Board of Directors Programme
- Joint Committee on Climate Change (JC3) - Importance of Data and Disclosure Confirmation: The Power of ESG Data
- Joint Committee on Climate Change (JC3) – Measuring Portfolio Alignment to Climate Change Scenarios and Climate Transition Stress Testing
- Joint Committee on Climate Change (JC3) & The Association of Southeast Asia Nations Low Carbon Energy Programme (ASEAN LCEP) – Governance & Reporting Workshop 1: The Power of ESG Data
- KPMG - ESG Reporting Development, updates on TCFD, International Sustainability Standards Board (ISSB) and International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards
- KPMG - Updates on Malaysian Code of Corporate Governance (MCCG) 2021 Briefing Session
- MIA - Leading the Digital Transformation for the accounting profession
- MICPA - Executive Masterclass on Developing Malaysia's Roadmap to Net Zero
- SC-FIDE FORUM - Dialogue on Capital Market Masterplan 3
- Securities Commission – Audit Oversight Board Conversation with Audit Committees
- The Financial Institutions Directors' Education (FIDE) Core Programme
- Update on Singapore Exchange Regulation's requirements on:
  (i) Additional timelines for the Questions and Answers from shareholders prior to the General Meetings and virtual information session for certain corporate actions
  (ii) Climate-related disclosures based on recommendations of the TFCD by listed companies

SECTION 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 HLB Group'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)*.

The Bank's values, together with the seven 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.

SECTION F. STRENGTHENING CORPORATE GOVERNANCE CULTURE (CONTINUED)

OUR APPROACH TO CORPORATE GOVERNANCE (CONTINUED)

Code of Conduct & Ethic (continued)

Principles

There are seven key pillars to the HLBG CoCE:

Principle 1
Competence

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.

Our employees must possess and maintain the skills and knowledge needed to perform their roles in accordance with the standards required by the HLB Group to meet its legal, compliance and regulatory obligations.

Principle 2
Compliance

The HLB Group operates in a highly regulated environment and our employees are responsible to ensure that they fully understand and comply with all applicable laws, regulations and regulatory requirements.

Principle 3
Integrity

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. The HLB Group relies on our employees to practice sound decision-making with integrity and take actions that will preserve our HLB Group's values.

Principle 4
Fairness

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 5
Confidentiality

The HLB Group is committed to providing a safe, reliable and secured banking environment and experience for our customers.

Principle 6
Objectivity

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.

Employees are to exercise good judgment at all times and avoid any actions that would create an actual, perceived, or potential conflict of interest.

Principle 7
Work Environment

The HLB Group is committed to provide a safe and non-violent working environment and will remove any unacceptable behaviours from the workplace. The HLB Group will not tolerate any form of discrimination, harassment (including sexual harassment) or intimidation.

In addition, 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.

SECTION 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.

Type of Risk	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 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 seven pillars of the HLBG CoCE, consists of Competence, Compliance, 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.

SECTION 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

SECTION G. ACCOUNTABILITY AND AUDIT (CONTINUED)

II. RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

reasonable but not absolute assurance against material misstatements, losses and fraud.

The BRMC is delegated with the responsibility to provide oversight of 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 also reviews 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 re-appointment 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.

SECTION 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.

SECTION 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.

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

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, media 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.

SECTION I. SHAREHOLDERS (CONTINUED)

II. AGM (CONTINUED)

In consideration of the COVID-19 situation and the interest of the health and safety of all stakeholders, the last AGM of the Bank held on 27 October 2021 was conducted virtually 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 27 October 2021 were put to a vote by way of a poll and the voting results were announced at the meetings and through Bursa.

SECTION 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 Board Audit Committee ("BAC") and Board Risk Management Committee ("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 Bank'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 Bank, 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 Bank is updated periodically 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.

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The organisational structure of the Bank clearly defines the lines of accountability and responsibility. On-going risk assessment and evaluation are an integral part of the Bank'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 Bank'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, and the understanding of procedures and controls, thus improving the overall control environment.

Operationally, the Bank establishes 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*

SECTION 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 Bank's overall business strategy. It involves a process of identifying, assessing and managing risks and uncertainties that could inhibit the Bank'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 Bank's risk management framework incorporates the components depicted in the diagram below:

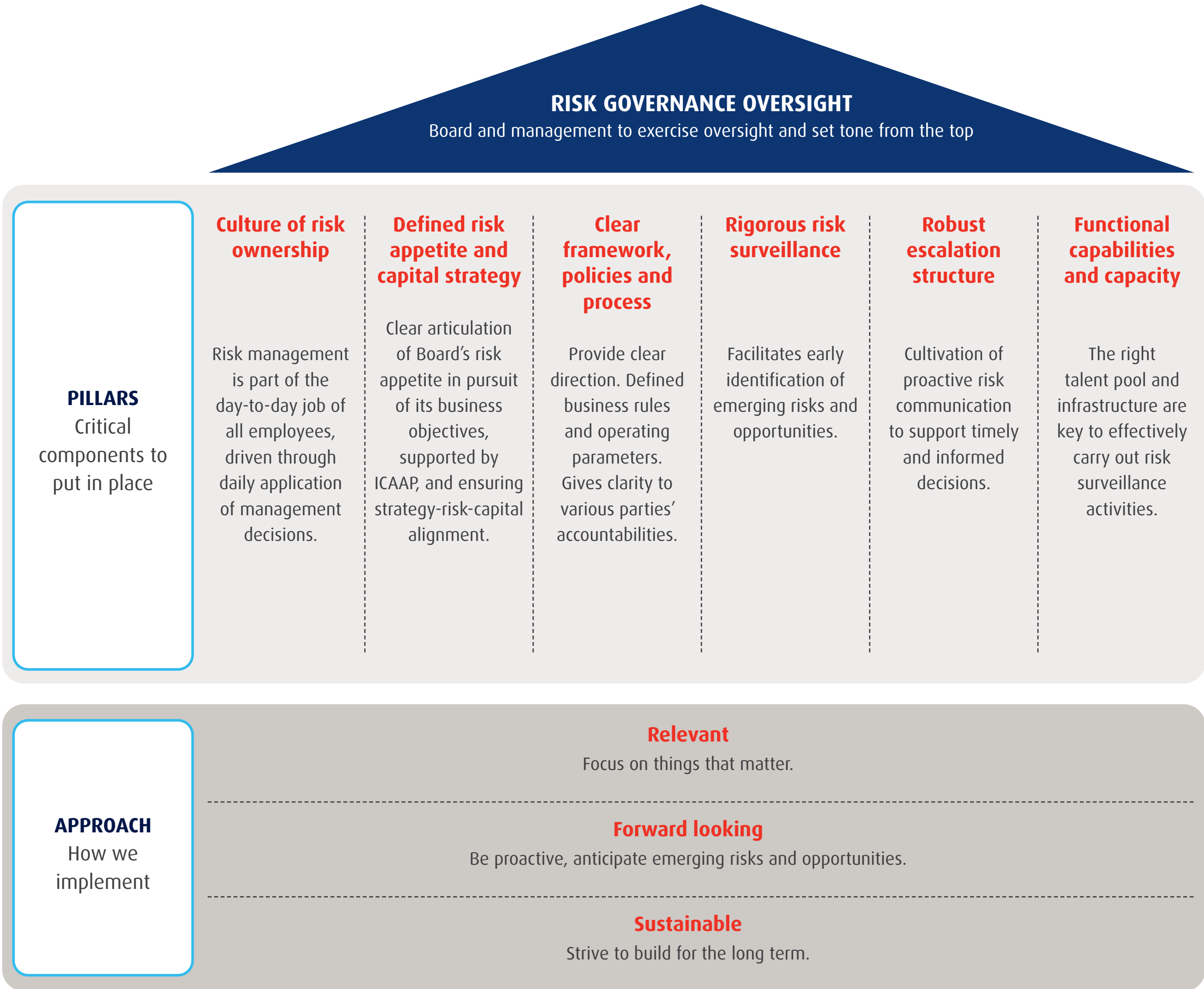

Figure 1: Risk Management Framework

SECTION 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:

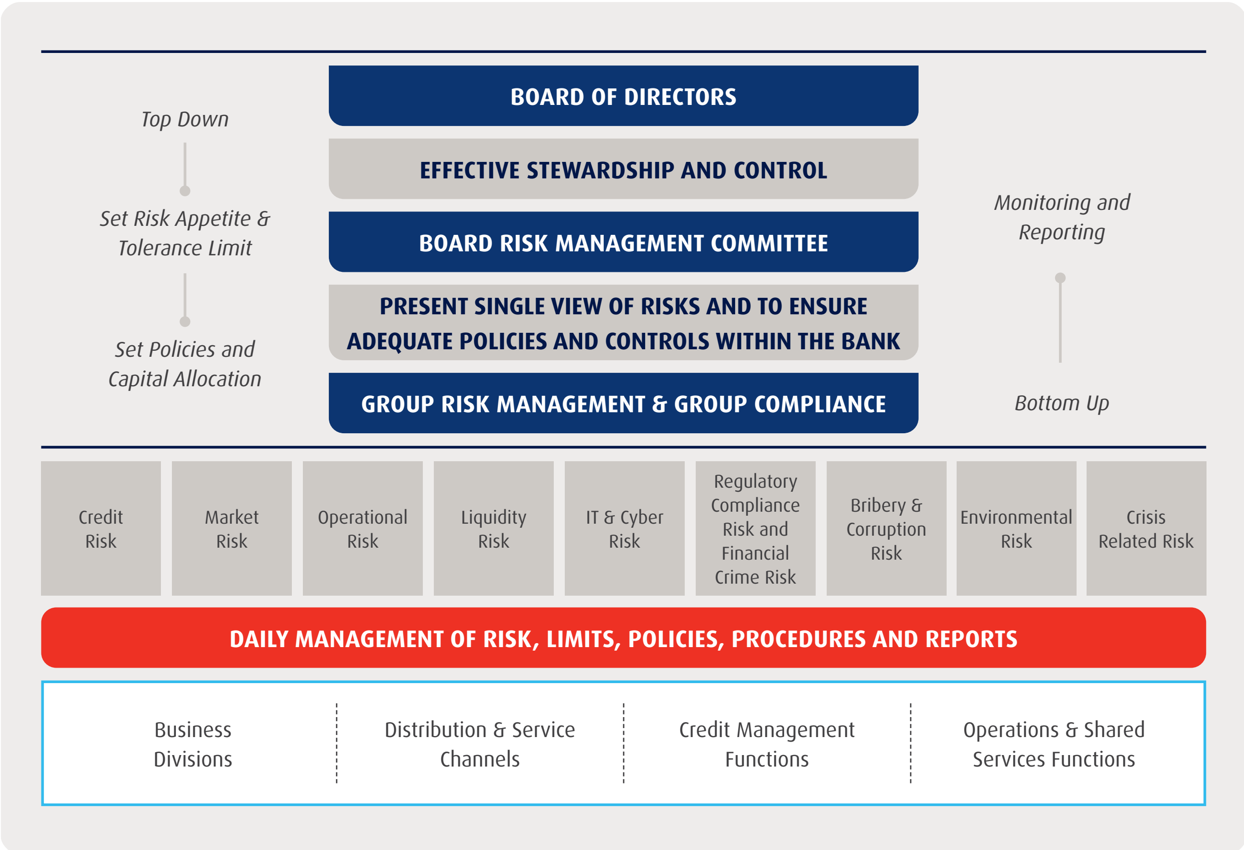

Figure 2: Risk Management Structure

The Board has the overall responsibility to ensure there is proper oversight of the management of risks in the Bank. The Board sets the risk appetite and tolerance level, and allocates the Bank's capital that is consistent with the Bank's overall business objectives and desired risk profile. GRM monitors and reports the Bank's Credit, Market, Liquidity, Operational and IT Risks. GC identifies, assesses, monitors and reports compliance matters 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.

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management (continued)

HONG LEONG BANK'S KEY RISKS

Type of Risk	Mitigating Actions Taken / Strategy
CREDIT RISK Credit Risk arises as a result of customers or counterparties not being able to or willing to fulfill their financial and contractual obligations as and when they fall due.	• The Bank 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 Bank'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 Bank 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 Bank 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 Bank 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 Institution's 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.

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management (continued)

HONG LEONG BANK'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 Bank'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 Bank 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 Bank 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 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 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.

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management (continued)

HONG LEONG BANK'S KEY RISKS

Type of Risk	Mitigating Actions Taken / Strategy
LIQUIDITY RISK Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets, inability to liquidate assets in a timely manner and/or inability to meet financial obligations as they fall due.	• The Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank'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 Bank'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").

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management (continued)

HONG LEONG BANK'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 Bank 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 Bank 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 Bank undertakes monitoring of developments of laws and regulations and assesses its impact to internal policies, processes and procedures. In addition, the Bank implemented digital automated transactions monitoring on onboarding solutions by leveraging on technological solutions to strengthen our capabilities in detection, monitoring and reporting of potential suspicious activities. • The Bank 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 is 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 Bank's behalf.	• The Bank ensures that the Management team conducts bribery and corruption risk assessment of the overall Bank'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 Bank's policies and procedures, and provides training to internal and external stakeholders in combating corruption and bribery risks. • The Anti-Bribery and Corruption ("ABC") policy is 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 Bank 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 Bank has a Whistleblowing Policy and accompanying procedures in place, where whistleblowing reports can be addressed directly to the Chairman of the BAC.

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(a) Risk Management (continued)

HONG LEONG BANK'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 organization's activities. In our particular case, given our role in the economy, in addition to our own activities, we are cognizant 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 Bank 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 Bank manages environmental footprint through reduction of waste (such as paper and water) and efficient usage of energy. • The Bank 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. • Management oversight on sustainability matters is effected through the Management level Sustainability Committee ("SC"), whilst Board oversight is effected through the BRMC.
CRISIS RELATED RISK Crisis related risk is the risk of loss arising from increased volatility and uncertainty, resulting in impact to the Bank's customers, financial markets and interruption on the Bank's operations. Such loss could arise from disruptive events such as a global pandemic, catastrophic climate change effects, geopolitical tensions and uncertainties surrounding the global economic outlook.	• The Bank has put in place a strategic plan to ensure that its operations and services are maintained fully functional in the event of a crisis. Emerging from the Covid-19 pandemic, the Bank remains cognizant of the need to continuously build and maintain resilience, through close and active monitoring of potentially high impact events in the short term and longer term horizon. • The Bank continuously simulates and tests preparedness to navigate through crisis conditions, while challenging and refining its Business Continuity Management (BCM) plans and processes based on various scenarios. Consequently, the Bank continuously enhances its BCM plans and processes to strengthen its resilience to endure future crises. • In managing credit risk exposures, the Bank regularly conducts stress tests which incorporate consideration for permutations arising from the pandemic. This is done to assess potential vulnerabilities and provide a forward looking view on areas of potential vulnerabilities given the current operating environment.

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

(b) Basel II and III

The Bank places great importance on Basel II and III and views Basel II and III as a bank-wide initiative that will ensure that the Bank continues to meet international best practices for the Bank's credit, market, operational and liquidity risk management practices. By adopting Basel II and III, the Bank is able and will continue to enhance and embed sound risk management practices within the Bank and be equipped with the right risk management discipline, practices, processes and systems.

For Basel II Pillar 1, the Bank is in compliance with the regulatory standards and is progressively employing advance risk measurement in the respective businesses. For Basel II Pillar 2, the Bank's Board Policy on Internal Capital Adequacy Assessment Process ("ICAAP") forms an integrated approach to manage the Bank's risk, capital and business strategy. For Basel II Pillar 3, which is related to market discipline and disclosure requirements, the Bank has provided the disclosures under a separate Pillar 3 section in this Annual Report.

For Basel III, the Bank 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 Bank. 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 Bank 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.

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 Bank.

SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

IV. ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONTINUED)

Based on the assurance it has received from Management, the Board is of the view that the Bank'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 Bank.

SECTION 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 FY2022, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that the relevant approved accounting standards have been followed in the preparation of these financial statements.

This Statement on Corporate Governance Overview, Risk Management and Internal Control is made in accordance with the resolution of the Board.

Directors' Report

for the financial year ended 30 June 2022

The Directors 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 2022.

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, recovery trajectory of the Malaysian economy was punctuated by the resurgence of new virus variants outbreak. The resultant movement restrictions have somewhat delayed the recovery but growth momentum has since picked up pace, expanding at a faster than expected rate of 5.0% in the first calendar quarter of 2022. Achieving community immunity through high vaccination rates has allowed the phased reopening of economic sectors which has eventually led to most of ASEAN migrating to the endemic phase and international border reopening since April 2022. This is expected to spearhead domestic consumption and tourism activities, allowing domestic economies to regain further growth traction going forward. Improving labour market, continuing policy support through government subsidies and business assistance (especially to small and medium-sized enterprises ("SMEs")) and Employees Provident Fund ("EPF") withdrawals in Malaysia, are all expected to help cushion the impact of rising costs of living on consumption and growth.

Upholding our brand promise of "Built Around You", the Bank continuously innovates to deliver products and services that meet customers' changing needs and requirements. We continuously strive to build a high performing culture in order to sustain and maintain resilient performance in a very dynamic business environment. With the recovery of the economy, we remained steadfast in supporting existing and new clients in their financial needs so that business and personal goals can be achieved. We maintain a strong commitment to uphold a disciplined cost structure, allowing us to invest in new growth opportunities and continue delivering sustainable returns to our shareholders whilst making meaningful contributions to the communities in which we operate. Sustainable products & services and banking practices are essential in shaping environmental and social outcomes that benefit the community at large, as such the Bank remains steadfast in promoting and integrating environmental, social and governance ("ESG") factors into our business practices.

OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR

As we slowly emerged from the pandemic, Russia's invasion of Ukraine infused another round of uncertainties to the global growth outlook. The consequent sanctions and disruption in global supply chain further exacerbated supply tightness and unsettled production and logistic flows around the world, pushing up commodity prices especially food and energy. Heightened inflationary pressure has prompted many global central banks to normalise interest rates at a quicker than expected pace to tackle runaway inflation, jeopardizing the growth trajectory. Amid lingering fear over stagflationary risk, recession concerns have surfaced.

Given the openness of the Malaysian economy, the domestic economy remains susceptible to global developments and external shocks, especially those of its major trading partners. While exports are expected to see a bumpier path this year amid prospects of slower global growth, continuous recovery in domestic demand led by private consumption, and to a lesser extent, private investment, will continue to underpin expansion in the Malaysian economy.

In line with that, we will continue to stay focused in executing our strategic priorities, emphasising on products and services offerings that live up to our brand promise of "Built Around You", which places clients at the centre of everything we do. In the journey to be a highly digital and innovative ASEAN financial services institution, we strive to excel in the digital and innovation space and continue to provide our employees with the best opportunities to unleash their full potential. Our multiple ESG efforts will continue to grow and evolve in a way that they are deeply integrated into our core business functions 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	26 August 2022	Long-Term Rating: AAA Short-Term Rating: P1 Subordinated Notes: AA1 Additional Tier 1 Capital Securities: A1
Moody's Investors Services Ltd	10 February 2022	Long-Term Rating: A3 Short-Term Rating: P2

FINANCIAL RESULTS

	The Group RM'000	The Bank RM'000
Profit before taxation	4,366,800	3,196,268
Taxation	(1,077,517)	(984,341)
Net profit for the financial year	3,289,283	2,211,927

Directors' Report

for the financial year ended 30 June 2022

DIVIDENDS

Since the last financial year ended 30 June 2021, a final single tier dividend of 35.22 sen per share amounting to RM721,238,199 in respect of the financial year ended 30 June 2021, was paid on 18 November 2021.

An interim single tier dividend for the financial year ended 30 June 2022 of 18.00 sen per share amounting to RM368,703,355 was paid on 25 March 2022.

The Directors have declared a final single tier dividend of 37.0 sen per share in respect of the financial year ended 30 June 2022. The financial statements for the current financial year do not reflect this dividend and will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2023.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 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 of the Bank 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 Lau Souk Huan	(Independent Non-Executive Director)
Ms Cheong Soo Ching (Appointed with effect from 18 May 2022)	(Independent Non-Executive Director)
Puan Fa'izah binti Mohamed Amin (Appointed with effect from 1 September 2022)	(Independent Non-Executive Director)
Ms Chong Chye Neo (Retired on 21 February 2022)	(Independent Non-Executive Director)

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

Mr Domenico Fuda
Encik Alan Hamzah Sendut
Puan Rowina Ghazali Seth
Mr Tang Hong Cheong (Appointed with effect from 6 August 2021)
Mr Malkiat Singh @ Malkit Singh Maan A/L Delbara Singh
Ms Han Chin May (Appointed with effect from 23 June 2022)
Mr Quek Kon Sean
Mr Matthew Nicholas Rendall
Mr Tan Khee Meng
Mr Lawrence Peh Yeow Beng
Mr John Hing Vong
Mr Duong Duc Hung
Ms Stella Lo Sze Man
Mr Chan Lap Yuen
Mr Teow Leong Wah (Resigned with effect from 23 June 2022)

Directors' Report

for the financial year ended 30 June 2022

DIRECTORS' REMUNERATION

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

	The Group RM'000	The Bank RM'000
Directors of the Bank		
Director fees	1,381	1,198
Directors' other emoluments	147	128
Directors of the Bank's Subsidiaries		
Director fees	710	-
Directors' other emoluments	2,857	-

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

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 holding company was RM84,550 (2021: RM71,250) and the apportioned amount of the said premium paid by the Group and the Bank was RM70,405 (2021: RM65,198) and RM58,435 (2021: RM55,071) respectively.

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****/ ordinary shares to be received arising from vesting of share grant*****			
	As at 01.07.2021	Acquired	Sold	As at 30.06.2022
Interests of 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)*(6)	-
		375,368*****	(125,123)*****(7)	250,245*****
		125,123(7)	-	125,123
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
	73,900(8)	-	-	73,900(8)
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' Report

for the financial year ended 30 June 2022

DIRECTORS' INTERESTS (CONTINUED)

	Directors' deemed interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes/ subordinated sukuk murabahah****/ ordinary shares to be received arising from vesting of share grant*****			
	As at 01.07.2021	Acquired	Sold	As at 30.06.2022
Interests of 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	894,714,726[(1)]	-	-	894,714,726[(1)]
Hong Leong Capital Berhad	173,805,058	-	-	173,805,058
Hong Leong Bank Berhad	1,346,027,209	-	-	1,346,027,209
	800,000,000***	-	-	800,000,000***
	1,500,000,000****	-	-	1,500,000,000****
Hong Leong MSIG Takaful Berhad	130,000,000	-	-	130,000,000
Hong Leong Assurance Berhad	140,000,000	-	-	140,000,000
Hong Leong Islamic Bank Berhad	400,000,000***	-	-	400,000,000***
	400,000,000****	-	-	400,000,000****
Hong Leong Industries Berhad	242,744,636[(1)]	-	(44,166)	242,700,470[(1)]
Hong Leong Yamaha Motor Sdn Bhd	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	19,600,000	8,400,000	-	28,000,000[(3)]
Malaysian Pacific Industries Berhad	116,246,025	50,000	(90,833)	116,205,192
Carter Resources Sdn Bhd	5,640,607	-	-	5,640,607
Carsem (M) Sdn Bhd	84,000,000	-	-	84,000,000
	22,400[(2)]	-	-	22,400[(2)]
Hume Cement Industries Berhad	350,231,658[(1)]	4,690,000[(4)]	(4,095,000)[(1)]	353,486,658[(1)]
		2,660,000[(1)(5)]	-	
	191,938,946**[(1)]	7,163,971**	(2,059,742)**	197,043,175**[(1)]
	3,800,000*[(1)]	-	(2,660,000)*[(1)(5)]	1,140,000*[(1)]
Southern Steel Berhad	417,246,046	-	-	417,246,046
Southern Pipe Industry (Malaysia) Sdn Bhd	124,964,153	-	-	124,964,153

Note:

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

(2) Redeemable Preference Shares/Cumulative Redeemable Preference Shares

(3) Became a wholly-owned subsidiary of a related corporation during the financial year

(4) Inclusive of new ordinary shares acquired arising from the conversion of redeemable convertible unsecured loan stocks

(5) Exercise of share options

(6) Options lapsed

(7) Vesting of grant shares

(8) 5-Year 5% Redeemable Convertible Unsecured Loan Stocks

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 2022 and of the financial results and cash flows of the Group and of the Bank for the financial year ended 30 June 2022.

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.

Directors' Report

for the financial year ended 30 June 2022

EXECUTIVE SHARE SCHEME

The Bank has concurrently established and implemented two (2) Executive Share Schemes, namely Executive Share Scheme 2013 and Executive Share Scheme 2022.

(a) Executive Share Scheme 2013 ("ESS 2013")

The ESS 2013 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 2013 ("ESOS 2013") and the Executive Share Grant Scheme 2013 ("ESGS 2013").

(i) ESOS 2013

The ESOS 2013 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 2013.

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

(ii) ESGS 2013

The ESGS 2013 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 2013.

The ESGS 2013 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.

EXECUTIVE SHARE SCHEME (CONTINUED)

(a) Executive Share Scheme 2013 ("ESS 2013") (continued)

At any point of time during the existence of the ESS 2013, the aggregate number of shares comprised in the options and grants under the ESS 2013 and 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 ("Schemes Aggregate Maximum Allocation").

(i) Status on ESOS 2013 as at 30 June 2022

There were 37,550,000 share options granted at an exercise price of RM14.24 under the ESOS 2013 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 2013 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 2013.

On 15 December 2017, the Bank had granted up to 22,750,000 share options at an exercise price of RM16.46.

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

As at 30 June 2022, a total of 61,082,657 share options had been granted under the ESOS 2013, out of which 837,504 share options had been exercised, with no share options remain outstanding. The aggregate share options granted to Directors and chief executives of the HLB Group under the ESOS 2013 amounted to 19,326,399, none of which were exercised and remain outstanding.

Since the commencement of the ESOS 2013, 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 2022, the actual percentage of total options granted to Directors and senior management of the HLB Group under the ESOS 2013 was 2.37% of the total number of issued shares (excluding treasury shares) of the Bank. During the financial year ended 30 June 2022, there is no option granted to the Directors and senior management of the HLB Group.

(ii) Status on ESGS 2013 as at 30 June 2022

The Bank had granted 1,292,356 ordinary shares under the ESGS 2013, amounting to 0.06% 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 2022.

As at 30 June 2022, a total of 3,058,503 ordinary shares had been granted under the ESGS 2013, amounting to 0.15% of the total number of issued shares (excluding treasury shares), out of which 2,060,786 ordinary shares had been vested, with 973,971 ordinary shares remain outstanding. The aggregate ordinary share granted to Directors and chief executives of the HLB Group under the ESGS 2013 amounted to 2,066,828, out of which 1,642,426 ordinary shares have been vested, with 424,402 ordinary shares remain outstanding.

During the financial year ended 30 June 2022, a total of 658,433 ordinary shares were vested and transferred pursuant to the Bank's ESGS 2013.

EXECUTIVE SHARE SCHEME (CONTINUED)

(a) Executive Share Scheme 2013 ("ESS 2013") (continued)

(ii) Status on ESGS 2013 as at 30 June 2022 (continued)

Since the commencement of the ESGS 2013, 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 2022, the actual percentage of total ordinary shares granted to Directors and senior management of the HLB Group under the ESGS 2013 was 0.13% of the total number of issued shares (excluding treasury shares) of the Bank. During the financial year ended 30 June 2022, the actual percentage granted to the Directors and senior management of the Group was 0.05% of the total number of issued shares (excluding treasury shares) of the Bank.

Save for the above, there were no other shares granted under the ESGS 2013.

(b) Executive Share Scheme 2022 ("ESS 2022")

In light of the expiry of the ESS 2013 on 11 March 2023, the Bank had on 10 March 2022 established the ESS 2022, which comprises a new executive share option scheme ("ESOS 2022") and a new executive share grant scheme ("ESGS 2022") for the eligible executives and/or directors of HLB and its subsidiaries ("Eligible Executives"). The ESS 2022 shall be in force until terminated by the Board of HLB.

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

(i) Status on ESOS 2022 as at 30 June 2022

There were no share options granted under the ESOS 2022 of the Bank during the financial year ended 30 June 2022.

(ii) Status on ESGS 2022 as at 30 June 2022

The Bank had granted 253,416 ordinary shares under the ESGS 2022, amounting to 0.01% of the total number of issued shares (excluding treasury shares) of the Bank, all of which remain outstanding. The aggregate ordinary shares granted to Directors and chief executives of the HLB Group under the ESGS 2022 amounted to 111,776 and there were no ordinary shares being vested, with 111,776 ordinary shares remain outstanding.

During the financial year ended 30 June 2022, the actual percentage of total ordinary shares granted to the Directors and senior management of HLB Group was 0.01% of the total number of issued shares (excluding treasury shares) of the Bank.

During the financial year ended 30 June 2022, there were no ordinary shares vested and transferred pursuant to the Bank's ESGS 2022.

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 2022 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 2022

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

Auditors' remuneration of the Group and the Bank are RM2,025,000 and RM1,778,000 respectively. 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 20 September 2022. Signed on behalf of the Board of Directors:

Tan Kong Khoon

Chok Kwee Bee

Kuala Lumpur
20 September 2022

Statements of Financial Position

for the financial year ended 30 June 2022

		The Group		The Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Assets					
Cash and short-term funds	3	**6,094,729**	3,466,178	**5,455,788**	3,042,541
Deposits and placements with banks and other financial institutions	4	**842,506**	486,779	**2,614,335**	1,426,484
Financial assets at fair value through profit or loss	5	**7,244,482**	8,246,366	**6,940,762**	8,041,221
Financial investments at fair value through other comprehensive income	6	**26,196,303**	34,450,238	**22,416,521**	30,464,881
Financial investments at amortised cost	7	**32,358,414**	23,634,907	**23,144,545**	16,558,726
Loans, advances and financing	8	**166,487,621**	154,070,707	**126,745,536**	119,085,694
Other assets	9	**2,280,742**	2,011,856	**1,781,555**	1,873,246
Derivative financial instruments	10	**1,863,300**	1,005,249	**1,776,371**	983,205
Amount due from subsidiaries	11	**-**	-	**91,110**	15,870
Statutory deposits with Central Banks	12	**520,650**	493,605	**272,138**	301,428
Subsidiary companies	13	**-**	-	**2,625,696**	2,556,570
Investment in associated companies	14	**6,455,474**	5,501,542	**971,182**	971,182
Property and equipment	15	**1,110,606**	1,197,788	**527,989**	595,225
Intangible assets	16	**304,749**	242,317	**269,645**	218,277
Right-of-use assets	17	**211,718**	214,726	**321,446**	344,387
Goodwill	18	**1,831,312**	1,831,312	**1,771,547**	1,771,547
Deferred tax assets	19	**528,771**	275,670	**403,666**	183,513
Total assets		**254,331,377**	237,129,240	**198,129,832**	188,433,997
Liabilities					
Deposits from customers	20	**197,292,459**	183,289,771	**155,007,304**	144,357,035
Investment accounts of customers	21	**2,668,408**	1,145,154	**-**	-
Deposits and placements of banks and other financial institutions	22	**6,322,250**	12,130,039	**5,175,420**	12,015,297
Obligations on securities sold under repurchase agreements		**3,971,304**	742,750	**3,971,304**	742,750
Bills and acceptances payable		**241,361**	189,642	**153,419**	150,433
Lease liabilities	23	**210,981**	209,761	**325,365**	341,591
Other liabilities	24	**5,750,350**	5,358,784	**5,392,859**	5,066,401
Derivative financial instruments	10	**1,736,838**	909,666	**1,711,745**	879,986
Recourse obligation on loans/financing sold to Cagamas Berhad ("Cagamas")	25	**1,623,937**	1,033,839	**502,798**	300,572
Tier 2 subordinated bonds	26	**1,502,206**	1,502,340	**1,502,206**	1,502,340
Multi-currency Additional Tier 1 capital securities	27	**1,715,695**	806,390	**1,715,695**	806,390
Provision for taxation		**306,612**	351,990	**272,986**	272,296
Total liabilities		**223,342,401**	207,670,126	**175,731,101**	166,435,091
Equity					
Share capital	28	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Reserves	29	**23,963,603**	22,439,081	**15,373,358**	14,978,873
Less: Treasury shares	30	**(713,690)**	(719,030)	**(713,690)**	(719,030)
Total equity		**30,988,976**	29,459,114	**22,398,731**	21,998,906
Total equity and liabilities		**254,331,377**	237,129,240	**198,129,832**	188,433,997
Commitments and contingencies	45	**208,116,971**	278,901,435	**194,469,898**	261,848,638

The accompanying notes form an integral part of the financial statements

Statements of Income

for the financial year ended 30 June 2022

		The Group		The Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income	31a	**5,505,696**	5,394,946	**5,303,193**	5,243,512
Interest income for financial assets at fair value through profit or loss	31b	**217,168**	161,783	**217,168**	161,783
Interest expense	32	**(1,967,533)**	(2,099,027)	**(1,893,157)**	(2,044,559)
Net interest income		**3,755,331**	3,457,702	**3,627,204**	3,360,736
Income from Islamic Banking business	33	**904,785**	919,402	**-**	-
		4,660,116	4,377,104	**3,627,204**	3,360,736
Non-interest income	35	**937,292**	1,089,769	**1,278,446**	1,310,022
Net income		**5,597,408**	5,466,873	**4,905,650**	4,670,758
Overhead expenses	36	**(2,098,376)**	(2,077,808)	**(1,756,729)**	(1,771,067)
Operating profit before allowances		**3,499,032**	3,389,065	**3,148,921**	2,899,691
(Allowance for)/written back of impairment losses on loans, advances and financing	37	**(163,574)**	(653,819)	**46,956**	(492,073)
Written back of/(allowance for) of impairment losses on financial investments and other assets	38	**851**	(260)	**391**	(3,465)
		3,336,309	2,734,986	**3,196,268**	2,404,153
Share of results of associated companies	14	**1,030,491**	735,953	**-**	-
Profit before taxation		**4,366,800**	3,470,939	**3,196,268**	2,404,153
Taxation	41	**(1,077,517)**	(610,297)	**(984,341)**	(535,834)
Net profit for the financial year		**3,289,283**	2,860,642	**2,211,927**	1,868,319
Attributable to:					
Owners of the parent		**3,289,283**	2,860,642	**2,211,927**	1,868,319
Earnings per share for profit attributable to owners of the parent (sen):					
- basic	42	**160.6**	139.7	**108.0**	91.3
- diluted	42	**160.5**	139.7	**107.9**	91.2

The accompanying notes form an integral part of the financial statements

Statements of Comprehensive Income

for the financial year ended 30 June 2022

	Note	The Group		The Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net profit for the financial year		**3,289,283**	2,860,642	**2,211,927**	1,868,319
Other comprehensive (loss)/income 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		**14,286**	9,228	**14,286**	9,228
(ii) Items that may be reclassified subsequently to profit or loss:					
(a) Share of other comprehensive (loss) of associated companies		**(16,743)**	(15,019)	**-**	-
(b) Currency translation differences		**227,635**	282,081	**43,324**	(4,182)
(c) Debt instruments at fair value through other comprehensive income					
- Net fair value changes	43	**(1,161,549)**	(289,882)	**(1,010,494)**	(221,513)
- Changes in expected credit losses	43	**(537)**	198	**(542)**	211
(d) Net fair value changes in cash flow hedge	43	**7,574**	3,235	**7,574**	3,233
Income tax relating to components of other comprehensive loss	43	**252,023**	68,101	**215,860**	51,887
Other comprehensive (loss)/income for the financial year, net of tax		**(677,311)**	57,942	**(729,992)**	(161,136)
Total comprehensive income for the financial year		**2,611,972**	2,918,584	**1,481,935**	1,707,183
Attributable to:					
Owners of the parent		**2,611,972**	2,918,584	**1,481,935**	1,707,183

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2022

		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 2021		7,739,063	(719,030)	423,954	1,263,751	20,751,376	29,459,114
Comprehensive income							
Net profit for the financial year		-	-	-	-	3,289,283	3,289,283
Share of other comprehensive loss of associated company		-	-	-	(16,743)	-	(16,743)
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	14,286	-	14,286
- Debt instruments	43						
- Net fair value changes		-	-	-	(907,709)	-	(907,709)
- Changes in expected credit losses		-	-	-	(537)	-	(537)
Net fair value changes in cash flow hedge	43	-	-	-	5,757	-	5,757
Currency translation differences		-	-	-	227,635	-	227,635
Total comprehensive (loss)/income		-	-	-	(677,311)	3,289,283	2,611,972
Transactions with owners							
Transfer to regulatory reserve		-	-	230,432	-	(230,432)	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2021	44	-	-	-	-	(721,238)	(721,238)
- interim dividend for the financial year ended 30 June 2022	44	-	-	-	-	(368,704)	(368,704)
ESS exercised		-	5,340	-	(12,121)	7,697	916
Option charge arising from ESS granted		-	-	-	6,916	-	6,916
Total transactions with owners		-	5,340	230,432	(5,205)	(1,312,677)	(1,082,110)
At 30 June 2022		7,739,063	(713,690)	654,386	581,235	22,727,982	30,988,976

* Treasury shares consist of two categories which are detailed in Note 30

^ Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM643,141,000 (30 June 2021:RM412,709,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June 2021: RM11,245,000)

Statements of Changes in Equity

for the financial year ended 30 June 2022

The Group	Note	Attributable to owners of the parent					
		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)

Statements of Changes in Equity

for the financial year ended 30 June 2022

		Non-distributable				Distributable	
The Bank	**Note**	**Share capital RM'000**	**Treasury shares* RM'000**	**Regulatory reserve RM'000**	**Other reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 July 2021		**7,739,063**	**(719,030)**	**387,677**	**451,641**	**14,139,555**	**21,998,906**
Comprehensive income							
Net profit for the financial year		-	-	-	-	2,211,927	2,211,927
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	14,286	-	14,286
- Debt instruments	43						
- Net fair value changes		-	-	-	(792,817)	-	(792,817)
- Changes in expected credit losses		-	-	-	(542)	-	(542)
Net fair value changes in cash flow hedge	43	-	-	-	5,757	-	5,757
Currency translation differences		-	-	-	43,324	-	43,324
Total comprehensive (loss)/income		-	-	-	(729,992)	2,211,927	1,481,935
Transactions with owners							
Transfer to regulatory reserve		-	-	148,755	-	(148,755)	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2021	44	-	-	-	-	(721,238)	(721,238)
- interim dividend for the financial year ended 30 June 2022	44	-	-	-	-	(368,704)	(368,704)
ESS exercised		-	5,340	-	(12,121)	7,697	916
Option charge arising from ESS granted		-	-	-	6,916	-	6,916
Total transactions with owners		-	5,340	148,755	(5,205)	(1,231,000)	(1,082,110)
At 30 June 2022		7,739,063	(713,690)	536,432	(283,556)	15,120,482	22,398,731

* Treasury shares consist of two categories which are detailed in Note 30

Statements of Changes in Equity

for the financial year ended 30 June 2022

The Bank	Note	Non-distributable				Distributable	
		Share capital RM'000	Treasury shares* RM'000	Regulatory reserve 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

Statements of Cash Flows

for the financial year ended 30 June 2022

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities				
Profit before taxation	**4,366,800**	3,470,939	**3,196,268**	2,404,153
Adjustments for:				
Depreciation of property and equipment	**121,499**	126,609	**103,137**	107,867
Depreciation of right-of-use assets	**50,119**	52,702	**73,875**	75,023
Amortisation of intangible assets	**53,962**	56,948	**48,107**	51,190
Net gain on disposal of property and equipment	**(1,552)**	(5,220)	**(1,455)**	(5,220)
Share of results of associated companies	**(1,030,491)**	(735,953)	**-**	-
Property and equipment written off	**722**	2,753	**629**	2,725
Intangible assets written off	**737**	924	**416**	877
Amortisation of upfront fees	**(946)**	131	**(946)**	131
Net realised loss/(gain) on financial instruments:				
- financial assets at fair value through profit or loss	**58,657**	(46,630)	**59,239**	(44,950)
- derivatives financial instruments	**(20,792)**	154,103	**(19,328)**	154,819
- financial investments at fair value through other comprehensive income	**(87,887)**	(225,559)	**(87,887)**	(225,559)
- financial investments at amortised cost	**-**	(29,385)	**-**	(29,385)
Allowance for impairment losses on loans, advances and financing	**393,506**	830,999	**151,453**	644,019
Impaired loans, advances and financing written off	**20,038**	16,201	**13,893**	12,620
Modification loss on contractual cash flows arising from financial assets	**45,416**	16,607	**27,472**	7,177
Net unrealised gain on revaluation of financial instruments:				
- financial assets at fair value through profit or loss	**(208,290)**	(2,754)	**(207,569)**	(4,337)
- derivatives financial instruments	**(100,366)**	(246,060)	**(99,238)**	(243,615)
Net realised loss on fair value changes arising from fair value hedges	**7,489**	7,215	**7,489**	7,215
Net loss arising from fair value hedges	**2,141**	967	**2,141**	967
(Written back of)/allowance for impairment losses on financial investments and other assets	**(851)**	260	**(391)**	3,465
Interest expense on:				
- Recourse obligation on loans/financing sold to Cagamas	**44,702**	36,621	**15,450**	10,441
- Tier 2 subordinated bonds	**66,600**	66,600	**66,600**	66,600
- Multi-currency Additional Tier 1 capital securities	**46,315**	39,366	**46,481**	39,531
- Lease liabilities	**9,154**	9,961	**14,785**	16,540

Statements of Cash Flows

for the financial year ended 30 June 2022

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income from:				
- financial investments at fair value through other comprehensive income	**(669,165)**	(728,770)	**(672,355)**	(729,495)
- financial investments at amortised cost	**(619,506)**	(505,951)	**(618,725)**	(505,288)
- Multi-currency Additional Tier 1 subordinated sukuk wakalah	**-**	-	**(56)**	112
- Tier 2 subordinated sukuk murabahah	**-**	-	**-**	(46)
Dividend income from:				
- subsidiary company	**-**	-	**(36,800)**	(3,500)
- associated companies	**-**	-	**(334,115)**	(239,494)
- financial assets at fair value through profit or loss	**(101,001)**	(121,127)	**(102,768)**	(121,417)
- financial investments at fair value through other comprehensive income	**(406)**	(665)	**(406)**	(665)
Share option expenses	**6,916**	13,684	**6,916**	13,684
Operating profit before working capital changes	**2,453,520**	2,255,516	**1,652,312**	1,466,185
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	**(477,104)**	1,949,188	**(1,042,650)**	1,448,503
Financial assets at fair value through profit or loss	**1,068,766**	(127,586)	**1,248,789**	55,793
Loans, advances and financing	**(12,898,199)**	(10,243,110)	**(7,874,985)**	(6,929,081)
Derivative financial instruments	**(1,084,504)**	81,371	**(1,003,736)**	55,030
Other assets	**2,018**	(154,563)	**94,046**	(91,620)
Amount due from subsidiaries	**-**	-	**(75,240)**	90,493
Statutory deposits with Central Banks	**(27,045)**	(75,485)	**29,290**	(47,247)
Increase/(Decrease) in operating liabilities				
Deposits from customers	**14,362,994**	9,909,280	**10,992,100**	6,827,219
Investment accounts of customers	**1,523,254**	788,679	**-**	-
Deposits and placements of banks and other financial institutions	**(5,807,789)**	5,628,959	**(6,839,877)**	5,364,056
Securities sold under repurchase agreements	**3,228,554**	(2,381,382)	**3,228,554**	(2,381,382)
Bills and acceptances payable	**51,719**	55,589	**2,986**	30,217
Derivative financial instruments	**827,172**	(389,610)	**831,759**	(371,873)
Other liabilities	**373,781**	12,082	**308,347**	293,103
Cash flows generated from operations	**3,597,137**	7,308,928	**1,551,695**	5,809,396
Taxation paid	**(1,095,221)**	(567,267)	**(896,290)**	(422,873)
Net cash generated from operating activities	**2,501,916**	6,741,661	**655,405**	5,386,523

Statements of Cash Flows

for the financial year ended 30 June 2022

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from investing activities				
Net proceeds from/(purchases of) financial investments at fair value through other comprehensive income	**7,863,800**	(6,494,062)	**7,812,472**	(4,984,250)
Net purchases of financial investments at amortised cost	**(8,104,000)**	(2,998,011)	**(5,967,070)**	(944,799)
Impairment loss in subsidiary	**-**	-	**-**	1,760
Purchase of property and equipment	**(115,678)**	(119,588)	**(109,898)**	(102,359)
Net proceeds from sale of property and equipment	**1,890**	9,097	**1,772**	9,097
Purchase of intangible assets	**(35,442)**	(25,456)	**(27,177)**	(24,767)
Investment in subordinated facilities	**-**	-	**(69,112)**	505
Dividends received from:				
- subsidiary company	**-**	-	**36,800**	3,500
- associated company	**-**	-	**268,591**	-
- financial assets at fair value through profit or loss	**101,001**	121,127	**102,768**	121,417
- financial investments at fair value through other comprehensive income	**406**	665	**406**	665
Net cash (used in)/generated from investing activities	**(288,023)**	(9,506,228)	**2,049,552**	(5,919,231)

Statements of Cash Flows

for the financial year ended 30 June 2022

	Note	The Group		The Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from financing activities					
Dividends paid		**(1,089,942)**	(712,086)	**(1,089,942)**	(712,086)
Cash received from ESOS exercised		**916**	4,633	**916**	4,633
Repayment of lease liabilities		**(44,321)**	(45,219)	**(65,272)**	(63,988)
Repayment of recourse obligation on loans/financing sold to Cagamas		**(64,174)**	(14,957)	**-**	-
Proceeds from debt issuance:					
- Recourse obligation on loans/financing sold to Cagamas		**650,000**	-	**200,000**	-
- Multi-currency Additional Tier I capital securities		**900,000**	-	**900,000**	-
Interest paid:					
- Recourse obligation on loans/financing sold to Cagamas		**(40,430)**	(36,830)	**(13,224)**	(10,436)
- Tier 2 subordinated bonds		**(66,734)**	(66,484)	**(66,734)**	(66,484)
- Multi-currency Additional Tier 1 capital securities		**(39,346)**	(39,427)	**(39,512)**	(39,592)
- Lease liabilities		**(9,154)**	(9,961)	**(14,785)**	(16,540)
Net cash generated from/(used in) financing activities		**196,815**	(920,331)	**(188,553)**	(904,493)
Net increase/(decrease) in cash and cash equivalents		**2,410,708**	(3,684,898)	**2,516,404**	(1,437,201)
Effects of exchange rate changes		**96,466**	(27,505)	**42,044**	(7,245)
Cash and cash equivalents at the beginning of financial year		**3,474,818**	7,187,221	**3,560,586**	5,005,032
Cash and cash equivalents at the end of financial year		**5,981,992**	3,474,818	**6,119,034**	3,560,586
Cash and cash equivalents comprise the following:					
Cash and short-term funds	3	**6,094,729**	3,466,178	**5,455,788**	3,042,541
Deposits and placements with banks and other financial institutions	4	**842,506**	486,779	**2,614,335**	1,426,484
		6,937,235	3,952,957	**8,070,123**	4,469,025
Less:					
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		**(955,243)**	(478,139)	**(1,951,089)**	(908,439)
		5,981,992	3,474,818	**6,119,034**	3,560,586

Statements of Cash Flows

for the financial year ended 30 June 2022

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	Lease liabilities RM'000	Total RM'000
2022					
Balance at the beginning of the financial year	**1,033,839**	**1,502,340**	**806,390**	**209,761**	**3,552,330**
Proceeds from issuance	**650,000**	**-**	**900,000**	**-**	**1,550,000**
Repayment and redemption	**(64,174)**	**-**	**-**	**(44,321)**	**(108,495)**
Interest paid	**(40,430)**	**(66,734)**	**(39,346)**	**(9,154)**	**(155,664)**
Accrued interest	**44,702**	**66,600**	**46,315**	**9,154**	**166,771**
Amortisation	**-**	**-**	**(946)**	**-**	**(946)**
Other non-cash	**-**	**-**	**3,282**	**45,541**	**48,823**
Balance at the end of the financial year	**1,623,937**	**1,502,206**	**1,715,695**	**210,981**	**5,052,819**
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

Statements of Cash Flows

for the financial year ended 30 June 2022

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	Lease liabilities RM'000	Total RM'000
2022					
Balance at the beginning of the financial year	**300,572**	**1,502,340**	**806,390**	**341,591**	**2,950,893**
Proceeds from issuance	**200,000**	**-**	**900,000**	**-**	**1,100,000**
Repayment and redemption	**-**	**-**	**-**	**(65,272)**	**(65,272)**
Interest paid	**(13,224)**	**(66,734)**	**(39,512)**	**(14,785)**	**(134,255)**
Accrued interest	**15,450**	**66,600**	**46,481**	**14,785**	**143,316**
Amortisation	**-**	**-**	**(946)**	**-**	**(946)**
Other non-cash	**-**	**-**	**3,282**	**49,046**	**52,328**
Balance at the end of the financial year	**502,798**	**1,502,206**	**1,715,695**	**325,365**	**4,046,064**
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

Notes to the Financial Statements

for the financial year ended 30 June 2022

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

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 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 financial assets at fair value through other comprehensive income, financial assets and 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 57.

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 2021:

* Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform - Phase 2'
* Amendments to MFRS 16 'COVID-19 - Related Rent Concessions beyond 30 June 2021'

(i) Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform - Phase 2'

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

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

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

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)

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

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

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

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

B Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank that have been issued but not yet effective

(i) Financial year beginning on/after 1 July 2022

* Annual improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities'

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

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

  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 2022 (continued)

* Amendments to MFRS 3 'Business Combinations' - Reference to the Conceptual Framework

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

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

  The amendments shall be applied prospectively.

* Amendments to MFRS 116 'Proceeds before Intended Use'

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

  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 137 'Onerous Contracts - Cost of Fulfilling a Contract'

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

  The amendments shall be applied retrospectively.

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 2022 (continued)

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

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

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

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

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

The amendments shall be applied retrospectively.

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

<u>Amendments on disclosure of accounting policies (Amendments to MFRS 101 and MFRS Practice Statement 2)</u>

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

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

<u>Amendments on definition of accounting estimates (Amendments to MFRS 108)</u>

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

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 2022 (continued)

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

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

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

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

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. Banking institutions are also expected to consider whether the financial difficulties faced by the borrowers/customers are unlikely to be temporary; 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.

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

C Changes in regulatory requirements (continued)

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

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

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.

Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH package")

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

a) All individuals (including all B40, M40 and T20 borrowers/customers);

b) All microenterprises; and

c) All small and medium enterprises ("SMEs") that have been affected by the COVID-19 pandemic.

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

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

C Changes in regulatory requirements (continued)

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

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

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

a) Customers/Borrowers are from the B50 income segment;

b) Customers/Borrowers who have experienced either:

   (i) Loss of employment; or
   (ii) Reduction of income of at least 50%; and

c) Loan/Financing of the customer/borrower is still performing (no in arrears exceeding 90 days) as at the date of application.

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

a) Interest/profit waiver for a period of 3 months; or

b) A 3-month interest/profit waiver together with reduced instalments for a period of up to 24 months.

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

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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(v) Associated companies (continued)

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

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

(vi) Loss of joint control or significant influence

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

(vii) Investments in subsidiaries 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.

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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Business model assessment

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.

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

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial assets (continued)

(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.

(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 are recognised in statements of income and presented net within net unrealised gain or loss on revaluation in the period which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial assets (continued)

(iii) Measurement (continued)

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E Financial liabilities (continued)

(ii) Financial liabilities at amortised cost

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H Leases (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H Leases (continued)

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

The Group and the 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J Current and deferred income taxes (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K Derivative financial instruments and hedging (continued)

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group 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.

The Group and the Bank have applied the following Phase 1 reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform' until the uncertainty arising from IBOR reform no longer being present:

* When considering the 'highly probable' requirement, the Group and the Bank have assumed that the IBOR interest rate on which the Group's and the Bank's hedged borrowings is based does not change as a result of IBOR reform.

* In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the Group and the Bank have assumed that the IBOR interest rate on which the cash flows of the hedged borrowings and the interest rate swap that hedges it are based is not altered by IBOR reform.

* The Group and the Bank have not recycled the cash flow hedge reserve for designated hedges that are subject to the IBOR reform.

The Group and the Bank have applied the following reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform - Phase 2':

* Hedge designation: When the Phase 1 amendments cease to apply, the Group and the Bank will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of the following changes:

  a) designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;

  b) amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or

  c) amending the description of the hedging instrument.

The Group and the Bank amends its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group and the Bank to discontinue its hedge relationships.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K Derivative financial instruments and hedging (continued)

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 10 to the financial statements. Movements on the hedging reserve in shareholders' equity are shown in Note 29.

(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.

The Group and the Bank apply fair value hedge accounting for hedging fixed interest risk on loans, advances and financing and financial assets at FVOCI. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate loans, advances and financing is recognised in statements of income within other operating income. The gain or loss relating to the ineffective portion is recognised in statements of income within net gain or loss on fair value hedges.

For fair value hedge of financial assets designated as FVOCI, any changes in fair value of the hedged financial assets FVOCI are recycled from FVOCI reserves to statements of income, while the changes in fair value of the derivatives that is related to the effective portion of the hedge is recognised in statements of income within other operating income. The ineffective portion of the aforesaid hedging derivatives is recognised in statements of income with net gain or loss on fair value changes of derivatives.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

<u>Significant increase in credit risk</u>

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.

<u>Definition of default and credit-impaired financial assets</u>

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.

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.

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)

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 variables (“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

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: These 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of financial assets (continued)

Modification of loans/financing

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.

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.

Restricted Investment Account-i ("RIA") refers to a type of investment account where the IAH, provides a specific investment mandate to the Bank such as purpose and/or period for investment. The RIA is based on shariah principle of Wakalah bi Al-Istithmar, an agency contract where the investor authorises the Bank's subsidiary, HLISB, as investment agent (Wakil) to manage the customers' investment on their behalf. Profit generated from the investment will be distributed to the IAH during the Profit Distribution Period.

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and balances with banks and other financial institutions	**1,782,374**	2,646,875	**1,425,591**	2,116,179
Money at call and deposit placements maturing within one month	**4,312,695**	819,546	**4,031,249**	926,943
	6,095,069	3,466,421	**5,456,840**	3,043,122
Less: Expected credit losses	**(340)**	(243)	**(1,052)**	(581)
	6,094,729	3,466,178	**5,455,788**	3,042,541

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Licensed banks	**586,095**	420,045	**2,618,370**	1,430,454
Central banks	**256,420**	66,781	**-**	-
	842,515	486,826	**2,618,370**	1,430,454
Less: Expected credit losses	**(9)**	(47)	**(4,035)**	(3,970)
	842,506	486,779	**2,614,335**	1,426,484

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

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Money market instruments				
Bank Negara Malaysia bills	**49,806**	-	**49,806**	-
Government treasury bills	**2,083,409**	392,473	**1,786,542**	392,473
Malaysian Government securities	**321,783**	622,393	**321,783**	622,393
Malaysian Government investment certificates	**158,570**	1,425,947	**158,570**	1,425,947
Cagamas bonds	**65,587**	218,267	**65,587**	-
Other Government securities	**-**	32,756	**-**	32,756
	2,679,155	2,691,836	**2,382,288**	2,473,569
Quoted securities				
Shares in Malaysia	**56,693**	74,010	**-**	-
Shares outside Malaysia	**-**	41,318	**-**	41,318
Wholesale fund/unit trust	**2,780,869**	4,947,955	**2,859,382**	5,035,087
Portfolio Investment Accounts (Note)	**9,097**	-	**-**	-
Foreign currency bonds in Malaysia	**11,938**	-	**11,938**	-
Foreign currency bonds outside Malaysia	**31,120**	29,755	**31,120**	29,755
Convertible bonds outside Malaysia	**1,108,752**	-	**1,190,942**	-
	6,677,624	7,784,874	**6,475,670**	7,579,729
Unquoted securities				
Government sukuk	**101,766**	81,315	**-**	81,315
Corporate bonds and sukuk	**84,472**	6,308	**84,472**	6,308
Shares in Malaysia	**355,620**	348,869	**355,620**	348,869
Redeemable preference shares	**25,000**	25,000	**25,000**	25,000
	7,244,482	8,246,366	**6,940,762**	8,041,221

Note:
Included in financial assets at FVTPL are the underlying assets for the Portfolio Investment Accounts ("PIA"). PIA is the restricted investment account offered to investors based on the Shariah principle of Wakalah bi Al-Istithmar, an agency contract where the investor authorises Hong Leong Islamic Bank to manage the customers' investment on their behalf.

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

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At fair value				
(a) Debt instruments	**26,112,917**	34,381,144	**22,333,135**	30,395,787
(b) Equity instruments	**83,386**	69,094	**83,386**	69,094
	26,196,303	34,450,238	**22,416,521**	30,464,881
(a) Debt instruments				
Money market instruments				
Government treasury bills	**-**	917,859	**-**	917,859
Malaysian Government securities	**3,670,109**	4,199,850	**3,670,109**	4,199,850
Malaysian Government investment certificates	**8,954,723**	12,242,066	**5,571,427**	8,448,049
Negotiable instruments of deposit	**1,796,800**	800,392	**1,796,800**	1,100,378
Other Government securities	**-**	87,514	**-**	77,943
Cagamas bonds	**821,260**	1,511,844	**795,929**	1,408,914
Khazanah bonds	**348,079**	469,874	**348,079**	469,874
	15,590,971	20,229,399	**12,182,344**	16,622,867
Quoted securities				
Government sukuk	**831,321**	903,959	**831,321**	903,959
Foreign currency bonds in Malaysia	**1,216,476**	2,248,808	**1,216,476**	2,248,808
Foreign currency bonds outside Malaysia	**842,415**	1,505,360	**842,415**	1,505,360
	18,481,183	24,887,526	**15,072,556**	21,280,994
Unquoted securities				
Government sukuk	**417,257**	495,244	**417,257**	495,244
Corporate bonds and sukuk	**6,783,878**	8,484,648	**6,420,235**	8,105,823
Foreign currency bonds in Malaysia	**175,112**	270,932	**175,112**	270,932
Foreign currency bonds outside Malaysia	**255,487**	242,794	**247,975**	242,794
	26,112,917	34,381,144	**22,333,135**	30,395,787

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 RM1,292,472,000 (2021: RM242,393,000).

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

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
2022				
At 1 July	**2,266**	**-**	**4,287**	**6,553**
New financial assets originated or purchased	**244**	**-**	**-**	**244**
Financial assets derecognised	**(791)**	**-**	**-**	**(791)**
Changes due to change in credit risk	**(66)**	**-**	**-**	**(66)**
Exchange differences	**76**	**-**	**-**	**76**
At 30 June	**1,729**	**-**	**4,287**	**6,016**

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

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
2022				
At 1 July	**2,266**	**-**	**4,287**	**6,553**
New financial assets originated or purchased	**237**	**-**	**-**	**237**
Financial assets derecognised	**(791)**	**-**	**-**	**(791)**
Changes due to change in credit risk	**(66)**	**-**	**-**	**(66)**
Exchange differences	**78**	**-**	**-**	**78**
At 30 June	**1,724**	**-**	**4,287**	**6,011**

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 Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(b) Equity instruments				
Unquoted securities:				
Shares in Malaysia	**83,386**	69,094	**83,386**	69,094

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
2022		
Securities:		
RAM Holdings Berhad	**7,764**	**406**
Payments Network Malaysia Sdn Bhd	**74,544**	**-**
Others	**1,078**	**-**
	83,386	**406**

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

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7 FINANCIAL INVESTMENTS AT AMORTISED COST

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Money market instruments				
Government treasury bills	**57,612**	-	**57,612**	-
Malaysian Government securities	**4,787,205**	3,804,892	**4,787,205**	3,804,892
Malaysian Government investment certificates	**22,720,790**	14,107,056	**14,950,431**	8,501,418
Cagamas bonds	**416,700**	-	**265,439**	-
Khazanah bonds	**13,889**	19,234	**13,889**	-
Other Government securities	**419,246**	505,500	**357,270**	445,280
	28,415,442	18,436,682	**20,431,846**	12,751,590
Quoted securities				
Foreign currency bonds in Malaysia	**-**	816,599	**-**	816,599
Foreign currency bonds outside Malaysia	**62,174**	65,232	**62,174**	65,232
	28,477,616	19,318,513	**20,494,020**	13,633,421
Unquoted securities				
Government sukuk	**2,583,133**	2,580,570	**1,617,188**	1,615,646
Corporate bonds and sukuk	**1,297,733**	1,735,892	**1,033,337**	1,309,682
	32,358,482	23,634,975	**23,144,545**	16,558,749
Less: Expected credit losses	**(68)**	(68)	**-**	(23)
	32,358,414	23,634,907	**23,144,545**	16,558,726

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 RM2,692,688,000 (2021: RM499,969,000).

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
2022				
At 1 July	**68**	**-**	**-**	**68**
New financial assets originated or purchased	**67**	**-**	**-**	**67**
Financial assets derecognised	**(68)**	**-**	**-**	**(68)**
Exchange differences	**1**	**-**	**-**	**1**
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
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

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
2022				
At 1 July	**23**	**-**	**-**	**23**
Financial assets derecognised	**(24)**	**-**	**-**	**(24)**
Exchange differences	**1**	**-**	**-**	**1**
At 30 June	**-**	**-**	**-**	**-**

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

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
2022				
At 1 July	**23,634,975**	**-**	**-**	**23,634,975**
New financial assets originated or purchased	**499,987**	**-**	**-**	**499,987**
Financial assets derecognised	**(2,740,244)**	**-**	**-**	**(2,740,244)**
Changes due to change in credit risk	**10,902,558**	**-**	**-**	**10,902,558**
Exchange differences	**61,206**	**-**	**-**	**61,206**
At 30 June	**32,358,482**	**-**	**-**	**32,358,482**

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

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
2022				
At 1 July	**16,558,749**	**-**	**-**	**16,558,749**
New financial assets originated or purchased	**499,987**	**-**	**-**	**499,987**
Financial assets derecognised	**(1,751,968)**	**-**	**-**	**(1,751,968)**
Changes due to change in credit risk	**7,779,510**	**-**	**-**	**7,779,510**
Exchange differences	**58,267**	**-**	**-**	**58,267**
At 30 June	**23,144,545**	**-**	**-**	**23,144,545**

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

8 LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Overdrafts	**3,546,936**	3,371,190	**2,418,512**	2,408,522
Term loans/financing:				
- Housing and shop loans/financing	**91,169,501**	86,120,721	**70,818,806**	67,658,382
- Hire purchase receivables	**18,035,880**	17,107,240	**13,757,762**	13,339,011
- Ijarah receivables	**247,445**	160,651	**-**	-
- Other term loans/financing and syndicated term loans	**31,953,779**	28,034,032	**21,668,500**	19,052,856
Credit/charge card receivables	**2,923,883**	2,830,912	**2,923,883**	2,830,912
Bills receivable	**1,539,682**	1,112,257	**1,226,517**	830,128
Trust receipts	**417,252**	533,845	**219,633**	372,231
Claims on customers under acceptance credits	**8,817,344**	8,064,076	**7,484,462**	7,079,264
Revolving credit	**9,455,248**	8,347,977	**7,423,951**	6,706,335
Staff loans/financing	**127,075**	139,308	**111,524**	123,941
Gross loans, advances and financing	**168,234,025**	155,822,209	**128,053,550**	120,401,582
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	**(9,962)**	17,665	**(6,919)**	15,408
Allowance for impairment losses:				
- Expected credit losses	**(1,736,442)**	(1,769,167)	**(1,301,095)**	(1,331,296)
Total net loans, advances and financing	**166,487,621**	154,070,707	**126,745,536**	119,085,694

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group and the Bank amounting to RM1,572,077,000 (2021: RM1,019,858,000) and RM481,662,000 (2021: RM299,455,000) respectively.

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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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Maturing within:				
- one year	**30,652,059**	27,650,137	**25,192,137**	23,437,782
- one year to three years	**6,799,754**	5,351,697	**4,984,708**	3,986,006
- three years to five years	**11,278,670**	12,361,350	**8,521,519**	8,974,388
- over five years	**119,503,542**	110,459,025	**89,355,186**	84,003,406
Gross loans, advances and financing	**168,234,025**	155,822,209	**128,053,550**	120,401,582

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

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Domestic non-bank financial institutions other than stockbroking companies	**1,916,763**	1,718,527	**1,589,487**	1,387,673
Domestic business enterprises:				
- small and medium enterprises	**30,114,790**	26,019,272	**22,093,010**	19,961,037
- others	**25,126,789**	22,742,317	**18,824,683**	16,893,803
Government and statutory bodies	**1,387**	1,664	**-**	-
Individuals	**107,602,406**	101,784,773	**82,391,900**	78,894,079
Other domestic entities	**103,122**	625,649	**9,529**	536,853
Foreign entities	**3,368,768**	2,930,007	**3,144,941**	2,728,137
Gross loans, advances and financing	**168,234,025**	155,822,209	**128,053,550**	120,401,582

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate:				
- Housing and shop loans/financing	**1,387,937**	1,499,248	**841,055**	948,708
- Hire purchase receivables	**17,965,989**	16,982,798	**13,709,506**	13,246,281
- Credit card	**2,923,883**	2,830,912	**2,923,883**	2,830,912
- Other fixed rate loans/financing	**6,589,216**	5,808,274	**4,954,285**	4,055,333
Variable rate:				
- Base rate/base lending rate plus	**116,345,805**	107,668,954	**89,645,540**	83,743,532
- Cost plus	**22,881,491**	20,942,876	**15,973,965**	15,576,278
- Other variable rates	**139,704**	89,147	**5,316**	538
Gross loans, advances and financing	**168,234,025**	155,822,209	**128,053,550**	120,401,582

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

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Purchase of securities	**976,120**	950,759	**723,762**	664,300
Purchase of transport vehicles	**17,653,587**	16,768,936	**13,359,480**	12,985,995
Residential property (housing)	**82,434,133**	77,191,454	**63,214,707**	59,824,189
Non-residential property	**20,519,124**	18,524,366	**15,916,196**	15,327,981
Purchase of fixed assets (excluding landed properties)	**1,613,109**	1,431,572	**1,152,867**	1,030,050
Personal use	**3,706,863**	3,441,092	**2,487,061**	2,145,270
Credit card	**2,923,883**	2,830,912	**2,923,883**	2,830,912
Construction	**3,531,187**	2,823,397	**2,545,847**	2,017,874
Working capital	**33,770,002**	30,258,594	**25,022,038**	22,719,389
Other purpose	**1,106,017**	1,601,127	**707,709**	855,622
Gross loans, advances and financing	**168,234,025**	155,822,209	**128,053,550**	120,401,582

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
In Malaysia	**156,478,949**	146,587,325	**120,407,820**	114,214,096
Outside Malaysia:				
- Singapore	**7,624,640**	6,186,948	**7,624,640**	6,186,948
- Hong Kong	**21,090**	538	**21,090**	538
- Vietnam	**1,652,819**	1,186,775	**-**	-
- Cambodia	**2,456,527**	1,860,623	**-**	-
Gross loans, advances and financing	**168,234,025**	155,822,209	**128,053,550**	120,401,582

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

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Purchase of securities	**232**	304	**220**	221
Purchase of transport vehicles	**35,282**	71,671	**24,091**	53,227
Residential property (housing)	**314,945**	266,907	**237,431**	198,710
Non-residential property	**151,278**	124,748	**132,400**	111,008
Purchase of fixed assets (excluding landed properties)	**485**	600	**485**	600
Personal use	**44,522**	44,705	**22,823**	25,023
Credit card	**21,419**	21,096	**21,419**	21,096
Construction	**9,271**	7,976	**7,292**	5,633
Working capital	**207,698**	147,669	**172,273**	136,011
Other purpose	**34,618**	31,731	**29,212**	30,988
Gross impaired loans, advances and financing	**819,750**	717,407	**647,646**	582,517

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

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
In Malaysia	**805,638**	706,692	**646,805**	576,651
Outside Malaysia:				
- Singapore	**841**	5,866	**841**	5,866
- Vietnam	**1,585**	1,580	**-**	-
- Cambodia	**11,686**	3,269	**-**	-
Gross impaired loans, advances and financing	**819,750**	717,407	**647,646**	582,517

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
2022				
At 1 July	**1,074,984**	**459,674**	**234,509**	**1,769,167**
Changes in ECL due to transfer within stages	**(57,015)**	**(237,985)**	**295,000**	**-**
Transfer to Stage 1	**33,219**	**(33,172)**	**(47)**	**-**
Transfer to Stage 2	**(87,703)**	**147,995**	**(60,292)**	**-**
Transfer to Stage 3	**(2,531)**	**(352,808)**	**355,339**	**-**
New financial assets originated	**39,269**	**230**	**299**	**39,798**
Financial assets derecognised	**(16,026)**	**(26,665)**	**(15,760)**	**(58,451)**
Changes due to change in credit risk	**(60,303)**	**235,583**	**250,653**	**425,933**
Changes in models/risk parameters	**(4,986)**	**(7,335)**	**(384)**	**(12,705)**
Amount written off	**-**	**-**	**(425,838)**	**(425,838)**
Exchange difference	**996**	**374**	**903**	**2,273**
Other movements	**-**	**-**	**(3,735)**	**(3,735)**
At 30 June	**976,919**	**423,876**	**335,647**	**1,736,442**

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

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
2022				
At 1 July	**818,437**	**326,761**	**186,098**	**1,331,296**
Changes in ECL due to transfer within stages	**(39,809)**	**(80,113)**	**119,922**	**-**
Transfer to Stage 1	**24,038**	**(24,007)**	**(31)**	**-**
Transfer to Stage 2	**(62,553)**	**103,838**	**(41,285)**	**-**
Transfer to Stage 3	**(1,294)**	**(159,944)**	**161,238**	**-**
New financial assets originated	**24,649**	**198**	**3**	**24,850**
Financial assets derecognised	**(6,553)**	**(16,235)**	**(9,573)**	**(32,361)**
Changes due to change in credit risk	**(47,827)**	**71,620**	**145,195**	**168,988**
Changes in models/risk parameters	**(3,638)**	**(6,080)**	**(349)**	**(10,067)**
Amount written off	**-**	**-**	**(178,336)**	**(178,336)**
Exchange difference	**476**	**52**	**12**	**540**
Other movements	**-**	**-**	**(3,815)**	**(3,815)**
At 30 June	**745,735**	**296,203**	**259,157**	**1,301,095**

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

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
2022				
At 1 July	**145,379,302**	**9,725,500**	**717,407**	**155,822,209**
Total transfer within stages	**(8,080,053)**	**7,410,161**	**669,892**	**-**
Transfer to Stage 1	**10,337,231**	**(10,335,663)**	**(1,568)**	**-**
Transfer to Stage 2	**(18,384,549)**	**19,010,878**	**(626,329)**	**-**
Transfer to Stage 3	**(32,735)**	**(1,265,054)**	**1,297,789**	**-**
New financial assets originated	**17,350,775**	**2,626,969**	**327**	**19,978,071**
Financial assets derecognised	**(4,663,945)**	**(341,432)**	**(55,254)**	**(5,060,631)**
Changes due to change in credit risk	**352,394**	**(2,942,768)**	**(88,136)**	**(2,678,510)**
Modifications to contractual cash flows and unwinding of modification impact	**56,999**	**(132)**	**-**	**56,867**
Amount written off	**-**	**-**	**(426,047)**	**(426,047)**
Exchange difference	**534,890**	**5,615**	**1,561**	**542,066**
At 30 June	**150,930,362**	**16,483,913**	**819,750**	**168,234,025**

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

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
2022				
At 1 July	**112,428,479**	**7,390,586**	**582,517**	**120,401,582**
Total transfer within stages	**(5,594,426)**	**5,225,493**	**368,933**	**-**
Transfer to Stage 1	**7,658,177**	**(7,663,340)**	**5,163**	**-**
Transfer to Stage 2	**(13,231,394)**	**13,688,811**	**(457,417)**	**-**
Transfer to Stage 3	**(21,209)**	**(799,978)**	**821,187**	**-**
New financial assets originated	**12,527,693**	**18,105**	**253**	**12,546,051**
Financial assets derecognised	**(3,277,503)**	**(251,801)**	**(45,738)**	**(3,575,042)**
Changes due to change in credit risk	**(1,214,824)**	**(280,997)**	**(79,917)**	**(1,575,738)**
Modifications to contractual cash flows and unwinding of modification impact	**29,080**	**105**	**-**	**29,185**
Amount written off	**-**	**-**	**(178,545)**	**(178,545)**
Exchange difference	**405,065**	**849**	**143**	**406,057**
At 30 June	**115,303,564**	**12,102,340**	**647,646**	**128,053,550**

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

9 OTHER ASSETS

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Foreclosed properties	**46**	5,508	**46**	5,782
Sundry debtors and other prepayments	**163,872**	448,985	**155,655**	396,172
Settlement accounts	**708,194**	407,540	**707,138**	406,900
Treasury related receivables	**578,958**	785,626	**106,758**	734,046
Cash collateral pledged for derivative transactions	**678,909**	299,309	**678,909**	299,309
Other receivables	**150,763**	64,888	**133,049**	31,037
	2,280,742	2,011,856	**1,781,555**	1,873,246

10 DERIVATIVE FINANCIAL INSTRUMENTS

		The Group		The Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		**698,835**	369,560	**698,833**	369,146
- cross currency swaps		**211,722**	147,400	**210,478**	147,145
- foreign currency forwards		**731,174**	383,503	**648,433**	361,293
- foreign currency options		**52,967**	8,993	**52,967**	8,993
- futures		**9,909**	2,143	**9,909**	2,143
- future options		**-**	743	**-**	743
- equity options		**104,802**	76,912	**104,802**	76,912
- swaption		**-**	-	**225**	835
- commodity swap		**4,348**	2,974	**4,348**	2,974
- total return swap		**39,156**	12,095	**39,156**	12,095
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	**-**	596	**-**	596
Derivatives designated as fair value hedge:					
- interest rate swaps	(b)	**10,387**	330	**7,220**	330
Total derivative financial instruments assets		**1,863,300**	1,005,249	**1,776,371**	983,205

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

		The Group		The Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		**(1,034,387)**	(589,181)	**(1,016,254)**	(581,780)
- cross currency swaps		**(224,152)**	(53,644)	**(224,154)**	(53,653)
- foreign currency forwards		**(240,765)**	(137,750)	**(233,802)**	(117,274)
- foreign currency options		**(50,603)**	(7,995)	**(50,603)**	(7,995)
- futures		**(31,678)**	(1,405)	**(31,678)**	(1,405)
- future options		**-**	(248)	**-**	(248)
- equity options		**(103,510)**	(76,915)	**(103,510)**	(76,913)
- swaption		**(7,767)**	(10,270)	**(7,768)**	(10,270)
- commodity swap		**(4,346)**	(2,958)	**(4,346)**	(2,958)
- total return swap		**(39,156)**	(12,095)	**(39,156)**	(12,095)
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	**(361)**	(6,805)	**(361)**	(6,805)
Derivatives designated as fair value hedge:					
- interest rate swaps	(b)	**(113)**	(10,400)	**(113)**	(8,590)
Total derivative financial instruments liabilities		**(1,736,838)**	(909,666)	**(1,711,745)**	(879,986)

(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 RM274,000 (2021: RM6,031,000) 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
2022					
Cash inflows (hedging instruments)	**-**	**569**	**-**	**-**	**-**
Cash outflows (hedged items)	**-**	**(491)**	**-**	**-**	**-**
Net cash inflows	**-**	**78**	**-**	**-**	**-**
2021					
Cash inflows (hedging instruments)	-	2,692	2,709	5,445	20,357
Cash outflows (hedged items)	-	(2,604)	(2,450)	(4,942)	(20,645)
Net cash inflows	-	88	259	503	(288)

(b) Fair value hedge

The Group 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 RM563,095,000 (2021: RM729,167,000) at Group and Bank respectively on certain receivables using interest rate swaps. The total fair value gain of the said interest rate swaps related to these hedges amounted to RM7,107,000 (2021: fair value loss of RM8,260,000) at Group and Bank, respectively.

On 29 April 2022, the Bank issued a nominal value of RM900.0 million Basel III-compliant Additional Tier 1 Green capital securities ("Green Capital Securities"), pursuant to its Multi-currency Additional Tier 1 capital securities programme. The Bank has hedged the interest rate risk arising from these Green Capital Securities.

Included in the net non-interest income is the net gains and losses arising from fair value hedges that were effective during the financial year as follows:

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Gain on hedging instruments	**23,061**	2,744	**23,061**	2,744
Loss on the hedged items attributable to the hedged risks	**(25,202)**	(3,711)	**(25,202)**	(3,711)
	(2,141)	(967)	**(2,141)**	(967)

Notes to the Financial Statements

for the financial year ended 30 June 2022

11 AMOUNT DUE FROM SUBSIDIARIES

	The Bank	
	2022 RM'000	2021 RM'000
Intercompany settlement	**91,110**	15,870

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	
	2022 RM'000	2021 RM'000
Investment in subsidiary companies		
Unquoted shares, at cost:		
- in Malaysia	**961,322**	961,364
- outside Malaysia	**775,989**	775,989
	1,737,311	1,737,353
Subordinated facilities issued by subsidiary companies, at amortised cost:		
Multi-currency Additional Tier 1 subordinated sukuk wakalah financing facility issued by HLISB	**401,799**	401,743
Tier 2 subordinated sukuk murabahah financing facility issued by HLISB	**400,788**	400,788
Subordinated financing facility issued by Hong Leong Bank (Cambodia) PLC	**85,798**	16,686
	888,385	819,217
	2,625,696	2,556,570

13 SUBSIDIARY COMPANIES (CONTINUED)

The subsidiary companies of the Bank are as follows:

Name	Percentage (%) of equity held		Principal activities
	2022	2021	
(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	Liquidated
(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*	**100**	100	Dormant
(iii) Promizul 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	Liquidated
(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**	100	Unit trust funds

* Not audited by PricewaterhouseCoopers PLT
\+ Audited by member firm of PricewaterhouseCoopers International Limited
Ω Deemed subsidiaries pursuant to MFRS 10 'Consolidated Financial Statements'

All the subsidiary companies are incorporated in Malaysia with the exception of 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.

14 INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 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	**4,508,513**	3,748,926	**-**	-
Equity conversion option	**82,751**	-	**-**	-
Cumulative share of changes in other comprehensive income	**(2,096)**	14,647	**-**	-
Exchange fluctuation reserve	**903,318**	774,981	**-**	-
	6,455,474	5,501,542	**971,182**	971,182

(a) Information about associated companies

Name	Country of incorporation	The Group Percentage (%) of equity held 2022	2021	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 RM7.09 billion (2021: RM5.29 billion) at RM10.91 (2021: RM8.13) per share as at 30 June 2022.

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 2022, the market value of investment in BOCD was above the carrying amount. Nonetheless, the Group has performed impairment assessment on the carrying amount of the investment in BOCD as the share price of BOCD has been volatile during the year. Based on the assessment, no impairment is required as at 30 June 2022 as the recoverable amount as determined by a value-in-use calculation was higher than the carrying value. Management believes that any reasonable possible change to the key assumptions applied would not cause the carrying value to exceed its recoverable amount.

(ii) 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.

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	
	2022 RM'000	**2021 RM'000**
Total assets	**587,601,391**	472,900,647
Total liabilities	**(552,359,573)**	(442,862,536)
Net assets	**35,241,818**	30,038,111

	The Group	
	2022 RM'000	**2021 RM'000**
Interest income	**20,952,823**	16,344,249
Interest expenses	**(10,666,498)**	(8,212,463)
Non-interest income	**2,410,797**	2,060,225
Profit before taxation	**6,675,167**	4,698,078
Profit after taxation	**5,629,205**	4,005,497
Total comprehensive income	**5,536,137**	3,922,011
Dividends paid/declared by the associated company during the financial year	**1,493,002**	961,734
Share of results of associated companies (%)	**18%**	18%
Share of results of associated companies (RM'000)	**1,012,694**	720,589
Dividends received/accrued from the associated company (RM'000)	**268,591**	173,016

(ii) JCCFC

	The Group	
	2022 RM'000	**2021 RM'000**
Total assets	**6,810,330**	6,602,575
Total liabilities	**(5,848,075)**	(5,788,528)
Net assets	**962,255**	814,047

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	
	2022 RM'000	2021 RM'000
Interest income	**948,882**	761,541
Interest expenses	**(305,565)**	(235,865)
Non-interest income	**17,703**	21,322
Profit before taxation	**196,993**	169,291
Profit after taxation	**148,308**	128,033
Dividends declared by the associated company during the financial year	**19,275**	14,583
Share of results of associated companies (%)	**12%**	12%
Share of results of associated companies (RM'000)	**17,797**	15,364
Dividends accrued from the associated company (RM'000)	**2,313**	1,750

(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	
	2022 RM'000	2021 RM'000
Opening net assets as at 1 July	**30,038,111**	25,378,979
Profit for the financial year	**5,629,205**	4,005,497
Other comprehensive profit for the financial year	**(93,068)**	(83,486)
Dividends paid/declared	**(1,493,002)**	(961,734)
Equity conversion option	**459,983**	-
Exchange fluctuation reserve	**700,589**	1,698,855
Closing net assets as at 30 June	**35,241,818**	30,038,111
Interest in associated companies (%)	**18%**	18%
Interest in associated companies (RM'000)	**6,340,003**	5,403,856

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	
	2022 RM'000	2021 RM'000
Opening net assets as at 1 July	**814,047**	657,077
Profit for the financial year	**148,308**	128,033
Dividends declared	**(19,275)**	(14,583)
Exchange fluctuation reserve	**19,175**	43,520
Closing net assets as at 30 June	**962,255**	814,047
Interest in associated companies (%)	**12%**	12%
Interest in associated companies (RM'000)	**115,471**	97,686

The summarised financial information above represents amount shown in the material associates' financial statements prepared in accordance with MFRSs. The information is based on the financial statements of the associated companies after reflecting adjustments made by the Group when using the equity method, such as fair value adjustments made at the time of acquisition and differences in accounting policies between the Group and the associated companies.

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
2022											
Cost											
At 1 July	133,847	583,033	1,092	40,805	2,636	113,545	542,723	970,129	5,880	71,515	2,465,205
Additions	-	-	-	-	-	-	4,065	18,724	853	92,036	115,678
Reclassification/Transfer/ Adjustments	-	-	-	-	-	(1,536)	1,258	14,489	-	(95,598)	(81,387)
Disposals/Write off	-	-	-	(258)	-	(372)	(21,570)	(27,651)	(560)	(34)	(50,445)
Exchange fluctuation	-	-	-	-	-	-	1,662	1,314	57	604	3,637
At 30 June	133,847	583,033	1,092	40,547	2,636	111,637	528,138	977,005	6,230	68,523	2,452,688
Accumulated depreciation											
At 1 July	-	62,875	469	5,480	1,480	27,131	437,881	728,053	4,048	-	1,267,417
Charge for the financial year	-	11,648	17	426	54	2,087	26,976	79,341	950	-	121,499
Disposals/Write off	-	-	-	(91)	-	(227)	(21,003)	(27,505)	(560)	-	(49,386)
Exchange fluctuation	-	-	-	-	-	-	1,404	1,097	51	-	2,552
At 30 June	-	74,523	486	5,815	1,534	28,991	445,258	780,986	4,489	-	1,342,082
Net book value as at 30 June 2022	133,847	508,510	606	34,732	1,102	82,646	82,880	196,019	1,741	68,523	1,110,606

* These are the right-of-use assets within the scope of MFRS 16. Refer to accounting policies for leases as disclosed in Note 2H.

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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
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.

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
2022											
Cost											
At 1 July	53,485	51,161	628	40,374	3,269	109,118	501,934	930,103	4,828	61,386	1,756,286
Additions	-	-	-	-	-	-	2,539	18,052	319	88,988	109,898
Reclassification/Transfer/ Adjustments	-	-	-	-	-	(1,536)	938	13,216	-	(85,852)	(73,234)
Disposals/Write off	-	-	-	(258)	-	(372)	(20,074)	(27,322)	(555)	-	(48,581)
Exchange fluctuation	-	-	-	-	-	-	278	357	37	-	672
At 30 June	53,485	51,161	628	40,116	3,269	107,210	485,615	934,406	4,629	64,522	1,745,041
Accumulated depreciation											
At 1 July	-	18,613	192	5,460	1,208	23,705	410,382	698,109	3,392	-	1,161,061
Charge for the financial year	-	1,022	15	427	89	2,011	23,255	75,666	652	-	103,137
Disposals/Write off	-	-	-	(91)	-	(227)	(19,564)	(27,198)	(555)	-	(47,635)
Exchange fluctuation	-	-	-	-	-	-	201	263	25	-	489
At 30 June	-	19,635	207	5,796	1,297	25,489	414,274	746,840	3,514	-	1,217,052
Net book value as at 30 June 2022	53,485	31,526	421	34,320	1,972	81,721	71,341	187,566	1,115	64,522	527,989

* These are the right-of-use assets within the scope of MFRS 16. Refer to accounting policies for leases as disclosed in Note 2H.

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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 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
2022				
Cost or valuation				
At 1 July	**152,434**	**127,426**	**762,502**	**1,042,362**
Additions	**-**	**-**	**35,442**	**35,442**
Reclassification	**-**	**-**	**79,851**	**79,851**
Disposals/Write off	**-**	**-**	**(14,588)**	**(14,588)**
Exchange fluctuation	**-**	**-**	**5,148**	**5,148**
At 30 June	**152,434**	**127,426**	**868,355**	**1,148,215**
Amortisation and impairment				
At 1 July	**152,434**	**127,426**	**520,185**	**800,045**
Amortisation during the financial year	**-**	**-**	**53,962**	**53,962**
Disposals/Write off	**-**	**-**	**(13,851)**	**(13,851)**
Exchange fluctuation	**-**	**-**	**3,310**	**3,310**
At 30 June	**152,434**	**127,426**	**563,606**	**843,466**
Net book value as at 30 June 2022	**-**	**-**	**304,749**	**304,749**

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

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16 INTANGIBLE ASSETS (CONTINUED)

The Bank	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2022				
Cost or valuation				
At 1 July	**152,434**	**127,426**	**697,362**	**977,222**
Additions	**-**	**-**	**27,177**	**27,177**
Reclassification	**-**	**-**	**71,698**	**71,698**
Disposals/Write off	**-**	**-**	**(14,266)**	**(14,266)**
Exchange fluctuation	**-**	**-**	**2,418**	**2,418**
At 30 June	**152,434**	**127,426**	**784,389**	**1,064,249**
Amortisation and impairment				
At 1 July	**152,434**	**127,426**	**479,085**	**758,945**
Amortisation during the financial year	**-**	**-**	**48,107**	**48,107**
Disposals/Write off	**-**	**-**	**(13,850)**	**(13,850)**
Exchange fluctuation	**-**	**-**	**1,402**	**1,402**
At 30 June	**152,434**	**127,426**	**514,744**	**794,604**
Net book value as at 30 June 2022	**-**	**-**	**269,645**	**269,645**

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

17 RIGHT-OF-USE ASSETS

The Group

2022	Properties RM'000	Total RM'000
At 1 July	**214,726**	**214,726**
Depreciation charge for the financial year	**(50,119)**	**(50,119)**
Modification	**990**	**990**
Addition	**56,084**	**56,084**
Disposals	**(10,478)**	**(10,478)**
Exchange fluctuation	**515**	**515**
At 30 June	**211,718**	**211,718**

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

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17 RIGHT-OF-USE ASSETS (CONTINUED)

The Bank

2022	Properties RM'000	Total RM'000
At 1 July	**344,387**	**344,387**
Depreciation charge for the financial year	**(73,875)**	**(73,875)**
Modification	**(2,255)**	**(2,255)**
Addition	**63,587**	**63,587**
Disposals	**(10,478)**	**(10,478)**
Exchange fluctuation	**80**	**80**
At 30 June	**321,446**	**321,446**

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

18 GOODWILL

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 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 value-in-use calculations. Value-in-use is the present value of the future cash flows expected to be derived from the CGUs or groups of CGUs. This calculation uses pre-tax cash flow projections based on the 2023 financial budget, which is approved by the Board of Directors with a further projection of 3 years (2021: 4 years). Cash flows beyond the 4 years period are extrapolated using an estimated growth rate of 4.4% (2021: 3.3%) 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.

In addition, the recoverable amount is assessed by incorporating multiple scenarios with variation in the assumptions used including discount rate and haircut on the cash flow projections, to allow assessment on the sensitivity of goodwill recoverable amount taking into consideration assumed probabilities of different future events and/or scenarios.

The discount rates used in determining the recoverable amount are as follows:

	Discount rate	
	2022 %	2021 %
Personal Financial Services	**9.72**	9.89
Business & Corporate Banking	**9.79**	10.12
Global Markets	**9.96**	10.28

The discount rates used are pre-tax and reflect specific risks relating to the CGUs.

Based on the impairment test performed, impairment was not required for goodwill arising from all CGUs for the financial year ended 30 June 2022. 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.

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for the financial year ended 30 June 2022

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets	**528,771**	275,670	**403,666**	183,513

The analysis of deferred tax assets and deferred tax liabilities after appropriate set off is as follows:

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets				
- To be recovered within 12 months	**365,178**	351,775	**288,329**	271,728
- To be recovered after more than 12 months	**163,593**	(76,105)	**115,337**	(88,215)
	528,771	275,670	**403,666**	183,513

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)								
2022								
At 1 July		**(63,626)**	**(18,620)**	**1,905**	**-**	**249,546**	**106,465**	**275,670**
(Charged)/Credited to statements of income	41	**(6,781)**	**-**	**-**	**-**	**(1,550)**	**9,264**	**933**
Credited/(Charged) to equity	43	**-**	**253,840**	**(1,817)**	**-**	**-**	**-**	**252,023**
Exchange difference		**(53)**	**(39)**	**-**	**-**	**110**	**127**	**145**
At 30 June		**(70,460)**	**235,181**	**88**	**-**	**248,106**	**115,856**	**528,771**
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

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)								
2022								
At 1 July		**(62,114)**	**(32,129)**	**1,905**	**-**	**176,758**	**99,093**	**183,513**
(Charged)/Credited to statements of income	41	**(6,738)**	**-**	**-**	**-**	**439**	**10,764**	**4,465**
Credited/(Charged) to equity	43	**-**	**217,677**	**(1,817)**	**-**	**-**	**-**	**215,860**
Exchange difference		**(133)**	**(39)**	**-**	**-**	**-**	**-**	**(172)**
At 30 June		**(68,985)**	**185,509**	**88**	**-**	**177,197**	**109,857**	**403,666**
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

20 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Amortised cost				
Fixed deposits	**93,856,333**	91,901,574	**68,772,681**	68,601,892
Negotiable instruments of deposits	**8,626,532**	7,276,126	**6,299,840**	5,428,430
Short-term placements	**26,244,055**	22,958,925	**22,181,987**	18,245,735
	128,726,920	122,136,625	**97,254,508**	92,276,057
Demand deposits	**41,279,128**	35,373,956	**35,060,757**	30,708,310
Savings deposits	**24,771,649**	23,857,612	**20,420,243**	19,738,092
Others	**449,369**	563,080	**287,918**	367,474
	195,227,066	181,931,273	**153,023,426**	143,089,933
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	**2,425,376**	1,469,078	**2,325,345**	1,369,038
Fair value changes arising from designation at fair value through profit or loss *	**(359,983)**	(110,580)	**(341,467)**	(101,936)
	2,065,393	1,358,498	**1,983,878**	1,267,102
	197,292,459	183,289,771	**155,007,304**	144,357,035

* 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 RM353,117,000 (2021: RM106,292,000) lower than the contractual amount at maturity and the Bank is RM334,632,000 (2021: RM97,688,000) 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Due within:				
- six months	**103,914,125**	99,382,250	**77,555,688**	74,636,818
- six months to one year	**20,170,955**	20,881,750	**16,272,452**	16,110,724
- one year to five years	**3,835,461**	1,251,960	**2,633,850**	912,032
- more than five years	**806,379**	620,665	**792,518**	616,483
	128,726,920	122,136,625	**97,254,508**	92,276,057

20 DEPOSITS FROM CUSTOMERS (CONTINUED)

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

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Government and statutory bodies	**3,149,204**	1,861,951	**532,038**	203,960
Business enterprises	**92,431,255**	85,068,834	**71,326,600**	62,535,944
Individuals	**99,404,508**	93,778,846	**81,309,351**	79,706,240
Others	**2,307,492**	2,580,140	**1,839,315**	1,910,891
	197,292,459	183,289,771	**155,007,304**	144,357,035

21 INVESTMENT ACCOUNTS OF CUSTOMERS

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unrestricted investment accounts				
Mudarabah with maturity	**2,659,311**	1,145,154	**-**	-
Restricted investment accounts				
Wakalah bi Al-Istithmar	**9,097**	-	**-**	-
	2,668,408	1,145,154	**-**	-

21 INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(i) Movement in the investment account holder

The Group	Unrestricted investment accounts Mudarabah RM'000	Restricted investment accounts Wakalah RM'000
2022		
At 1 July	**1,145,154**	**-**
Funding inflows/(outflows)		
New placement during the year	**5,730,758**	**10,262**
Redemption during the year	**(4,226,969)**	**(236)**
	2,648,943	**10,026**
Profit payable to Investment Account Holder	**10,368**	**(929)**
At 30 June	**2,659,311**	**9,097**
2021		
At 1 July	356,475	-
Funding inflows/(outflows)		
New placement during the year	2,114,873	-
Redemption during the year	(1,333,298)	-
	1,138,050	-
Profit payable to Investment Account Holder	7,104	-
At 30 June	1,145,154	-

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for the financial year ended 30 June 2022

21 INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(i) Movement in the investment account holder (continued)

The Group	Unrestricted investment accounts Mudarabah RM'000	Restricted investment accounts Wakalah RM'000
2022		
Investment Asset		
House financing	**688,725**	**-**
Term financing	**1,323,448**	**-**
Personal financing	**317,873**	**-**
Cash and cash equivalent	**318,897**	**-**
Unit trusts	**-**	**10,026**
Total investment	**2,648,943**	**10,026**
2021		
Investment Asset		
House financing	295,893	-
Term financing	569,025	-
Personal financing	136,566	-
Cash and cash equivalent	136,566	-
Total investment	1,138,050	-

(ii) Profit Sharing Ratio ("PSR") and Rate of Return ("ROR"):

The Group	2022		2021	
	Average PSR %	Average ROR %	Average PSR %	Average ROR %
Unrestricted investment accounts:				
- 1 Month	**85**	**2.16**	-	-
- 2 Months	**85**	**2.19**	-	-
- 3 Months	**85**	**2.18**	81	2.45
- 4 Months	**85**	**2.20**	-	-
- 6 Months	**83**	**2.35**	84	2.54
- 9 Months	**-**	**-**	85	2.40
- 12 Months	**84**	**2.56**	85	2.50

22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Licensed banks	**4,742,649**	9,727,421	**3,617,792**	9,699,439
Licensed investment banks	**-**	250,012	**-**	250,012
Central banks (Note)	**1,579,601**	1,382,520	**1,557,628**	1,295,760
Other financial institutions	**-**	770,086	**-**	770,086
	6,322,250	12,130,039	**5,175,420**	12,015,297

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 RM1,579,601,000 (2021: RM1,317,291,000) and RM1,557,628,000 (2021: RM1,295,760,000) respectively at concession rates.

23 LEASE LIABILITIES

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Lease liabilities	**210,981**	209,761	**325,365**	341,591
Scheduled repayment of lease liabilities				
- Not later than one year	**40,790**	41,434	**64,213**	64,415
- Later than one year and not later than five years	**129,456**	111,722	**216,891**	221,947
- Later than five years	**40,735**	56,605	**44,261**	55,229
	210,981	209,761	**325,365**	341,591

Notes to the Financial Statements

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24 OTHER LIABILITIES

	Note	The Group 2022 RM'000	The Group 2021 RM'000	The Bank 2022 RM'000	The Bank 2021 RM'000
Zakat		**350**	350	**-**	-
Post employment benefits obligation					
- defined contribution plan		**278**	265	**278**	265
Loan advance payment		**3,829,956**	3,795,992	**3,120,374**	3,086,926
Intercompany clearing and settlement		**-**	-	**-**	47,725
Amount due to subsidiary companies		**-**	-	**432,107**	432,107
Treasury and cheque clearing		**128,773**	162,604	**96,711**	156,380
Cash collateral pledged for derivative transactions		**213,260**	145,411	**213,260**	145,411
Sundry creditors and accruals		**348,272**	358,555	**331,414**	336,664
Provision for bonus and staff related expenses		**179,683**	179,851	**166,171**	171,870
Expected credit losses on financial guarantee contracts	(a)	**3,657**	4,563	**3,352**	3,148
Provision for reinstatement cost		**21,911**	22,416	**27,160**	27,717
Settlement accounts		**824,436**	507,848	**824,144**	507,686
Others		**199,774**	180,929	**177,888**	150,502
		5,750,350	5,358,784	**5,392,859**	5,066,401

(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
2022				
At 1 July	**3,378**	**1,185**	**-**	**4,563**
Changes in ECL due to transfer within stages	**15**	**(199)**	**184**	**-**
Transfer to Stage 1	**70**	**(70)**	**-**	**-**
Transfer to Stage 2	**(55)**	**55**	**-**	**-**
Transfer to Stage 3	**-**	**(184)**	**184**	**-**
New financial assets originated	**170**	**-**	**-**	**170**
Financial assets derecognised	**(1,143)**	**(4)**	**-**	**(1,147)**
Changes due to change in credit risk	**647**	**(425)**	**(184)**	**38**
Changes in models/risk parameters	**(92)**	**(38)**	**-**	**(130)**
Exchange difference	**141**	**22**	**-**	**163**
At 30 June	**3,116**	**541**	**-**	**3,657**

24 OTHER LIABILITIES (CONTINUED)

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

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
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 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
2022				
At 1 July	**1,979**	**1,169**	**-**	**3,148**
Changes in ECL due to transfer within stages	**20**	**(204)**	**184**	**-**
Transfer to Stage 1	**69**	**(69)**	**-**	**-**
Transfer to Stage 2	**(49)**	**49**	**-**	**-**
Transfer to Stage 3	**-**	**(184)**	**184**	**-**
New financial assets originated	**122**	**-**	**-**	**122**
Financial assets derecognised	**(57)**	**(4)**	**-**	**(61)**
Changes due to change in credit risk	**712**	**(443)**	**(184)**	**85**
Changes in models/risk parameters	**(66)**	**(37)**	**-**	**(103)**
Exchange difference	**139**	**22**	**-**	**161**
At 30 June	**2,849**	**503**	**-**	**3,352**

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

25 RECOURSE OBLIGATION ON LOANS/FINANCING SOLD TO CAGAMAS

This represents the proceeds received from housing loans sold directly to Cagamas 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 and to buy back any loans which are regarded as defective based on prudential criteria set by Cagamas. 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 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	**2,236**	2,370	**2,236**	2,370
	1,502,236	1,502,370	**1,502,236**	1,502,370
Less: Unamortised discounts	**(30)**	(30)	**(30)**	(30)
	1,502,206	1,502,340	**1,502,206**	1,502,340

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
RM1,700 million Multi-currency Additional Tier-1 and Additional Tier-1 Green capital securities at par	**1,700,000**	800,000	**1,700,000**	800,000
Add: Interest payable	**13,574**	6,605	**13,574**	6,605
	1,713,574	806,605	**1,713,574**	806,605
Less: Unamortised discounts	**(1,161)**	(215)	**(1,161)**	(215)
Add: Fair value changes arising from fair value hedges	**3,282**	-	**3,282**	-
	1,715,695	806,390	**1,715,695**	806,390

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.

On 29 April 2022, the Bank issued a nominal value of RM900.0 million Basel III-compliant Additional Tier 1 Green capital securities ("Green Capital Securities"), pursuant to its Multi-currency Additional Tier 1 capital securities programme. The Green Capital Securities carry a distribution rate of 4.45% per annum and are perpetual and non-callable for 5 years with an Issuer's call option to redeem at the end of year 5. Proceeds from the issuance of the Green Capital Securities shall be utilised for purposes that meet the criteria as set out in the HLB Green Bond Framework, which was established by HLB on 20 February 2022 and revised in April 2022 (as may be amended, revised and/or substituted from time to time) in accordance with the ASEAN Green Bond Standards issued by the ASEAN Capital Markets Forum in November 2017 and revised in October 2018 and the Green Bond Principles issued by the International Capital Market Association in June 2021.

28 SHARE CAPITAL

	The Group and The Bank			
	2022		2021	
	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

29 RESERVES

		The Group		The Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Retained profits	(a)	**22,727,982**	20,751,376	**15,120,482**	14,139,555
Other reserves:					
Share options reserve	(b)	**58,181**	63,386	**58,181**	63,386
Fair value reserve	(c)				
- Financial investments at FVOCI		**(795,491)**	115,212	**(612,556)**	166,517
Exchange fluctuation reserve	(d)	**1,318,819**	1,091,184	**271,093**	227,769
Cash flow hedge reserve	(e)	**(274)**	(6,031)	**(274)**	(6,031)
Regulatory reserves	(f)	**654,386**	423,954	**536,432**	387,677
		1,235,621	1,687,705	**252,876**	839,318
		23,963,603	22,439,081	**15,373,358**	14,978,873

(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.

Notes to the Financial Statements

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29 RESERVES (CONTINUED)

(c) Movement of the fair value reserve is as follows:

		The Group		The Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 July		**115,212**	341,819	**166,517**	325,937
Equity instruments					
- Net fair value changes		**14,286**	9,228	**14,286**	9,228
- Net loss on disposal		**-**	(10)	**-**	(10)
Debt instruments					
- Net fair value changes		**(1,094,755)**	(118,457)	**(943,700)**	(50,088)
- Changes in expected credit losses		**(537)**	198	**(542)**	211
Reclassification to net profit on disposal and impairment		**(66,794)**	(171,425)	**(66,794)**	(171,425)
Deferred taxation	43	**253,840**	68,878	**217,677**	52,664
Share of fair value reserve of associated company		**(16,743)**	(15,019)	**-**	-
Net change in fair value reserve		**(910,703)**	(226,607)	**(779,073)**	(159,420)
At 30 June		**(795,491)**	115,212	**(612,556)**	166,517

(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 RM230.4 million at Group and RM148.8 million at Bank respectively have been transferred from retained profits to regulatory reserves.

Included in the Group is the regulatory reserve maintained by the Group's banking subsidiary company in Vietnam of RM11.2 million (2021: RM11.2 million) in line with the requirements of the State Bank of Vietnam.

30 TREASURY SHARES

		The Group		The Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 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)	**281,861**	287,201	**281,861**	287,201
		713,690	719,030	**713,690**	719,030

(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 2022, the total number of shares bought was 81,101,700 (2021: 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 2022 after deducting treasury shares purchased is 2,086,616,584 shares (2021: 2,086,616,584). Treasury shares have no rights to vote nor participation in dividends or other distribution.

(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 2022, a total of 658,433 ordinary shares were vested and transferred while a total of 66,502 share options were exercised pursuant to the Bank's ESS. As at 30 June 2022, the total number of shares held was 38,264,610 (2021: 38,989,545).

31a INTEREST INCOME

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loans, advances and financing	**4,127,244**	4,087,788	**3,898,648**	3,915,535
Money at call and deposit placements with financial institutions	**88,013**	72,182	**111,716**	92,838
Securities purchased under resale agreements	**758**	29	**758**	29
Financial investments at FVOCI	**669,165**	728,770	**672,355**	729,495
Financial investments at amortised cost	**619,506**	505,951	**618,725**	505,288
Others	**1,010**	226	**991**	327
	5,505,696	5,394,946	**5,303,193**	5,243,512
Accretion of discount less amortisation of premium	**(143,093)**	(147,630)	**(143,093)**	(147,630)
Interest income earned on impaired loans, advances and financing during the financial year	**26,008**	27,537	**25,950**	27,512

31b INTEREST INCOME FOR FINANCIAL ASSETS AT FVTPL

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial assets at FVTPL	**217,168**	161,783	**217,168**	161,783

32 INTEREST EXPENSE

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits and placements of banks and other financial institutions	**79,316**	71,907	**93,136**	85,612
Deposits from customers	**1,572,067**	1,719,346	**1,478,074**	1,644,429
Short-term placements	**178,631**	181,406	**178,631**	181,406
Tier 2 subordinated bonds	**66,600**	66,600	**66,600**	66,600
Multi-currency Additional Tier-1 capital securities	**46,315**	39,366	**46,481**	39,531
Recourse obligation on loans sold to Cagamas	**15,450**	10,441	**15,450**	10,441
Others	**9,154**	9,961	**14,785**	16,540
	1,967,533	2,099,027	**1,893,157**	2,044,559

33 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2022 RM'000	2021 RM'000
Income derived from investment of depositors' funds and others	**1,409,048**	1,410,567
Income derived from investment of shareholders' funds	**168,618**	183,704
Income derived from investment of investment account	**68,451**	32,195
Income attributable to depositors	**(702,907)**	(689,707)
Income attributable to depositors on investment account	**(38,425)**	(17,357)
	904,785	919,402
Financing income earned on impaired financing and advances during the financial year	**3,417**	5,247

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

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(i) Loss on modification of cash flow				
included in interest income (note 31a)	**(27,472)**	(12,508)	**(27,472)**	(12,508)
included in income from Islamic Banking business (note 33)	**(17,944)**	(9,430)	**-**	-
Subtotal	**(45,416)**	(21,938)	**(27,472)**	(12,508)
(ii) Benefits recognised under the various government schemes				
included in interest income (note 31a)	**-**	5,331	**-**	5,331
Net effects of (i) and (ii)				
included in interest income (note 31a)	**(27,472)**	(7,177)	**(27,472)**	(7,177)
included in income from Islamic Banking business (note 33)	**(17,944)**	(9,430)	**-**	-
Total	**(45,416)**	(16,607)	**(27,472)**	(7,177)

Note:
During the financial year ended 30 June 2022, the Group and the Bank continued to support its customers impacted by the COVID-19 pandemic by providing targeted assistance to customers through various government support measures such as PEMULIH and URUS. As a result, the Group and the Bank recognised a loss from the modification of cash flows of the loan/financing.

Notes to the Financial Statements

for the financial year ended 30 June 2022

35 NON-INTEREST INCOME

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fee income				
Commissions	**201,496**	195,014	**198,888**	193,196
Service charges and fees	**37,999**	41,299	**37,151**	40,452
Guarantee fees	**15,913**	16,321	**15,723**	16,207
Credit card related fees	**193,684**	173,899	**193,684**	173,899
Corporate advisory fees	**-**	1,035	**-**	1,035
Commitment fees	**36,696**	36,946	**35,236**	35,647
Fee on loans, advances and financing	**49,760**	45,099	**37,589**	37,912
Other fee income	**74,115**	60,865	**73,823**	60,561
	609,663	570,478	**592,094**	558,909
Net income from securities				
Net realised (loss)/gain on financial instruments:				
- Financial assets at FVTPL	**(58,657)**	46,630	**(59,239)**	44,950
- Derivative financial instruments	**20,792**	(154,103)	**19,328**	(154,819)
- Financial investments at FVOCI	**87,887**	225,559	**87,887**	225,559
- Financial investments amortised cost	**-**	29,385	**-**	29,385
Dividend income from:				
- Subsidiary companies	**-**	-	**36,800**	3,500
- Associated companies	**-**	-	**334,115**	239,494
- Financial assets at FVTPL	**101,001**	121,127	**102,768**	121,417
- Financial investments at FVOCI	**406**	665	**406**	665
Net unrealised gain on revaluation of:				
- Financial assets at FVTPL	**208,290**	2,754	**207,569**	4,337
- Derivative financial instruments	**100,366**	246,060	**99,238**	243,615
Net realised loss on fair value changes arising from fair value hedges	**(7,489)**	(7,215)	**(7,489)**	(7,215)
Net unrealised loss on fair value changes arising from fair value hedges	**(2,141)**	(967)	**(2,141)**	(967)
	450,455	509,895	**819,242**	749,921
Other income				
Foreign exchange loss	**(143,943)**	(9,763)	**(146,510)**	(12,144)
Rental income	**16,162**	13,441	**9,063**	7,367
Gain on disposal of property and equipment	**1,555**	5,222	**1,458**	5,222
Other non-operating income	**3,400**	496	**3,099**	747
	(122,826)	9,396	**(132,890)**	1,192
	937,292	1,089,769	**1,278,446**	1,310,022

36 OVERHEAD EXPENSES

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Personnel costs	**1,153,764**	1,191,577	**914,252**	963,532
Establishment costs	**520,575**	509,158	**445,199**	450,605
Marketing expenses	**171,471**	150,002	**148,190**	133,517
Administration and general expenses	**252,566**	227,071	**249,088**	223,413
	2,098,376	2,077,808	**1,756,729**	1,771,067

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Salaries, bonus and allowances	**1,076,567**	1,070,445	**849,983**	856,228
Medical expenses	**29,978**	32,089	**24,249**	26,175
Training and convention expenses	**14,658**	12,703	**12,880**	11,106
Staff welfare	**12,096**	10,973	**9,920**	9,185
Other employees benefits	**20,465**	65,367	**17,220**	60,838
	1,153,764	1,191,577	**914,252**	963,532

(ii) Establishment costs comprise the following:

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Depreciation of property and equipment	**121,499**	126,609	**103,137**	107,867
Depreciation of right-of-use assets	**50,119**	52,702	**73,875**	75,023
Amortisation of intangible assets	**53,962**	56,948	**48,107**	51,190
Rental of premises	**2,090**	2,668	**2,317**	2,827
Information technology expenses	**210,468**	186,480	**181,991**	169,436
Security services	**19,354**	22,845	**14,482**	17,356
Electricity, water and sewerage	**20,797**	21,676	**15,845**	17,082
Hire of plant and machinery	**12,575**	13,888	**1,342**	5,345
Others	**29,711**	25,342	**4,103**	4,479
	520,575	509,158	**445,199**	450,605

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for the financial year ended 30 June 2022

36 OVERHEAD EXPENSES (CONTINUED)

The overhead expenses of the Bank are net of shared services costs charged to subsidiaries. (continued)

(iii) Marketing expenses comprise the following:

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Advertisement and publicity	**29,175**	26,649	**26,713**	24,939
Sales commission and credit card related fees	**127,692**	110,233	**111,541**	99,039
Others	**14,604**	13,120	**9,936**	9,539
	171,471	150,002	**148,190**	133,517

(iv) Administration and general expenses comprise the following:

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Teletransmission expenses	**21,541**	22,302	**21,019**	21,804
Stationery and printing expenses	**11,001**	12,464	**10,470**	11,866
Professional fees	**93,378**	83,393	**89,707**	80,919
Insurance fees	**33,438**	25,535	**28,443**	22,239
Stamp, postage and courier	**14,227**	14,711	**13,924**	14,478
Travelling and transport expenses	**2,711**	2,909	**2,179**	2,225
Registration and license fees	**8,805**	8,990	**7,638**	7,841
Brokerage and commission	**10,981**	9,528	**6,791**	5,156
Credit card fees	**48,527**	37,011	**48,527**	37,011
Others	**7,957**	10,228	**20,390**	19,874
	252,566	227,071	**249,088**	223,413

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Auditors' remuneration:				
Malaysian firm				
- statutory audit	**2,025**	1,937	**1,778**	1,688
- regulatory related fees	**390**	390	**275**	275
- tax compliance	**67**	67	**41**	41
- other services	**250**	70	**250**	70
PwC overseas affiliated firms				
- statutory audit	**731**	632	**596**	528
- regulatory related fees	**194**	181	**194**	181
- tax compliance	**93**	91	**93**	91
Loss on disposal of property and equipment	**3**	2	**3**	2
Property and equipment disposal/written off	**722**	2,753	**629**	2,725
Intangible assets disposal/written off	**737**	924	**416**	877

37 ALLOWANCE FOR/(WRITTEN BACK OF) IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Allowance for impairment losses on loans, advances and financing:				
- expected credit losses	**393,506**	830,999	**151,453**	644,019
Impaired loans, advances and financing:				
- written off	**20,038**	16,201	**13,893**	12,620
- recovered from bad debt written off	**(249,970)**	(193,381)	**(212,302)**	(164,566)
	163,574	653,819	**(46,956)**	492,073

38 (WRITTEN BACK OF)/ALLOWANCE FOR IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS AND OTHER ASSETS

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Expected credit losses and impairment losses on:				
- Financial investments at FVOCI	**(613)**	230	**(620)**	243
- Financial investments at amortised cost	**(1)**	(128)	**(24)**	(173)
- Other receivables	**-**	(11)	**-**	(11)
- Cash and short-term funds	**85**	90	**435**	(464)
- Deposits and placements with banks and other financial institutions	**(322)**	79	**(182)**	2,110
- Other non-financial assets	**-**	-	**-**	1,760
	(851)	260	**(391)**	3,465

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 nine 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
2022				
Income				
Interest:				
- loans	-	3,446	-	78
- redeemable preference shares	-	132	-	-
Commitment fee and bank charges	-	-	-	24
Dividend income	-	89,174	-	-
Commission on Group products/services sold	-	46,292	-	-
Brokerage commission	-	1,357	-	-
Reimbursement of shared service cost	662	10,065	-	-
	662	150,466	-	102
Expenditure				
Rental and maintenance	-	14,095	-	-
Insurance	65	35,492	-	-
Interest on current accounts and fixed deposits	-	1	-	218
Interest on short-term placements	58	3,755	-	2,340
Interest on subordinated notes and capital securities	-	200	-	-
Management fees	4,859	41,842	-	-
Other miscellaneous expenses	285	6,947	-	-
	5,267	102,332	-	2,558
Amounts due from				
Current accounts	-	-	21,809	-
Redeemable preference shares	-	25,000	-	-
Loans	-	87,745	-	3,718
Wholesale funds	-	2,776,857	-	-
Derivative assets	-	124,149	-	-
Credit card balances	-	-	-	407
Advance rental and deposit	-	5,756	-	-
Others	115	261	-	-
	115	3,019,768	21,809	4,125
Amounts due to				
Current accounts and fixed deposits	-	25,817	-	31,368
Short-term placements	17,504	258,619	-	148,466
Subordinated notes and capital securities	-	24,993	-	-
Derivative liabilities	-	10,849	-	-
Others	-	15,751	-	-
	17,504	336,029	-	179,834
Commitments and contingencies				
Derivative related contracts	-	1,954,308	-	-

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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
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 Bank	Parent company RM'000	Subsidiary companies RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
2022					
Income					
Interest:					
- loans	-	9,223	-	3,446	78
- interbank placements	-	11,543	-	-	-
- current accounts	-	-	329	-	-
- negotiable instruments of deposits	-	3,502	-	-	-
- redeemable preference shares	-	-	-	132	-
- subordinated facilities	-	2,914	-	-	-
Dividend income	-	36,800	334,115	89,174	-
Commitment fee and bank charges	-	-	-	-	24
Commission on Group products/ services sold	-	-	-	46,292	-
Brokerage commission	-	-	-	1,357	-
Reimbursement of shared service cost	662	209,376	-	10,065	-
	662	273,358	334,444	150,466	102
Expenditure					
Rental and maintenance	-	918	-	14,053	-
Insurance	65	-	-	35,492	-
Interest on current accounts and fixed deposits	-	840	-	1	164
Interest on short-term placements	58	-	-	3,755	2,340
Interest on lease liabilities	-	5,995	-	-	-
Interest on interbank placements	-	3,174	-	-	-
Interest on subordinated notes and capital securities	-	-	-	200	-
Management fees	4,859	-	-	41,842	-
Other miscellaneous expenses	285	536	-	6,947	-
	5,267	11,463	-	102,290	2,504

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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
2022					
Amounts due from					
Interbank placements	-	2,844,303	-	-	-
Current accounts	-	-	21,809	-	-
Negotiable instruments of deposits	-	-	-	-	-
Redeemable preference shares	-	-	-	25,000	-
Loans	-	295,929	-	87,745	3,718
Right-of-use assets	-	123,664	-	-	-
Wholesale funds	-	-	-	2,859,384	-
Credit card balances	-	-	-	-	407
Derivative assets	-	29,775	-	124,149	-
Advance rental and deposit	-	8,783	-	5,756	-
Others	115	91,110	-	261	-
	115	3,393,564	21,809	3,102,295	4,125
Amounts due to					
Interbank placements	-	698,484	-	-	-
Current accounts and fixed deposits	-	49,186	-	25,817	28,896
Short-term placements	17,504	-	-	258,619	148,466
Subordinated notes and capital securities	-	-	-	24,993	-
Derivative liabilities	-	3,554	-	10,849	-
Lease liabilities	-	126,538	-	-	-
Provision for reinstatement cost	-	6,940	-	-	-
Others	-	432,107	-	-	-
	17,504	1,316,809	-	320,278	177,362
Commitments and contingencies					
Derivative related contracts	-	983,352	-	1,954,308	-

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	-	7,908	-	-	-
- 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	213,720	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	-	3,915	-	-	-
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	13,172	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	-	1,146,419	-	-	-
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	-
	-	1,984,235	22,461	5,217,689	866
Amounts due to					
Interbank placements	-	1,009,675	-	-	-
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	-	-	-
	-	1,749,036	-	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 Group and The Bank	
	2022 RM'000	2021 RM'000
The approved limit on loans, advances and financing for key management personnel	**12,414**	10,516

(c) Key management personnel

Key management compensation

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Salaries and other short-term employee benefits	**28,186**	25,448	**28,186**	25,448
Director fees	**1,381**	1,383	**1,198**	1,200
ESS expenses	**14,306**	12,643	**14,306**	12,643

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 2022 and 2021 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Outstanding credit exposures with connected parties	**2,629,055**	2,964,510	**2,554,151**	2,901,895
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**1.40%**	1.69%	**1.77%**	2.13%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.0000%**	0.0001%	**0.0000%**	0.0001%

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 29 April 2022 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
2022								
Malaysia	**-**	**5,995**	**4,413**	**1,087**	**5,735**	**46,376**	**35,545**	**7,364**
Singapore	**-**	**-**	**241**	**-**	**6,408**	**-**	**-**	**-**
Hong Kong	**-**	**-**	**-**	**-**	**2,828**	**325**	**12**	**373**
Vietnam	**2,523**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cambodia	**651**	**-**	**-**	**-**	**-**	**-**	**-**	**31**
	3,174	**5,995**	**4,654**	**1,087**	**14,971**	**46,701**	**35,557**	**7,768**
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
Vietnam	1,898	-	-	-	-	-	-	-
Cambodia	2,017	-	6	-	-	-	-	84
Others	-	-	-	-	-	-	-	265
	3,915	6,665	8,838	1,395	14,168	35,929	29,735	7,436

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
2022								
CEO								
Mr Domenic Fuda	12,525	-	5,514	18,039	12,525	-	5,514	18,039
Executive Director								
Mr Tan Kong Khoon	-	-	-	-	-	-	-	-
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	-	-	-	-	-	-
Mr Kwek Leng Hai	-	-	-	-	-	-	-	-
Ms Chok Kwee Bee	32	290	-	322	32	290	-	322
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	35	300	-	335	35	300	-	335
YBhg Datuk Dr Md Hamzah bin Md Kassim	35	358	-	393	16	175	-	191
Ms Chong Chye Neo*	11	122	-	133	11	122	-	133
Ms Lau Souk Huan	33	293	-	326	33	293	-	326
Ms Cheong Soo Ching**	1	18	-	19	1	18	-	19
	147#	1,381	-	1,528	128#	1,198	-	1,326
Directors of subsidiaries	2,761	710	96	3,567	-	-	-	-
Total CEO and Directors' remuneration	15,433	2,091	5,610	23,134	12,653	1,198	5,514	19,365

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.

* Retired on 21 February 2022

** Appointed with effect from 18 May 2022

\# 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 holding company was RM84,550 and the apportioned amount of the said premium paid by the Group and the Bank was RM70,405 and RM58,435 respectively.

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
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: 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 holding company was RM71,250 and the apportioned amount of the said premium paid by the Group and the Bank was RM65,198 and RM55,071 respectively.

41 TAXATION

	Note	The Group 2022 RM'000	The Group 2021 RM'000	The Bank 2022 RM'000	The Bank 2021 RM'000
Income tax:					
- Current year		**1,105,607**	896,447	**1,014,643**	763,286
- Over accrual in prior years		**(27,157)**	(164,965)	**(25,837)**	(151,785)
		1,078,450	731,482	**988,806**	611,501
Deferred tax:					
- Current year		**3,685**	(255,145)	**88**	(197,894)
- (Over)/Under accrual in prior years		**(4,618)**	133,960	**(4,553)**	122,227
	19	**(933)**	(121,185)	**(4,465)**	(75,667)
Taxation		**1,077,517**	610,297	**984,341**	535,834

The effective tax rate for the Group and Bank differed from the statutory rate of taxation due to:

	The Group 2022 RM'000	The Group 2021 RM'000	The Bank 2022 RM'000	The Bank 2021 RM'000
Profit before taxation	**4,366,800**	3,470,939	**3,196,268**	2,404,153
Tax calculated at a rate of 24%	**1,048,032**	833,025	**767,104**	576,997
Effects of incremental tax rate (Note)	**309,663**	-	**277,372**	-
Tax effects of:				
- Income not subject to tax	**(39,988)**	(50,000)	**(63,115)**	(41,276)
- Share of net income of foreign associated company and joint venture company	**(247,318)**	(176,629)	**-**	-
- Expenses not deductible for tax purposes	**38,903**	34,906	**33,370**	29,671
Over accrual in prior years	**(31,775)**	(31,005)	**(30,390)**	(29,558)
Taxation	**1,077,517**	610,297	**984,341**	535,834

Note: In order to support the Government's initiative to assist parties affected by the pandemic, for year of assessment ('YA') 2022, a special one-off tax which is called 'Cukai Makmur' will be imposed on non-micro, small and medium enterprise companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100.0 million will be charged an income tax rate of 33% for YA 2022.

	The Group 2022 RM'000	The Group 2021 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 2021 which was gazetted on 31 December 2021, the Group's unutilised tax losses can be utilised up to a maximum of ten consecutive years effective retrospectively from YA 2019.

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net profit attributable to equity holders	**3,289,283**	2,860,642	**2,211,927**	1,868,319
Weighted average number of ordinary shares in issue ('000)	**2,048,093**	2,047,375	**2,048,093**	2,047,375
Basic earnings per share (sen)	**160.6**	139.7	**108.0**	91.3

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net profit attributable to equity holders	**3,289,283**	2,860,642	**2,211,927**	1,868,319
Weighted average number of ordinary shares in issue ('000)	**2,048,093**	2,047,375	**2,048,093**	2,047,375
- adjustment for ESS	**1,227**	690	**1,227**	690
	2,049,320	2,048,065	**2,049,320**	2,048,065
Diluted earnings per share (sen)	**160.5**	139.7	**107.9**	91.2

43 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)

	2022			2021		
	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
The Group						
Debt instruments at fair value through other comprehensive income						
- net fair value changes and changes in expected credit losses	**(1,162,086)**	**253,840**	**(908,246)**	(289,684)	68,878	(220,806)
Cash flow hedge						
- net fair value gain/(loss)	**7,574**	**(1,817)**	**5,757**	3,235	(777)	2,458
The Bank						
Debt instruments at fair value through other comprehensive income						
- net fair value changes and changes in expected credit losses	**(1,011,036)**	**217,677**	**(793,359)**	(221,302)	52,664	(168,638)
Cash flow hedge						
- net fair value gain/(loss)	**7,574**	**(1,817)**	**5,757**	3,233	(777)	2,456

Notes to the Financial Statements

for the financial year ended 30 June 2022

44 DIVIDENDS

	The Group and The Bank			
	2022		2021	
	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 2021	**35.2**	**721,238**	-	-
- for financial year ended 30 June 2020	**-**	**-**	20.0	409,455
Interim dividend paid				
- for financial year ended 30 June 2022	**18.0**	**368,704**	-	-
- for financial year ended 30 June 2021	**-**	**-**	14.8	302,631
	53.2	**1,089,942**	34.8	712,086

The Directors have declared a final single tier dividend of 37.0 sen per share in respect of the financial year ended 30 June 2022. The financial statements for the current financial year do not reflect this dividend and will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2023.

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 followings:

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Direct credit substitutes*	**137,103**	171,600	**129,077**	116,915
Certain transaction related contingent items	**2,024,547**	1,676,061	**1,444,276**	1,337,502
Short-term self liquidating trade related contingencies	**853,412**	671,759	**803,334**	615,796
Irrevocable commitments to extend credit:				
- maturity more than one year	**17,538,803**	20,459,242	**12,942,713**	14,682,053
- maturity less than one year	**23,913,907**	23,767,882	**19,450,920**	19,078,814
Foreign exchange related contracts: ^				
- less than one year	**55,995,785**	63,609,452	**51,999,925**	57,286,691
- one year to less than five years	**5,944,644**	5,104,301	**5,987,312**	5,063,539
- five years and above	**396,495**	361,486	**396,495**	361,486
Interest rate related contracts: ^				
- less than one year	**34,692,744**	117,988,593	**34,692,744**	118,114,783
- one year to less than five years	**52,644,892**	31,913,336	**52,835,368**	31,913,336
- five years and above	**4,395,228**	4,387,355	**4,208,323**	4,487,355
Equity related contracts: ^				
- less than one year	**245,878**	247,217	**245,878**	247,217
- one year to less than five years	**102,699**	121,419	**102,699**	121,419
- five years and above	**270,542**	255,112	**270,542**	255,112
Credit related contracts: ^				
- five years and above	**938,327**	652,187	**938,327**	652,187
Commodity related contracts:				
- less than one year	**438,428**	55,088	**438,428**	55,088
- one year to less than five years	**493,416**	39,881	**493,416**	39,881
Unutilised credit card lines	**7,090,121**	7,419,464	**7,090,121**	7,419,464
	208,116,971	278,901,435	**194,469,898**	261,848,638

^ 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 RM79,527,616 and RM79,527,616 at Group and Bank, respectively (2021: RM121,815,003 and RM71,814,503 at Group and Bank, respectively), of which fair value at the time of issuance is nil.

Notes to the Financial Statements

for the financial year ended 30 June 2022

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Authorised and contracted for	**88,953**	94,184	**84,718**	80,838
Authorised but not contracted for	**21,785**	29,608	**20,172**	24,230
	110,738	123,792	**104,890**	105,068

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

The Bank has implemented a risk management framework with the objective to ensure the overall financial soundness and stability of the Bank's business operations. The risk management framework outlines the overall governance structure, aspiration, values and risk management strategies which aligns the Bank'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 Bank'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 Bank'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 Bank. The core responsibilities of the GRM function is to support line management in identification and management of key and emerging risks for the Bank, to measure these risks, to manage the risk positions and to determine the optimum capital allocations. The Bank 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 Bank.

The Bank 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 Bank'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 Bank'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 Bank's credit risk assessment methods are progressively being enhanced to consider the effects of climate-related risks, as well as, its impact on the ability and willingness of customers to honour their credit obligations.

The Bank also conducts periodic stress testing of its credit portfolios to ascertain the credit risk impact to capital under the relevant stress scenarios.

The Bank's Independent Credit Review function 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 Bank'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 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"), set in accordance with the size of positions and risk tolerance appetites.

Portfolios held under the Bank'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 Bank regularly reviews the interest rate outlook and develops 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 Bank measures Earnings at Risk ("EAR") and economic value or Capital at Risk ("CAR").

The Bank 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 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 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 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 are adequate liquidity contingency funds to meet potential shortfalls in the event of a liquidity crisis.

Crisis Related Risk Management

Crisis related risk is the risk of loss arising from increased volatility and uncertainty, resulting in impact to the Bank's customers, financial markets and interruption on the Bank's operations. Such loss could arise from disruptive events such as a global pandemic, catastrophic climate change effects, geopolitical tensions and uncertainties surrounding the global economic outlook.

The Bank has put in place a strategic plan to ensure that its operations and services are maintained fully functional in the event of a crisis. Emerging from the COVID-19 pandemic, the Bank remains cognizant of the need to continuously build and maintain resilience, through close and active monitoring of potentially high impact events in the short term and longer term horizon. The Bank continuously simulates and tests our preparedness to navigate through crisis conditions and has subjected its Business Continuity Management ("BCM") plans and processes through challenges based on various scenarios. Consequently, the Bank continuously enhances its BCM plans and processes to strengthen its resilience to endure future crises.

Environment, Social and Governance Risk Management

Environment, Social and Governance ("ESG") Risks are a complex collective action problem that gives rise to financial loss arising from current or prospective impacts of ESG factors. Financial risks may arise from Physical, Transition and Liability Risk which spreads across most key assets of the Bank.

The Bank has integrated ESG and sustainability considerations within its business practices to ensure creation of long-term socioeconomic benefits for the communities it serves. The Bank has in place a Sustainability Risk Governance Framework which is aligned to the Bank's overall Risk Management Framework. This provides a structured approach towards identifying, evaluating, quantifying, monitoring, mitigating and reporting ESG risks.

48 FINANCIAL INSTRUMENTS (CONTINUED)

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

Environment, Social and Governance Risk Management (continued)

Although ESG presents risks, the Bank has introduced initiatives that mitigate and adapt to these risks which allows it to capitalise on potential opportunities to enhance resource efficiencies, adopt low-emission energy sources, develop new green products and services, access new markets and further strengthen its resiliency against risks in general.

Recognising the urgency for financial institutions to accelerate efforts to manage climate-related risks, the Bank has established ESG related strategies, practices, processes and procedures to ensure it is able to continue to deliver long-term value to its stakeholders in tandem with ESG related developments and aspirations.

(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	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
2022				
Increase/(Decrease)				
+100 basis points ('bps')	**117,071**	**(489,276)**	**121,733**	**(395,710)**
-100 bps	**(117,071)**	**489,276**	**(121,733)**	**395,710**
2021				
Increase/(Decrease)				
+100 basis points ('bps')	61,970	(857,786)	58,081	(713,334)
-100 bps	(61,970)	857,786	(58,081)	713,334

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	2022 RM'000	2021 RM'000
Asset/(Liability)		
United States Dollar ("USD")	**(229,978)**	390,086
Euro ("EUR")	**7,247**	(143,508)
Great Britain Pound ("GBP")	**3,388**	8,670
Singapore Dollar ("SGD")	**(190,659)**	(134,283)
Australian Dollar ("AUD")	**21,696**	(55,589)
Chinese Yuan Renminbi ("CNY")	**(227,065)**	212,176
Hong Kong Dollar ("HKD")	**(160,379)**	(194,094)
Others	**295,445**	244,520
	(480,305)	327,978

The Bank	2022 RM'000	2021 RM'000
Asset/(Liability)		
United States Dollar ("USD")	**(182,477)**	530,798
Euro ("EUR")	**2,856**	(146,450)
Great Britain Pound ("GBP")	**(3,697)**	2,108
Singapore Dollar ("SGD")	**(191,968)**	(150,314)
Australian Dollar ("AUD")	**19,080**	(42,185)
Chinese Yuan Renminbi ("CNY")	**(243,205)**	183,539
Hong Kong Dollar ("HKD")	**(167,819)**	(204,300)
Others	**241,985**	232,511
	(525,245)	405,707

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	2022 RM'000	2021 RM'000
Increase/(Decrease)		
-1%		
United States Dollar ("USD")	**1,748**	(2,965)
Euro ("EUR")	**(55)**	1,091
Great Britain Pound ("GBP")	**(26)**	(66)
Singapore Dollar ("SGD")	**1,449**	1,021
Australian Dollar ("AUD")	**(165)**	422
Chinese Yuan Renminbi ("CNY")	**1,726**	(1,613)
Hong Kong Dollar ("HKD")	**1,219**	1,475
Others	**(2,245)**	(1,858)
	3,651	(2,493)
+1%		
United States Dollar ("USD")	**(1,748)**	2,965
Euro ("EUR")	**55**	(1,091)
Great Britain Pound ("GBP")	**26**	66
Singapore Dollar ("SGD")	**(1,449)**	(1,021)
Australian Dollar ("AUD")	**165**	(422)
Chinese Yuan Renminbi ("CNY")	**(1,726)**	1,613
Hong Kong Dollar ("HKD")	**(1,219)**	(1,475)
Others	**2,245**	1,858
	(3,651)	2,493

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	2022 RM'000	2021 RM'000
Increase/(Decrease)		
-1%		
United States Dollar ("USD")	**1,387**	(4,034)
Euro ("EUR")	**(22)**	1,113
Great Britain Pound ("GBP")	**28**	(16)
Singapore Dollar ("SGD")	**1,459**	1,142
Australian Dollar ("AUD")	**(145)**	321
Chinese Yuan Renminbi ("CNY")	**1,848**	(1,395)
Hong Kong Dollar ("HKD")	**1,275**	1,553
Others	**(1,839)**	(1,767)
	3,991	(3,083)
+1%		
United States Dollar ("USD")	**(1,387)**	4,034
Euro ("EUR")	**22**	(1,113)
Great Britain Pound ("GBP")	**(28)**	16
Singapore Dollar ("SGD")	**(1,459)**	(1,142)
Australian Dollar ("AUD")	**145**	(321)
Chinese Yuan Renminbi ("CNY")	**(1,848)**	1,395
Hong Kong Dollar ("HKD")	**(1,275)**	(1,553)
Others	**1,839**	1,767
	(3,991)	3,083

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 2022 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	4,777,742	-	-	-	-	1,316,987	-	6,094,729
Deposits and placements with banks and other financial institutions	-	495,601	340,408	-	-	6,497	-	842,506
Financial assets at fair value through profit or loss	-	-	-	-	-	3,136,491	4,107,991	7,244,482
Financial investments at fair value through other comprehensive income	911,016	973,918	853,407	18,497,573	4,661,194	299,195	-	26,196,303
Financial investments at amortised cost	4,170,728	199,952	1,068,147	21,505,181	5,067,716	346,690	-	32,358,414
Loans, advances and financing								
- performing	140,227,950	732,314	1,447,743	8,941,011	14,654,500	-	-	166,003,518
- impaired ^	69,568	5,164	6,489	52,546	350,336	-	-	484,103
Other assets	126,024	-	-	-	-	2,067,938	-	2,193,962
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,852,913	1,852,913
- hedging derivatives	-	-	-	707	9,680	-	-	10,387
Statutory deposits with Central Banks	-	-	-	-	248,512	272,138	-	520,650
Total financial assets	**150,283,028**	**2,406,949**	**3,716,194**	**48,997,018**	**24,991,938**	**7,445,936**	**5,960,904**	**243,801,967**

^ 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 2022 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	78,610,597	35,811,228	37,912,562	4,727,875	1,704,736	38,525,461	-	197,292,459
Investment accounts of customers	975,147	1,457,150	226,672	-	-	9,439	-	2,668,408
Deposits and placements of banks and other financial institutions	3,069,668	1,106,265	534,761	1,557,628	21,973	31,955	-	6,322,250
Obligations on securities sold under repurchase agreements	1,117,131	2,662,226	-	-	187,726	4,221	-	3,971,304
Bills and acceptances payable	3,044	15,461	11,389	-	-	211,467	-	241,361
Lease liabilities	3,446	6,962	30,382	129,456	40,735	-	-	210,981
Other liabilities	1,894	434	1,019	183	-	5,442,086	-	5,445,616
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,736,364	1,736,364
- hedging derivatives	-	361	-	113	-	-	-	474
Recourse obligation on loans sold to Cagamas	-	362,918	600,039	650,012	-	10,968	-	1,623,937
Tier 2 subordinated bonds	-	-	499,970	1,000,000	-	2,236	-	1,502,206
Multi-currency Additional Tier 1 Capital Securities	-	-	399,916	1,298,923	3,282	13,574	-	1,715,695
Total financial liabilities	83,780,927	41,423,005	40,216,710	9,364,190	1,958,452	44,251,407	1,736,364	222,731,055
Net interest sensitivity gap	66,502,101	(39,016,056)	(36,500,516)	39,632,828	23,033,486			
Financial guarantees	-	-	-	-	-	744,430		
Credit related commitments and contingencies	-	-	-	-	-	48,542,831		
Treasury related commitments and contingencies (hedging)	-	-	100,000	476,190	86,905	-		
Net interest sensitivity gap	-	-	100,000	476,190	86,905	49,287,261		

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 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.

Notes to the Financial Statements

for the financial year ended 30 June 2022

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		

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2022 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	4,139,922	-	-	-	-	1,315,866	-	5,455,788
Deposits and placements with banks and other financial institutions	-	1,847,853	340,408	-	419,577	6,497	-	2,614,335
Financial assets at fair value through profit or loss	-	-	-	-	-	3,215,003	3,725,759	6,940,762
Financial investments at fair value through other comprehensive income	911,016	973,918	807,974	16,234,606	3,233,190	255,817	-	22,416,521
Financial investments at amortised cost	3,030,751	199,952	714,320	15,335,841	3,612,778	250,903	-	23,144,545
Loans, advances and financing								
- performing	109,432,328	289,294	705,648	6,806,828	9,122,949	-	-	126,357,047
- impaired ^	61,050	1,024	4,595	44,428	277,392	-	-	388,489
Other assets	126,024	-	-	-	-	1,574,322	-	1,700,346
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,769,151	1,769,151
- hedging derivatives	-	-	-	502	6,718	-	-	7,220
Amount due from subsidiaries	-	-	-	-	-	91,110	-	91,110
Statutory deposits with Central Banks	-	-	-	-	-	272,138	-	272,138
Total financial assets	117,701,091	3,312,041	2,572,945	38,422,205	16,672,604	6,981,656	5,494,910	191,157,452

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

Notes to the Financial Statements

for the financial year ended 30 June 2022

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2022 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	62,624,319	25,068,936	29,190,975	3,781,441	1,623,027	32,718,606	-	155,007,304
Deposits and placements of banks and other financial institutions	1,973,371	1,199,366	411,332	1,557,628	-	33,723	-	5,175,420
Obligations on securities sold under repurchase agreements	1,117,131	2,662,226	-	-	187,726	4,221	-	3,971,304
Bills and acceptances payable	2,322	13,312	9,746	-	-	128,039	-	153,419
Lease liabilities	5,352	10,699	48,162	216,891	44,261	-	-	325,365
Other liabilities	1,820	377	871	157	-	5,147,698	-	5,150,923
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,711,271	1,711,271
- hedging derivatives	-	361	-	113	-	-	-	474
Recourse obligation on loans sold to Cagamas	-	-	300,028	200,010	-	2,760	-	502,798
Tier 2 subordinated bonds	-	-	499,970	1,000,000	-	2,236	-	1,502,206
Multi-currency Additional Tier 1 Capital Securities	-	-	399,916	1,298,923	3,282	13,574	-	1,715,695
Total financial liabilities	65,724,315	28,955,277	30,861,000	8,055,163	1,858,296	38,050,857	1,711,271	175,216,179
Net interest sensitivity gap	51,976,776	(25,643,236)	(28,288,055)	30,367,042	14,814,308			
Financial guarantees	-	-	-	-	-	690,799		
Credit related commitments and contingencies	-	-	-	-	-	39,483,754		
Treasury related commitments and contingencies (hedging)	-	-	100,000	476,190	86,905	-		
Net interest sensitivity gap	-	-	100,000	476,190	86,905	40,174,553		

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.

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 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		

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 2022 based on the remaining contractual maturity:

	The Group 2022							
	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	3,808,223	2,286,506	-	-	-	-	-	6,094,729
Deposits and placements with banks and other financial institutions	-	-	500,105	342,401	-	-	-	842,506
Financial assets at fair value through profit or loss	316,574	1,110,143	583,736	186,583	122,908	3,481,985	1,442,553	7,244,482
Financial investments at fair value through other comprehensive income	399,843	512,543	961,513	119,090	579,180	23,540,748	83,386	26,196,303
Financial investments at amortised cost	96,866	4,149,024	220,780	255,838	877,455	26,758,451	-	32,358,414
Loans, advances and financing	13,172,118	8,377,197	5,183,381	2,808,015	717,337	136,229,573	-	166,487,621
Other assets	1,304,443	13,623	17,631	23,109	8,096	3,641	910,199	2,280,742
Derivative financial instruments	45,657	162,463	431,253	135,954	121,036	966,937	-	1,863,300
Statutory deposits with Central Banks	-	-	-	-	-	-	520,650	520,650
Investment in associated companies	-	-	-	-	-	-	6,455,474	6,455,474
Property and equipment	-	-	-	-	-	-	1,110,606	1,110,606
Intangible assets	-	-	-	-	-	-	304,749	304,749
Right-of-use assets	-	-	-	-	-	-	211,718	211,718
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	528,771	528,771
Total assets	19,143,724	16,611,499	7,898,399	3,870,990	2,426,012	190,981,335	13,399,418	254,331,377

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 2022 based on the remaining contractual maturity: (continued)

	The Group 2022							
	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	85,337,784	29,535,027	36,008,916	18,063,370	20,068,312	8,279,050	-	197,292,459
Investment accounts of customers	232,455	744,106	1,463,800	105,564	122,483	-	-	2,668,408
Deposits and placements of banks and other financial institutions	1,745,155	1,354,153	1,107,373	419,733	116,236	1,579,600	-	6,322,250
Obligations on securities sold under repurchase agreements	96,323	1,022,185	2,664,629	-	-	188,167	-	3,971,304
Bills and acceptances payable	143	2,901	15,461	11,382	8	-	211,466	241,361
Lease liabilities	-	3,446	6,962	10,208	20,173	170,192	-	210,981
Other liabilities	5,454,610	165,732	27,917	705	12,995	-	88,391	5,750,350
Derivative financial instruments	37,352	79,984	138,697	120,383	63,958	1,296,464	-	1,736,838
Recourse obligation on loans sold to Cagamas	-	-	372,882	601,042	-	650,013	-	1,623,937
Tier 2 subordinated bonds	-	-	-	2,236	499,970	1,000,000	-	1,502,206
Multi-currency Additional Tier 1 Capital Securities	-	-	4,862	408,628	-	1,302,205	-	1,715,695
Taxation	-	-	-	-	-	-	306,612	306,612
Total liabilities	92,903,822	32,907,534	41,811,499	19,743,251	20,904,135	14,465,691	606,469	223,342,401
Total equity	-	-	-	-	-	-	30,988,976	30,988,976
Total liabilities and equity	92,903,822	32,907,534	41,811,499	19,743,251	20,904,135	14,465,691	31,595,445	254,331,377
Net liquidity gap	(73,760,098)	(16,296,035)	(33,913,100)	(15,872,261)	(18,478,123)	176,515,644	12,792,949	30,988,976

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 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

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 2022 based on the remaining contractual maturity:

	The Bank 2022							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	4,335,147	1,120,641	-	-	-	-	-	5,455,788
Deposits and placements with banks and other financial institutions	-	-	1,852,356	342,402	-	419,577	-	2,614,335
Financial assets at fair value through profit or loss	316,574	1,002,347	493,952	94,233	5,109	3,481,985	1,546,562	6,940,762
Financial investments at fair value through other comprehensive income	399,843	512,543	961,513	103,920	548,714	19,806,602	83,386	22,416,521
Financial investments at amortised cost	96,866	2,988,803	220,780	238,232	538,425	19,061,439	-	23,144,545
Loans, advances and financing	10,462,348	7,260,070	4,549,698	2,217,539	354,454	101,901,427	-	126,745,536
Other assets	916,773	13,120	16,625	21,600	8,020	4,770	800,647	1,781,555
Derivative financial instruments	39,421	155,368	364,219	133,978	120,584	962,801	-	1,776,371
Amount due from subsidiaries	-	-	-	-	-	-	91,110	91,110
Statutory deposits with Central Banks	-	-	-	-	-	-	272,138	272,138
Subsidiary companies	-	-	-	-	-	-	2,625,696	2,625,696
Investment in associated companies	-	-	-	-	-	-	971,182	971,182
Property and equipment	-	-	-	-	-	-	527,989	527,989
Intangible assets	-	-	-	-	-	-	269,645	269,645
Right-of-use assets	-	-	-	-	-	-	321,446	321,446
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Deferred tax assets	-	-	-	-	-	-	403,666	403,666
Total assets	16,566,972	13,052,892	8,459,143	3,151,904	1,575,306	145,638,601	9,685,014	198,129,832

Notes to the Financial Statements

for the financial year ended 30 June 2022

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 2022 based on the remaining contractual maturity: (continued)

	The Bank 2022							
	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	69,481,967	23,707,837	25,209,107	13,017,564	16,345,666	7,245,163	-	155,007,304
Deposits and placements of banks and other financial institutions	1,269,051	735,288	1,200,913	296,304	116,236	1,557,628	-	5,175,420
Obligations on securities sold under repurchase agreements	96,323	1,022,185	2,664,629	-	-	188,167	-	3,971,304
Bills and acceptances payable	123	2,199	13,312	9,738	8	-	128,039	153,419
Lease liabilities	-	5,352	10,699	16,016	32,146	261,152	-	325,365
Other liabilities	4,686,301	165,717	27,870	675	2,313	432,107	77,876	5,392,859
Derivative financial instruments	37,525	75,209	136,779	120,058	63,842	1,278,332	-	1,711,745
Recourse obligation on loans sold to Cagamas	-	-	2,216	300,572	-	200,010	-	502,798
Tier 2 subordinated bonds	-	-	-	2,236	499,970	1,000,000	-	1,502,206
Multi-currency Additional Tier 1 Capital Securities	-	-	4,862	408,628	-	1,302,205	-	1,715,695
Taxation	-	-	-	-	-	-	272,986	272,986
Total liabilities	75,571,290	25,713,787	29,270,387	14,171,791	17,060,181	13,464,764	478,901	175,731,101
Total equity	-	-	-	-	-	-	22,398,731	22,398,731
Total liabilities and equity	75,571,290	25,713,787	29,270,387	14,171,791	17,060,181	13,464,764	22,877,632	198,129,832
Net liquidity gap	(59,004,318)	(12,660,895)	(20,811,244)	(11,019,887)	(15,484,875)	132,173,837	9,206,113	22,398,731

Notes to the Financial Statements

for the financial year ended 30 June 2022

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

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

for the financial year ended 30 June 2022

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 2022					
	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	61,324,074	40,555,516	48,187,735	47,439,915	2,834,423	200,341,663
Investment accounts of customers	518,105	1,125,721	1,076,127	-	-	2,719,953
Deposits and placements of banks and other financial institutions	3,230,023	1,058,963	592,906	1,062,663	516,938	6,461,493
Obligations on securities sold under repurchase agreements	1,119,639	2,670,623	-	-	-	3,790,262
Bills and acceptances payable	211,666	-	-	-	-	211,666
Lease liabilities	4,214	8,462	36,573	148,353	44,168	241,770
Other liabilities	5,443,980	434	1,019	183	-	5,445,616
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(8,421,523)	(4,750,485)	(4,486,715)	(2,728,214)	(113,232)	(20,500,169)
- Outflow	8,535,963	4,872,766	4,614,467	2,877,443	118,371	21,019,010
- Net settled derivatives	(488)	51,544	283,664	876,692	93,925	1,305,337
Recourse obligation on loans sold to Cagamas	10,498	376,820	626,213	691,934	-	1,705,465
Tier 2 subordinated bonds	-	-	541,420	1,016,966	-	1,558,386
Multi-currency Additional Tier 1 Capital Securities	-	9,518	459,757	1,479,241	-	1,948,516
Total financial liabilities	71,976,151	45,979,882	51,933,166	52,865,176	3,494,593	226,248,968

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 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

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for the financial year ended 30 June 2022

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 2022					
	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	46,778,161	28,772,826	38,603,368	40,991,923	2,732,512	157,878,790
Deposits and placements of banks and other financial institutions	2,134,065	1,204,299	415,435	1,062,663	494,965	5,311,427
Obligations on securities sold under repurchase agreements	1,119,639	2,670,623	-	-	-	3,790,262
Bills and acceptances payable	128,039	-	-	-	-	128,039
Lease liabilities	6,453	12,849	56,979	240,228	47,762	364,271
Other liabilities	5,149,518	377	871	157	-	5,150,923
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(7,746,259)	(4,530,206)	(4,420,749)	(2,728,214)	(113,232)	(19,538,660)
- Outflow	7,853,191	4,649,024	4,547,576	2,877,443	118,371	20,045,605
- Net settled derivatives	(488)	51,895	280,834	860,106	92,590	1,284,937
Recourse obligation on loans sold to Cagamas	-	2,763	308,099	208,358	-	519,220
Tier 2 subordinated bonds	-	-	541,420	1,016,966	-	1,558,386
Multi-currency Additional Tier 1 Capital Securities	-	9,518	459,757	1,479,241	-	1,948,516
Total financial liabilities	55,422,319	32,843,968	40,793,590	46,008,871	3,372,968	178,441,716

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 presents the contractual expiry by maturity of the Group's and Bank's commitments and contingencies:

	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
The Group			
2022			
Direct credit substitutes	**136,903**	**200**	**137,103**
Short-term self liquidating trade related contingencies	**607,327**	**-**	**607,327**
Irrevocable commitments to extend credit	**23,913,907**	**17,538,803**	**41,452,710**
Unutilised credit card lines	**7,090,121**	**-**	**7,090,121**
Total commitments and contingencies	**31,748,258**	**17,539,003**	**49,287,261**
2021			
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
The Bank			
2022			
Direct credit substitutes	**128,877**	**200**	**129,077**
Short-term self liquidating trade related contingencies	**561,722**	**-**	**561,722**
Irrevocable commitments to extend credit	**19,450,920**	**12,942,713**	**32,393,633**
Unutilised credit card lines	**7,090,121**	**-**	**7,090,121**
Total commitments and contingencies	**27,231,640**	**12,942,913**	**40,174,553**
2021			
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

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	
	2022 RM'000	**2021 RM'000**
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	**5,561,508**	2,174,284
Financial assets and investments portfolios (exclude shares):		
- Financial investments at FVOCI	**26,112,917**	34,381,144
- Financial investments at amortised cost	**32,358,414**	23,634,907
Loans, advances and financing	**166,487,621**	154,070,707
Other assets	**2,067,938**	1,861,066
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	**49,287,261**	52,251,801
Total maximum credit risk exposure that are subject to impairment	**281,875,659**	268,373,909

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for the financial year ended 30 June 2022

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

	The Bank	
	2022 RM'000	2021 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	**6,935,424**	2,878,266
Financial assets and investments portfolios (exclude shares):		
- Financial investments at FVOCI	**22,333,135**	30,395,787
- Financial investments at amortised cost	**23,144,545**	16,558,726
Loans, advances and financing	**126,745,536**	119,085,694
Other assets	**1,574,322**	1,772,380
Amount due from subsidiaries	**91,110**	15,870
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	**40,174,553**	41,706,921
Total maximum credit risk exposure that are subject to impairment	**220,998,625**	212,413,644

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial assets at FVTPL (exclude shares and wholesale funds)	**2,942,548**	2,834,214	**2,534,818**	2,615,947
Derivative assets	**1,863,300**	1,005,249	**1,776,371**	983,205
	4,805,848	3,839,463	**4,311,189**	3,599,152

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 2022 amounted to RM94,440,000 (2021: RM117,720,000) and RM90,227,000 (2021: RM114,054,000) 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 87.35% (2021: 86.50%) and 86.04% (2021: 86.10%) 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 2022 for the Group and the Bank is 76.19% (2021: 88.64%) and 75.77% (2021: 88.77%) 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.

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 are under closer monitoring.
No rating	Obligors which are currently not assigned with 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 exposed 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	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)				
Sovereign	1,852,125	-	-	1,852,125
Investment grade	3,188,748	-	-	3,188,748
Non-investment grade	520,984	-	-	520,984
Gross carrying amount	5,561,857	-	-	5,561,857
Expected credit losses	(349)	-	-	(349)
Net carrying amount	5,561,508	-	-	5,561,508
Financial investments at FVOCI				
Sovereign	18,181,504	-	-	18,181,504
Investment grade	7,882,636	-	-	7,882,636
Non-investment grade	48,777	-	-	48,777
Gross carrying amount	26,112,917	-	-	26,112,917
Expected credit losses	(1,729)	-	-	(1,729)
Financial investments at amortised cost				
Sovereign	31,817,634	-	-	31,817,634
Investment grade	540,848	-	-	540,848
Gross carrying amount	32,358,482	-	-	32,358,482
Expected credit losses	(68)	-	-	(68)
Net carrying amount	32,358,414	-	-	32,358,414
Loans, advances and financing				
Good	130,843,774	188,273	-	131,032,047
Adequate	20,086,074	1,767,203	-	21,853,277
Marginal	-	14,525,676	-	14,525,676
No rating	514	2,761	-	3,275
Credit impaired	-	-	819,750	819,750
Gross carrying amount	150,930,362	16,483,913	819,750	168,234,025
Expected credit losses	(976,919)	(423,876)	(335,647)	(1,736,442)
Others *	(9,962)	-	-	(9,962)
Net carrying amount	149,943,481	16,060,037	484,103	166,487,621

* 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	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2021				
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	126,274,736	279,231	-	126,553,967
Adequate	19,104,158	1,866,128	-	20,970,286
Marginal	-	7,578,374	-	7,578,374
No rating	408	1,767	-	2,175
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 Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)				
Sovereign	1,331,584	-	-	1,331,584
Investment grade	4,582,646	-	-	4,582,646
Non-investment grade	1,026,281	-	-	1,026,281
Gross carrying amount	6,940,511	-	-	6,940,511
Expected credit losses	(5,087)	-	-	(5,087)
Net carrying amount	6,935,424	-	-	6,935,424
Financial investments at FVOCI				
Sovereign	14,434,565	-	-	14,434,565
Investment grade	7,849,793	-	-	7,849,793
Non-investment grade	48,777	-	-	48,777
Gross carrying amount	22,333,135	-	-	22,333,135
Expected credit losses	(1,724)	-	-	(1,724)
Financial investments at amortised cost				
Sovereign	22,816,933	-	-	22,816,933
Investment grade	327,612	-	-	327,612
Gross carrying amount	23,144,545	-	-	23,144,545
Expected credit losses	-	-	-	-
Net carrying amount	23,144,545	-	-	23,144,545
Loans, advances and financing				
Good	101,082,322	161,583	-	101,243,905
Adequate	14,221,242	1,269,270	-	15,490,512
Marginal	-	10,668,856	-	10,668,856
No rating	-	2,631	-	2,631
Credit impaired	-	-	647,646	647,646
Gross carrying amount	115,303,564	12,102,340	647,646	128,053,550
Expected credit losses	(745,735)	(296,203)	(259,157)	(1,301,095)
Others *	(6,919)	-	-	(6,919)
Net carrying amount	114,550,910	11,806,137	388,489	126,745,536

* 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	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2021				
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	98,103,646	218,221	-	98,321,867
Adequate	14,324,833	1,644,955	-	15,969,788
Marginal	-	5,525,744	-	5,525,744
No rating	-	1,666	-	1,666
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.

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 2022									
	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	-	24,365	41,252	-	3,161,634	-	-	3,227,251	1,104,840	6,625
Mining and quarrying	-	-	-	-	126,477	-	-	126,477	77,169	-
Manufacturing	-	-	-	-	14,120,195	-	-	14,120,195	7,817,397	315,298
Electricity, gas and water	-	15,418	1,826,396	431,237	720,058	-	-	2,993,109	246,455	10,224
Construction	-	10,195	287,553	160,904	4,954,202	-	-	5,412,854	3,507,501	30,853
Wholesale and retail	-	-	31,847	-	15,666,440	-	-	15,698,287	7,003,440	251,317
Transport, storage and communications	-	-	118,864	-	5,271,899	-	-	5,390,763	1,390,757	2,406
Finance, insurance, real estate and business services	3,709,383	172,153	9,044,626	1,122,291	14,112,171	2,066,385	1,863,300	32,090,309	3,199,487	72,841
Government and government agencies	1,852,125	2,720,417	14,762,379	30,643,982	-	1,553	-	49,980,456	-	46,795
Education, health and others	-	-	-	-	1,714,066	-	-	1,714,066	524,211	3,843
Household	-	-	-	-	106,595,675	-	-	106,595,675	23,669,416	3,004
Others	-	-	-	-	44,804	-	-	44,804	2,158	1,224
	5,561,508	2,942,548	26,112,917	32,358,414	166,487,621	2,067,938	1,863,300	237,394,246	48,542,831	744,430

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 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

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 2022										
	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	-	24,365	41,252	-	1,693,048	-	-	-	1,758,665	822,576	5,551
Mining and quarrying	-	-	-	-	95,998	-	-	-	95,998	63,816	-
Manufacturing	-	-	-	-	10,655,006	-	-	-	10,655,006	6,330,689	288,354
Electricity, gas and water	-	15,418	1,800,892	264,181	296,288	-	-	-	2,376,779	129,499	10,224
Construction	-	10,195	287,553	160,904	3,911,381	-	-	-	4,370,033	2,765,794	25,451
Wholesale and retail	-	-	31,847	-	12,039,302	-	-	-	12,071,149	5,569,259	238,980
Transport, storage and communications	-	-	118,864	-	4,761,090	-	-	-	4,879,954	1,165,014	2,406
Finance, insurance, real estate and business services	5,603,840	163,056	8,765,571	873,690	10,801,366	1,572,776	91,110	1,776,371	29,647,780	2,423,438	70,284
Government and government agencies	1,331,584	2,321,784	11,287,156	21,845,770	-	1,546	-	-	36,787,840	-	46,795
Education, health and others	-	-	-	-	891,452	-	-	-	891,452	331,214	-
Household	-	-	-	-	81,566,321	-	-	-	81,566,321	19,880,969	2,754
Others	-	-	-	-	34,284	-	-	-	34,284	1,486	-
	6,935,424	2,534,818	22,333,135	23,144,545	126,745,536	1,574,322	91,110	1,776,371	185,135,261	39,483,754	690,799

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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 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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(v) Repossessed collaterals

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Industrial and residential properties, lands and automobiles	**352,321**	315,415	**274,467**	246,421

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 RM418.9 million (2021: RM319.9 million) for the Group and RM173.1 million (2021: RM251.3 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 in the statements of income 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.

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 RM3,546.8 million (2021: RM1,012.8 million) and RM2,395.3 million (2021: RM683.5 million) respectively.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(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

		The Group RM'000	The Bank RM'000
2022	**Changes**		
Private consumption	+/- 100 bps		
House price index	+/- 100 bps		
Unemployment rate	+/- 200 bps		
Total decrease in ECL on the positive changes in key variables		**(4,561)**	**(4,486)**
Total increase in ECL on the negative changes in key variables		**566**	**405**
2021	**Changes**		
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

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

		The Group RM'000	The Bank RM'000
2022	**Changes**		
Banking system credit	+/- 100 bps		
Gross domestic product	+/- 100 bps		
Total decrease in ECL on the positive changes in key variables		**(5,513)**	**(4,253)**
Total increase in ECL on the negative changes in key variables		**3,448**	**2,386**
2021	**Changes**		
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

(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, ECL overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL of loans, advances and financing for the financial year ended 30 June 2022.

These ECL overlays and post-model adjustments reflect the latest macroeconomic outlook and the potential impact to delinquencies and defaults when the various relief and support measures expire in the future.

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 assistance from the Group 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 and includes potential impact from the Russia-Ukraine conflict. As at 30 June 2022, the impact of these overlays and post-model adjustments continues to remain outside the MFRS 9 ECL Model. The ECL overlays amounted to RM628.5 million (2021: RM812.2 million) and RM475.4 million (2021: RM631.2 million) at the Group and the Bank respectively. During the year management has made reallocation of these ECL overlays to the respective business units, namely Business & Corporate Banking and Personal Financial Services.

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 2022 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets at FVTPL				
- Money market instrument	-	2,679,155	-	2,679,155
- Quoted securities	3,998,469	-	-	3,998,469
- Unquoted securities	-	211,238	355,620	566,858
Financial investments at FVOCI				
- Money market instrument	-	15,590,971	-	15,590,971
- Quoted securities	2,890,212	-	-	2,890,212
- Unquoted securities	-	7,631,734	83,386	7,715,120
Derivative financial instruments	9,909	1,748,589	104,802	1,863,300
	6,898,590	27,861,687	543,808	35,304,085
Financial Liabilities				
Derivative financial instruments	104	1,633,224	103,510	1,736,838
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,065,393	-	2,065,393
	104	3,698,617	103,510	3,802,231

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 (2021: RM Nil).

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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 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

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 2022 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets at FVTPL				
- Money market instrument	-	2,382,288	-	2,382,288
- Quoted securities	4,093,382	-	-	4,093,382
- Unquoted securities	-	109,472	355,620	465,092
Financial investments at FVOCI				
- Money market instrument	-	12,182,344	-	12,182,344
- Quoted securities	2,890,212	-	-	2,890,212
- Unquoted securities	-	7,260,579	83,386	7,343,965
Derivative financial instruments	9,909	1,661,660	104,802	1,776,371
	6,993,503	23,596,343	543,808	31,133,654
Financial Liabilities				
Derivative financial instruments	104	1,608,131	103,510	1,711,745
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,983,878	-	1,983,878
	104	3,592,009	103,510	3,695,623

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 (2021: RM Nil).

Notes to the Financial Statements

for the financial year ended 30 June 2022

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

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
2022				
At 1 July	**348,869**	**69,094**	**76,913**	**76,913**
Fair value changes recognised in statements of income	**6,751**	**-**	**28,076**	**28,076**
Net fair value changes recognised in other comprehensive income	**-**	**14,292**	**-**	**-**
Purchases	**-**	**-**	**2,155**	**863**
Settlements	**-**	**-**	**(2,342)**	**(2,342)**
At 30 June	**355,620**	**83,386**	**104,802**	**103,510**
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2022	**6,751**	**-**	**28,076**	**28,076**
Total gain recognised in other comprehensive income relating to assets held on 30 June 2022	**-**	**14,292**	**-**	**-**

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 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	-	-

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 Liability
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
2022				
At 1 July	348,869	69,094	76,913	76,913
Fair value changes recognised in statements of income	6,751	-	28,076	28,076
Net fair value changes recognised in other comprehensive income	-	14,292	-	-
Purchases	-	-	2,155	863
Settlements	-	-	(2,342)	(2,342)
At 30 June	355,620	83,386	104,802	103,510
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2022	6,751	-	28,076	28,076
Total gain recognised in other comprehensive income relating to assets held on 30 June 2022	-	14,292	-	-

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 Liability
	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	-	-

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)

	The Group and the Bank					
Description	**Fair Value assets RM'000**	**Fair value liabilities RM'000**	**Valuation technique(s)**	**Unobservable input**	**Range (weighted average)**	**Inter-relationship between significant unobservable inputs and fair value measurement**
2022						
Financial assets at FVTPL						
Unquoted shares	**355,620**	**-**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments at FVOCI						
Unquoted shares	**83,386**	**-**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	**104,802**	**(103,510)**	Monte Carlo Simulation	Equity volatility	7% to 121%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity / FX Correlation between underliers	-16% to 16%	An increase in correlation, would generally result in a higher fair value measurement and vice versa
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 underliers	-19% to -25%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

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
2022			
Financial assets			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	**271**
		-10%	**(355)**
	Equity / FX	+10%	**35**
	Correlation	-10%	**121**
	Total*		**72**
Financial liabilities			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	**(271)**
		-10%	**355**
	Equity / FX	+10%	**(35)**
	Correlation	-10%	**(121)**
	Total*		**(72)**

* 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
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.

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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:

	2022		2021	
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	**28,415,374**	**28,758,328**	18,436,682	18,428,075
- Quoted securities	**62,174**	**61,526**	881,763	864,795
- Unquoted securities	**3,880,866**	**3,887,721**	4,316,462	4,347,253
Loans, advances and financing	**166,487,621**	**167,410,862**	154,070,707	154,932,507
	198,846,035	**200,118,437**	177,705,614	178,572,630
Financial Liabilities				
Deposits from customers				
- At amortised cost	**195,227,066**	**194,983,213**	181,931,273	181,840,668
Recourse obligation on loans sold to Cagamas	**1,623,937**	**1,808,376**	1,033,839	1,066,933
Tier 2 subordinated bonds	**1,502,206**	**1,508,555**	1,502,340	1,552,412
Multi-currency Additional Tier 1 capital securities	**1,715,695**	**1,718,931**	806,390	835,490
	200,068,904	**200,019,075**	185,273,842	185,295,503
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	**20,431,846**	**20,715,391**	12,751,590	12,768,073
- Quoted securities	**62,174**	**61,526**	881,808	864,840
- Unquoted securities	**2,650,525**	**2,657,914**	2,925,328	2,948,130
Loans, advances and financing	**126,745,536**	**127,424,444**	119,085,694	119,596,705
	149,890,081	**150,859,275**	135,644,420	136,177,748
Financial Liabilities				
Deposits from customers				
- At amortised cost	**153,023,426**	**152,760,886**	143,089,933	142,978,141
Recourse obligation on loans sold to Cagamas	**502,798**	**695,926**	300,572	303,617
Tier 2 subordinated bonds	**1,502,206**	**1,508,555**	1,502,340	1,552,412
Multi-currency Additional Tier 1 capital securities	**1,715,695**	**1,718,931**	806,390	835,490
	156,744,125	**156,684,298**	145,699,235	145,669,660

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 2022 but for which fair value is disclosed:

	2022			
	Carrying Amount RM'000	Fair Value Level 1 RM'000	Fair Value Level 2 RM'000	Fair Value Level 3 RM'000
The Group				
Financial Assets				
Financial investments at amortised cost				
- Money market	28,415,374	-	28,758,328	-
- Quoted securities	62,174	-	61,526	-
- Unquoted securities	3,880,866	-	3,887,721	-
Loans, advances and financing	166,487,621	-	167,410,862	-
	198,846,035	-	200,118,437	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	195,227,066	-	194,988,774	-
Recourse obligation on loans sold to Cagamas	1,623,937	-	1,808,376	-
Tier 2 subordinated bonds	1,502,206	-	1,508,555	-
Multi-currency Additional Tier 1 capital securities	1,715,695	-	1,718,931	-
	200,068,904	-	200,024,636	-
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	20,431,846	-	20,715,391	-
- Quoted securities	62,174	-	61,526	-
- Unquoted securities	2,650,525	-	2,657,914	-
Loans, advances and financing	126,745,536	-	127,424,444	-
	149,890,081	-	150,859,275	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	153,023,426	-	152,760,886	-
Recourse obligation on loans sold to Cagamas	502,798	-	695,926	-
Tier 2 subordinated bonds	1,502,206	-	1,508,555	-
Multi-currency Additional Tier 1 capital securities	1,715,695	-	1,718,931	-
	156,744,125	-	156,684,298	-

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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 Amount RM'000	Fair Value Level 1 RM'000	Fair Value Level 2 RM'000	Fair Value Level 3 RM'000
The Group				
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	-	1,552,412	-
Multi-currency Additional Tier 1 capital securities	806,390	-	835,490	-
	185,273,842	-	185,295,503	-
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	-	1,552,412	-
Multi-currency Additional Tier 1 capital securities	806,390	-	835,490	-
	145,699,235	-	145,669,660	-

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 of 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.

Subordinated obligations and capital securities

The fair value of subordinated obligations and capital securities are based on quoted market prices where available.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value methodologies and assumptions (continued)

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.

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 2022										
Financial assets										
Derivatives/financial instruments	1,863,300	1,863,300	(908,870)	(146,644)	807,786	1,776,371	1,776,371	(904,000)	(146,644)	725,727
Total	1,863,300	1,863,300	(908,870)	(146,644)	807,786	1,776,371	1,776,371	(904,000)	(146,644)	725,727
Financial liabilities										
Derivatives/financial instruments	1,736,838	1,736,838	(908,870)	(567,124)	260,844	1,711,745	1,711,745	(904,000)	(567,124)	240,621
Obligations on securities sold under repurchase agreements	3,971,304	3,971,304	(2,755,310)	-	1,215,994	3,971,304	3,971,304	(2,755,310)	-	1,215,994
Total	5,708,142	5,708,142	(3,664,180)	(567,124)	1,476,838	5,683,049	5,683,049	(3,659,310)	(567,124)	1,456,615

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 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

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 2.5% of total risk-weighted assets ("RWA"). The CCyB, which could range from 0% up to 2.5%, 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 7.0%, 8.5% and 10.5% respectively.

On 5 July 2021 BNM issued a letter on enhancements to the existing financing facilities under the BNM's Fund for SMEs and increased the allocation of the PEMERKASA+ and PEMULIH facilities. These enhancements were announced in order to provide further relief and support recovery of affected SMEs. BNM has earlier 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. The Bank has provided assistance to borrowers that required assistance during the pandemic period.

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 2.5%; (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 for banks as it was deemed not required due to HLB's assessment of its financial and portfolio profile.

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	
	2022	**2021**	**2022**	**2021**
Before deducting proposed dividends				
CET I capital ratio	**13.935%**	14.030%	**13.912%**	13.911%
Tier I capital ratio	**15.050%**	14.561%	**14.999%**	14.245%
Total capital ratio	**17.176%**	16.703%	**17.051%**	16.301%
After deducting proposed dividends				
CET I capital ratio	**13.428%**	13.552%	**13.266%**	13.307%
Tier I capital ratio	**14.543%**	14.083%	**14.353%**	13.642%
Total capital ratio	**16.669%**	16.224%	**16.404%**	15.697%

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CET I capital				
Share capital	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Retained profits	**22,727,982**	20,751,376	**15,120,482**	14,139,555
Other reserves	**592,754**	1,217,660	**(283,282)**	366,088
Less: Treasury shares	**(713,690)**	(719,030)	**(713,690)**	(719,030)
Less: Deferred tax assets	**(528,771)**	(275,670)	**(403,666)**	(183,513)
Less: Other intangible assets	**(304,749)**	(242,317)	**(269,645)**	(218,277)
Less: Goodwill	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)
Less: Investment in subsidiary companies/associated companies	**(6,455,474)**	(5,501,542)	**(2,794,291)**	(2,725,221)
Total CET I capital	**21,225,803**	21,138,228	**16,623,424**	16,627,118
Additional Tier I capital				
Multi-currency Additional Tier 1 capital securities	**1,698,839**	799,785	**1,698,839**	799,785
Additional Tier I capital before regulatory adjustments	**1,698,839**	799,785	**1,698,839**	799,785
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	**-**	-	**(400,000)**	(400,000)
Additional Tier I capital after regulatory adjustments	**1,698,839**	799,785	**1,298,839**	399,785
Total Tier I capital	**22,924,642**	21,938,013	**17,922,263**	17,026,903
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves #	**1,738,471**	1,726,493	**1,350,820**	1,356,795
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	**3,238,441**	3,226,463	**2,450,790**	2,456,765
Total capital	**26,163,083**	25,164,476	**20,373,053**	19,483,668

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM643,141,000 (2021: RM412,709,000) and RM536,432,000 (2021: RM387,677,000) respectively.

51 CAPITAL ADEQUACY (CONTINUED)

(c) The breakdown of RWA by each major risk category is as follows:

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Credit risk *	**139,077,644**	138,119,456	**108,065,582**	108,543,591
Market risk	**3,917,894**	3,778,671	**3,934,497**	3,895,661
Operational risk	**9,327,630**	8,761,958	**7,485,705**	7,087,877
Total RWA	**152,323,168**	150,660,085	**119,485,784**	119,527,129

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM1,899,820,000 (2021: RM847,370,000) is excluded from the calculation of capital adequacy ratio of the Group.

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	2022	2021
Before deducting proposed dividends		
CET I capital ratio	**11.176%**	11.133%
Tier I capital ratio	**12.550%**	12.535%
Total capital ratio	**15.101%**	15.112%
After deducting proposed dividends		
CET I capital ratio	**11.176%**	11.133%
Tier I capital ratio	**12.550%**	12.535%
Total capital ratio	**15.101%**	15.112%

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 and Associates. 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
2022							
Revenue							
- external	2,918,509	1,107,574	1,240,295	358,549	371,236	(398,755)	5,597,408
- inter-segment ^	(83,039)	381,506	(558,977)	-	260,510	-	-
Segment revenue	2,835,470	1,489,080	681,318	358,549	631,746	(398,755)	5,597,408
Overhead expenses of which:	(1,329,780)	(373,323)	(120,314)	(243,938)	(17,863)	(13,158)	(2,098,376)
Depreciation of property and equipment	44,772	5,348	3,437	6,107	61,700	135	121,499
Amortisation of intangible assets	8,899	3,122	2,051	12,130	27,760	-	53,962
Written back of/(allowance) for impairment losses on loans, advances and financing	24,545	(198,875)	-	(5,993)	18,482	(1,733)	(163,574)
Written back of impairment losses on financial investments and other assets	-	-	280	26	-	545	851
Share of results of associated companies	-	-	-	1,030,491	-	-	1,030,491
Segment results	1,530,235	916,882	561,284	1,139,135	632,365	(413,101)	4,366,800
Taxation							(1,077,517)
Net profit for the financial year							3,289,283
Segment assets	109,645,119	46,241,725	71,619,480	19,376,615	-	-	246,882,939
Unallocated assets							7,448,438
Total assets							254,331,377
Segment liabilities	106,909,492	52,396,000	39,316,576	18,273,006	-	-	216,895,074
Unallocated liabilities							6,447,327
Total liabilities							223,342,401
Other significant segment items							
Capital expenditure	43,504	24,091	5,705	24,581	53,239	-	151,120

^ 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

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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.

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	Non-current assets RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
2022					
Malaysia	**5,238,859**	**3,323,753**	**234,954,762**	**205,069,395**	**126,539**
Overseas operations	**358,549**	**6,590,106**	**19,376,615**	**18,273,006**	**24,581**
	5,597,408	**9,913,859**	**254,331,377**	**223,342,401**	**151,120**
2021					
Malaysia	5,164,528	3,388,543	220,785,314	192,426,290	113,038
Overseas operations	302,345	5,599,142	16,343,926	15,243,836	32,006
	5,466,873	8,987,685	237,129,240	207,670,126	145,044

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 2 August 2021, the Bank announced that the liquidator of HL Bank Nominees (Singapore) Pte. Ltd. ("HL Bank Nominees"), a wholly-owned subsidiary of HLB in Singapore had convened the final meeting to conclude the member's voluntary winding-up of HL Bank Nominees. The Returns by Liquidator Relating to Final Meeting of HL Bank Nominees were lodged with the Accounting and Corporate Regulatory Authority (ACRA) and the Official Receiver on 2 August 2021. HL Bank Nominees was dissolved on 2 November 2021.

(b) On 19 January 2022, the Bank announced that the liquidator of EB Nominees (Asing) Sendirian Berhad ("EB Nominees (Asing)"), a wholly-owned subsidiary of HLB had convened the final meeting to conclude the member's voluntary winding-up of EB Nominees (Asing). The Returns by Liquidator Relating to Final Meeting of EB Nominees (Asing) were lodged with the Companies Commission of Malaysia and the Official Receiver on 19 January 2022. EB Nominees (Asing) was dissolved on 19 April 2022.

(c) On 29 April 2022, the Bank issued a nominal value of RM900.0 million Basel III-compliant Additional Tier 1 Green capital securities ("Green Capital Securities"), pursuant to its multi-currency Additional Tier 1 capital securities programme. The Green Capital Securities carry a distribution rate of 4.45% per annum and are perpetual and non-callable for 5 years with an Issuer's call option to redeem at the end of year 5. Proceeds from the issuance of the Green Capital Securities shall be utilised for purposes that meet the criteria as set out in the HLB Green Bond Framework, which was established by HLB on 20 February 2022 and revised in April 2022 (as may be amended, revised and/or substituted from time to time) in accordance with the ASEAN Green Bond Standards issued by the ASEAN Capital Markets Forum in November 2017 and revised in October 2018 and the Green Bond Principles issued by the International Capital Market Association in June 2021.

(d) Pursuant to Section 247(3) of the Companies Act 2016, the Companies Commission of Malaysia had granted its approval for HLBCAM, a wholly-owned subsidiary of the Bank incorporated in the Kingdom of Cambodia, to have a different financial year end from its holding company. The financial year end of HLBCAM is 31 December as required under the Prakas on Annual Audit of Financial Statement of Banks and Financial Institutions issued by the National Bank of Cambodia.

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.

55 EQUITY COMPENSATION BENEFITS

Executive Share Scheme

The Bank has concurrently established and implemented two (2) Executive Share Schemes, namely Executive Share Scheme 2013 and Executive Share Scheme 2022.

(a) Executive Share Scheme 2013 ("ESS 2013")

The ESS 2013 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 2013 ("ESOS 2013") and the Executive Share Grant Scheme 2013 ("ESGS 2013").

The main features of the ESS 2013 are, inter alia, as follows:

1. Eligible executives are persons as defined by the ESS 2013 Bye-Laws.

2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Bank in the annual general meeting held on 23 October 2013 and 25 October 2012. The Board, as defined by the ESS 2013 Bye-Laws, may from time to time at its absolute discretion select and identify suitable eligible executives to be offered options or grants.

3. At any point of time during the existence of the ESS 2013, the aggregate number of shares comprised in the options and grants under the ESS 2013 and any other executive share schemes established by the 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 2013 or the vesting of shares under the ESGS 2013 may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESS; or a combination of both new shares and existing shares.

(i) ESOS 2013

The ESOS 2013 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 2013.

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

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS 2013 (continued)

(i) ESOS 2013 (continued)

The main features of the ESOS 2013 are, inter alia, as follows:

1. The option price for the options to be granted under the ESOS 2013 shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day volume weighted average market price of the shares of the Bank preceding the date of offer as defined by the ESS Bye-Laws.

2. The options granted to an option holder under the ESOS 2013 is exercisable by the option holder during his employment or directorship with the HLB Group and upon meeting the vesting conditions of each ESOS 2013 plan 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 2022, Nil (2021: Nil) share options have been granted under the ESOS 2013 with Nil (2021: 11,966,502) options remain outstanding.

The ordinary share options of the Bank granted under the ESOS 2013 that are still outstanding for the financial year ended 30 June 2022 is as follows:

(A) 37,550,000 share options at an exercise price of RM14.24 (adjusted to RM13.77 following the completion of the Rights Issue):

2022 Grant date	Expiry date	As at 1-Jul-21	Adjustment for rights issue	Forfeited	Exercised	Outstanding As at 30-Jun-22	Exercisable As at 30-Jun-22
2 April 2015	28 July 2021	**66,502**	**-**	**-**	**(66,502)**	**-**	**-**
		66,502	**-**	**-**	**(66,502)**	**-**	**-**

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	-

On 30 November 2015 ("modified grant date"), the options exercise price was adjusted and an additional share options of 782,657 were granted to option holders arising from the completion of the Rights Issue, in accordance with the provisions of the Bye-Laws.

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS 2013 (continued)

(i) ESOS 2013 (continued)

The ordinary share options of the Bank granted under the ESOS 2013 that are still outstanding for the financial year ended 30 June 2022 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:

	2022		2021	
	Before Rights Issue	After Rights Issue	Before Rights Issue	After Rights Issue
Fair value of share options (RM)	-	-	1.48	1.64
Share price at grant date/modified grant date (RM)	-	-	14.30	13.56
Exercise price (RM)	-	-	14.24	13.77
Weighted average option life at grant date/ modified grant date (Years)	-	-	1.27	1.13
Expected volatility (%)	-	-	11.74	12.21
Weighted average dividend yield (%)	-	-	0.67	0.70
Weighted average risk free rate (%)	-	-	0.78	0.82

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.

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS 2013 (continued)

(i) ESOS 2013 (continued)

The ordinary share options of the Bank granted under the ESOS 2013 that are still outstanding for the financial year ended 30 June 2022 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:

	2022	2021
	After Rights Issue	After Rights Issue
Fair value of share options (RM)	-	1.22
Share price at grant date/modified grant date (RM)	-	13.56
Exercise price (RM)	-	13.77
Weighted average option life at grant date (Years)	-	1.13
Expected volatility (%)	-	12.21
Weighted average dividend yield (%)	-	0.70
Weighted average risk free rate (%)	-	0.82

(B) 22,750,000 share options at an exercise price of RM16.46:

2022						Outstanding	Exercisable
Grant date	Expiry date	As at 1-Jul-21	Granted	Forfeited	Exercised	As at 30-Jun-22	As at 30-Jun-22
15 December 2017	31 August 2021	**4,760,000**	**-**	**(4,760,000)**	-	-	-
15 December 2017	31 August 2022	**4,760,000**	**-**	**(4,760,000)**	-	-	-
15 December 2017	31 August 2023	**2,380,000**	**-**	**(2,380,000)**	-	-	-
		11,900,000	**-**	**(11,900,000)***	-	-	-

2021						Outstanding	Exercisable
Grant date	Expiry date	As at 1-Jul-20	Granted	Forfeited	Exercised	As at 30-Jun-21	As at 30-Jun-21
15 December 2017	31 August 2021	5,320,000	-	(560,000)	-	4,760,000	-
15 December 2017	31 August 2022	5,320,000	-	(560,000)	-	4,760,000	-
15 December 2017	31 August 2023	2,660,000	-	(280,000)	-	2,380,000	-
		13,300,000	-	(1,400,000)	-	11,900,000	-

* During the financial year ended 30 June 2022, a total of 11,900,000 options were forfeited and in lieu converted to 1,292,356 ordinary shares under ESGS 2013.

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS 2013 (continued)

(ii) ESGS 2013

The ESGS 2013 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 2013.

The ESGS 2013 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 2013 will be vested to the grant holder only during his employment or directorship with the HLB Group and subject to any other terms and conditions as may be determined by the Board.

(A) 267,379 ordinary shares at date of grant:

2021						Outstanding	Exercisable
Grant date	Vesting date	As at 1-Jul-20	Granted	Forfeited	Transferred	As at 30-Jun-21	As at 30-Jun-21
3 December 2018	31 January 2021	133,690	-	-	(133,690)	-	-

(B) 250,514 ordinary shares at date of grant:

2022						Outstanding	Exercisable
Grant date	Vesting date	As at 1-Jul-21	Granted	Forfeited	Transferred	As at 30-Jun-22	As at 30-Jun-22
8 January 2020	31 July 2021	**115,254**	**-**	**(167)**	**(115,087)**	**-**	**-**

2021						Outstanding	Exercisable
Grant date	Vesting date	As at 1-Jul-20	Granted	Forfeited	Transferred	As at 30-Jun-21	As at 30-Jun-21
8 January 2020	31 January 2021	120,384	-	(4,936)	(115,448)	-	-
8 January 2020	31 July 2021	120,384	-	(5,130)	-	115,254	-
		240,768	-	(10,066)	(115,448)	115,254	-

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS 2013 (continued)

(ii) ESGS 2013 (continued)

(C) 228,728 ordinary shares at date of grant:

2022 Grant date	Vesting date	As at 1-Jul-21	Granted	Forfeited	Transferred	Outstanding As at 30-Jun-22	Exercisable As at 30-Jun-22
15 January 2021	31 January 2022	**114,300**	**-**	**(1,739)**	**(112,561)**	**-**	**-**
15 January 2021	31 July 2022	**114,300**	**-**	**(1,900)**	**-**	**112,400**	**-**
		228,600	**-**	**(3,639)**	**(112,561)**	**112,400**	**-**

2021 Grant date	Vesting date	As at 1-Jul-20	Granted	Forfeited	Transferred	Outstanding As at 30-Jun-21	Exercisable As at 30-Jun-21
15 January 2021	31 January 2022	-	114,364	(64)	-	114,300	-
15 January 2021	31 July 2022	-	114,364	(64)	-	114,300	-
		-	228,728	(128)	-	228,600	-

(D) 1,292,356 ordinary shares at date of grant:

2022 Grant date	Vesting date	As at 1-Jul-21	Granted	Forfeited	Transferred	Outstanding As at 30-Jun-22	Exercisable As at 30-Jun-22
3 November 2021	24 November 2021	**-**	**430,785**	**-**	**(430,785)**	**-**	**-**
3 November 2021	24 November 2022	**-**	**430,785**	**-**	**-**	**430,785**	**-**
3 November 2021	24 November 2023	**-**	**430,786**	**-**	**-**	**430,786**	**-**
		-	**1,292,356**	**-**	**(430,785)**	**861,571**	**-**

During the financial year ended 30 June 2022, an additional 1,292,356 ordinary shares have been granted on 3 November 2021 to eligible executives of the Bank in lieu of options.

During the financial year ended 30 June 2022, a total of 658,433 ordinary shares were vested and transferred pursuant to the Bank's ESGS 2013, 3,806 ordinary shares forfeited with 973,971 ordinary shares remain outstanding.

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(b) Executive Share Scheme 2022 ("ESS 2022")

The ESS 2022, which is governed by the bye-laws ("Bye-Laws"), entails the making of one (1) or more of the following offers to the Eligible Executives:

(i) option(s) under the ESOS which entitle an Eligible Executive who has accepted the offer ("Option Holder(s)") to acquire ordinary shares in HLB ("Shares") at an exercise price to be determined by the Board at its discretion ("Option Price") ("Option(s)"); and/or

(ii) grant(s) under the ESGS which entitle an Eligible Executive who has accepted the offer ("Grant Holder(s)") to receive Shares without any consideration payable by the Grant Holder ("Grant(s)").

The Board may at its discretion impose such vesting conditions (including financial and performance targets, the performance period and vesting period, if any) as it deems fit with the offer of the Options and/or Grants ("Offer(s)"). In determining whether to make an Option Offer and/or a Grant Offer, the Board may take into consideration various factors such as market practice, the quantum of the award, the length of the performance period and the performance targets.

In implementing the ESS 2022, it is the intention of the Bank to have the flexibility, at the absolute discretion of the Board, to enable the satisfaction of the Options and/or Grants through the following:

(i) transfer of existing Shares (other than treasury Shares); and/or

(ii) cash settlement pursuant to the Bye-Laws.

(E) 253,416 ordinary shares at date of grant:

2022						Outstanding	Exercisable
Grant date	Vesting date	As at 1-Jul-21	Granted	Forfeited	Transferred	As at 30-Jun-22	As at 30-Jun-22
21 March 2022	31 January 2023	-	126,708	-	-	126,708	-
21 March 2022	31 July 2023	-	126,708	-	-	126,708	-
		-	253,416	-	-	253,416	-

During the financial year ended 30 June 2022, an additional 253,416 ordinary shares have been granted on 21 March 2022 to eligible executives of the Bank.

During the financial year ended 30 June 2022, the Group and the Bank had recognised share-based compensation expense arising from ESS amounting to RM6.9 million (2021: RM13.7 million).

55 EQUITY COMPENSATION BENEFITS (CONTINUED)

(c) 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			
	2022		2021	
	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	**38,265**	**782,902**	38,990	729,893

56 IBOR REFORM

Following the financial crisis, the reform and replacement of benchmark interest rates such as Kuala Lumpur Interbank Offered Rate ("KLIBOR"), London Interbank Offered Rate denominated in USD ("USD LIBOR") and other inter-bank offered rates ("IBORs") has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group and the Bank have designated hedge relationships where hedged items and/or hedging instruments has reference to IBORs. The Group's and the Bank's risk exposure that is directly affected by the IBOR reform through its fair value hedges predominantly comprises exposures to KLIBOR and USD LIBOR. These fair value hedges are designated using interest rate swaps, for changes attributable to the respective current benchmark interest rates, which are MYR KLIBOR, Secured Overnight Financing Rate ("SOFR") and Singapore Overnight Rate Average ("SORA").

As part of the reforms noted above:

- BNM introduced the Malaysia Overnight Rate ("MYOR") as the new alternative reference rate, which will run in parallel with the existing KLIBOR, providing the market with the flexibility to choose either MYOR or KLIBOR as the reference rate for pricing of financial instruments. On 1 January 2023, BNM will discontinue the publication of the 2- and 12-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts. The remaining one-, three- and six-month KLIBOR tenors, which continue to reflect an active underlying market, will be reviewed in the second half of 2022. The Financial Markets Committee ("FMC") will engage the International Swaps and Derivatives Association ("ISDA") to ensure continuity of KLIBOR derivative contracts in the event of a temporary or permanent discontinuation of KLIBOR publication.

- The UK Financial Conduct Authority ("FCA") has decided not to compel the panel banks to participate in the USD LIBOR submission process after the end of 2021 and to cease oversight of these benchmark interest rates.

The SOFR is expected to replace the USD LIBOR, and regulatory authorities and private sector working groups, continue to discuss alternative benchmark rates for USD LIBOR.

Notes to the Financial Statements

for the financial year ended 30 June 2022

56 IBOR REFORM (CONTINUED)

The Group Asset and Liability Committee oversees the Group's and the Bank's IBOR transition plan. The transition plan considers changes to systems, processes, risk management and valuation models, as well as managing tax and accounting implications. The Group and the Bank continue to monitor market developments in relation to the transition and their impact on the Group's and the Bank's financial assets and liabilities to ensure that there are no unexpected consequences or disruptions from the transition.

As at 30 June 2022, the Group and the Bank hold the following financial instruments which are referenced to the current benchmark interest rates and have yet to transition to an alternative interest rate benchmark:

	The Group		The Bank	
	Notional Amount		Notional Amount	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
(a) Derivative assets/liabilities				
(i) Interest rate swaps				
- USD LIBOR	66,083	198,248	66,083	198,248
- KLIBOR	40,262,092	45,944,731	40,065,663	45,944,731
	40,328,175	46,142,979	40,131,746	46,142,979
(ii) Cross currency swaps				
- USD LIBOR	1,959,061	3,050,298	1,916,393	3,050,298
(iii) Option				
- KLIBOR	2,458,510	100,000	2,358,510	100,000
(b) Deposits from customers				
(i) Structured deposits				
- KLIBOR	-	2,418,510	-	2,318,510
(c) Loans, advances and financing				
- KLIBOR	457,376	-	457,376	-
- USD LIBOR	1,258,226	-	924,213	-
	1,715,602	-	1,381,589	-
(d) Bonds				
- USD LIBOR	88,110	-	88,110	-

57 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.

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 2022.

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.

58 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 20 September 2022.

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 177 to 377 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 2022 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
20 September 2022

Statement 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 177 to 377 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)
20 September 2022)

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 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 30 June 2022 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 177 to 377.

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.

Independent Auditors' Report

to the members of Hong Leong Bank Berhad

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
Expected credit losses for loans, advances and financing Refer to Note 2N of the summary of significant accounting policies, Notes 8, 37 and 57 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 65.5% and 64.0% of total assets for the Group and the Bank, respectively. The expected credit loss ("ECL") impairment model under MFRS 9 "Financial Instruments" requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. This is an area of focus as it involves making significant judgements in applying the accounting requirements for measuring ECL, which include the following: • Building and selecting the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of model; • Identification of loans, advances and financing that have experienced a significant increase in credit risk; and	We understood and tested the design and operating effectiveness of the controls relating to: • Identification of loans, advances and financing that displayed objective evidence of impairment or loans, advances and financing that have experienced significant increase in credit risk or objective evidence of impairment and the calculation of the impairment loss; • Governance over the ECL model development and model refinements including model approval, model validation, model monitoring and overlay; • Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions used in the respective ECL models; and • Calculation, review and approval of the ECL computation. 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, borrowers in high risk industries impacted by COVID-19, borrowers who requested for multiple payment relief assistance due to COVID-19 and borrowers affected by recent adverse market developments and news, including the Russian-Ukraine conflict and formed our own judgement as to whether there was a significant increase in credit risk or any objective evidence of impairment; and • Where objective evidence of impairment was identified and impairment loss was individually calculated, we assessed the adequacy of impairment allowance by examining both the quantum and timing of future cash flows used by the Group and the Bank in the impairment loss calculation, challenging the assumptions and comparing estimates to external evidence where available. We also reperformed the calculations of discounted cash flows.

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Expected credit losses for loans, advances and financing (continued) • Assumptions used in the ECL models, which are expected future cash flows, forward-looking macroeconomic factors, probability weighted multiple scenarios and ECL overlay adjustments made, given the economic uncertainty arising from COVID-19 that may impact the future ECL.	Collective assessment To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the Group and the Bank, we have: • Assessed the methodologies and significant modelling assumptions inherent within the ECL models applied against the requirements of MFRS 9, including the basis used by the Group and the Bank to determine the key assumptions used in respective ECL models; • Assessed and considered the reasonableness of forward-looking forecasts assumptions, taking into consideration the economic uncertainty arising from COVID-19; • Assessed and tested the identification and calculation of overlay adjustments to the ECL due to the impact of COVID-19; • Checked the accuracy of data inputs used in ECL models and checked the calculation of ECL amount on a sampling basis; and • Involved our financial risk modelling experts and IT specialists in areas such as reviewing the appropriateness of the ECL models and data reliability. Based on the procedures performed, we did not find any material exceptions to 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.

Independent Auditors' Report

to the members of Hong Leong Bank Berhad

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.

(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.

Report on the Audit of the Financial Statements (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the 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

LEE TZE WOON KELVIN
03482/01/2024 J
Chartered Accountant

Kuala Lumpur
20 September 2022

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2022

1. INTRODUCTION

The risk profile and risk management practices of Hong Leong Bank Berhad and its banking subsidiaries (collectively known as "the Bank") are disclosed in this document. These disclosures are in accordance with the requirements 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 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 Bank is also required to maintain CCB of up to 2.5% of total risk-weighted assets ("RWA"). The CCyB, which could range from 0% up to 2.5%, 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 7.0%, 8.5% and 10.5% respectively.

On 5 July 2021, BNM issued a letter on enhancements to the existing financing facilities under the BNM's Fund for SMEs and increased the allocation of the PEMERKASA+ and PEMULIH facilities. These enhancements were announced in order to provide further relief and support recovery of affected SMEs. BNM has earlier 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. The Bank has provided assistance to borrowers that required assistance during the pandemic period.

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 2.5%; (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 for banks as it was deemed not required due to HLB's assessment of its financial and portfolio profile.

The Bank has 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 Bank'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 Bank 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 Bank'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 did not experience any restrictions or other major impediments on transfer of funds or regulatory capital within the Bank.

3. CAPITAL STRUCTURE AND ADEQUACY

The Bank monitors its capital adequacy position 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 Bank's business plans.

The Bank 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 Bank as at 30 June 2022. 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 2022, 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 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 2022	30 June 2021	30 June 2022	30 June 2021
Before deducting proposed dividends				
CET I capital ratio	**13.935%**	14.030%	**13.912%**	13.911%
Tier I capital ratio	**15.050%**	14.561%	**14.999%**	14.245%
Total capital ratio	**17.176%**	16.703%	**17.051%**	16.301%
After deducting proposed dividends				
CET I capital ratio	**13.428%**	13.552%	**13.266%**	13.307%
Tier I capital ratio	**14.543%**	14.083%	**14.353%**	13.642%
Total capital ratio	**16.669%**	16.224%	**16.404%**	15.697%

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (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 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
CET I capital				
Share capital	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Retained profits	**22,727,982**	20,751,376	**15,120,482**	14,139,555
Other reserves	**592,754**	1,217,660	**(283,282)**	366,088
Less: Treasury shares	**(713,690)**	(719,030)	**(713,690)**	(719,030)
Less: Deferred tax assets	**(528,771)**	(275,670)	**(403,666)**	(183,513)
Less: Other intangible assets	**(304,749)**	(242,317)	**(269,645)**	(218,277)
Less: Goodwill	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)
Less: Investment in subsidiary companies/associated companies	**(6,455,474)**	(5,501,542)	**(2,794,291)**	(2,725,221)
Total CET I capital	**21,225,803**	21,138,228	**16,623,424**	16,627,118
Additional Tier I capital				
Multi-currency Additional Tier-1 capital securities	**1,698,839**	799,785	**1,698,839**	799,785
Additional Tier I capital before regulatory adjustments	**1,698,839**	799,785	**1,698,839**	799,785
Less: Investments in Additional Tier 1 perpetual subordinated sukuk wakalah	**-**	-	**(400,000)**	(400,000)
Additional Tier I capital after regulatory adjustments	**1,698,839**	799,785	**1,298,839**	399,785
Total Tier I capital	**22,924,642**	21,938,013	**17,922,263**	17,026,903
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves #	**1,738,471**	1,726,493	**1,350,820**	1,356,795
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	**3,238,441**	3,226,463	**2,450,790**	2,456,765
Total Capital	**26,163,083**	25,164,476	**20,373,053**	19,483,668

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM643,141,000 (2021: RM412,709,000) and RM536,432,000 (2021: RM387,677,000) respectively.

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(c) The breakdown of RWA by each major risk category is as follows:

	The Group		The Bank	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Credit risk *	**139,077,644**	138,119,456	**108,065,582**	108,543,591
Market risk	**3,917,894**	3,778,671	**3,934,497**	3,895,661
Operational risk	**9,327,630**	8,761,958	**7,485,705**	7,087,877
Total RWA	**152,323,168**	150,660,085	**119,485,784**	119,527,129

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM1,899,820,000 (2021: RM847,370,000) is excluded from the calculation of capital adequacy ratio of the Group.

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	30 June 2022	30 June 2021
Before deducting proposed dividends		
CET I capital ratio	**11.176%**	11.133%
Tier I capital ratio	**12.550%**	12.535%
Total capital ratio	**15.101%**	15.112%
After deducting proposed dividends		
CET I capital ratio	**11.176%**	11.133%
Tier I capital ratio	**12.550%**	12.535%
Total capital ratio	**15.101%**	15.112%

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 2022				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	52,853,792	52,853,792	-	-
Public Sector Entities	73,157	73,157	14,631	1,171
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	11,007,818	11,007,818	3,164,386	253,151
Insurance Cos, Securities Firms ("SF") and Fund Managers ("FM")	555,839	555,751	555,751	44,460
Corporates	50,328,255	47,937,295	44,153,757	3,532,301
Regulatory Retail	50,995,417	50,602,924	38,053,868	3,044,309
Residential Mortgages	67,829,157	67,792,218	31,323,115	2,505,849
Higher Risk Assets	92,238	92,238	138,356	11,069
Other Assets	8,006,453	8,006,453	5,857,939	468,635
Defaulted Exposures	507,924	506,712	587,609	47,009
Total On-Balance Sheet Exposures	242,250,050	239,428,358	123,849,412	9,907,954
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") Derivatives	3,288,070	3,288,070	1,795,810	143,665
Credit Derivatives	46,916	46,916	9,384	751
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	16,274,365	16,023,952	13,400,965	1,072,077
Defaulted Exposures	14,598	14,306	22,073	1,766
Total Off-Balance Sheet Exposures	19,623,949 ^	19,373,244	15,228,232	1,218,259
Total On and Off-Balance Sheet Exposures	261,873,999	258,801,602	139,077,644	11,126,213
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	99,433,427	96,569,029	3,336,424	266,914
Foreign Currency Risk	323,629	520,701	565,592	45,247
Option Risk	-	-	15,878	1,270
Total	99,757,056	97,089,730	3,917,894	313,431
Operational Risk			9,327,630	746,210
Total RWA and Capital Requirements			152,323,168	12,185,854

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 419.

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 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, DFIs and MDBs	9,019,015	9,019,015	3,528,226	282,258
Insurance Cos, SF and 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				
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
Equity Risk	41,318	-	113,624	9,090
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:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 420.

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 2022				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	38,786,478	38,786,478	-	-
Public Sector Entities	73,157	73,157	14,631	1,171
Banks, DFIs and MDBs	12,751,686	12,751,686	3,407,186	272,575
Insurance Cos, SF and FM	555,649	555,561	555,561	44,445
Corporates	38,625,466	36,547,316	34,139,739	2,731,179
Regulatory Retail	37,157,396	36,799,188	27,699,373	2,215,950
Residential Mortgages	53,218,307	53,186,896	24,122,578	1,929,806
Higher Risk Assets	92,238	92,238	138,356	11,069
Other Assets	7,131,626	7,131,626	5,262,359	420,989
Defaulted Exposures	411,499	410,571	482,587	38,607
Total On-Balance Sheet Exposures	188,803,502	186,334,717	95,822,370	7,665,791
Off-Balance Sheet Exposures				
OTC Derivatives	3,101,893	3,101,893	1,722,632	137,811
Credit Derivatives	46,916	46,916	9,384	751
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,780,033	12,548,489	10,495,206	839,617
Defaulted Exposures	10,755	10,462	15,990	1,279
Total Off-Balance Sheet Exposures	15,939,597 ^	15,707,760	12,243,212	979,458
Total On and Off-Balance Sheet Exposures	204,743,099	202,042,477	108,065,582	8,645,249
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	98,880,446	96,414,681	3,402,616	272,209
Foreign Currency Risk	274,040	516,003	516,003	41,280
Option Risk	-	-	15,878	1,270
Total	99,154,486	96,930,684	3,934,497	314,759
Operational Risk			7,485,705	598,856
Total RWA and Capital Requirements			119,485,784	9,558,864

Note:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 421.

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 422.

4. RISK MANAGEMENT

The Bank has implemented a risk management framework with the objective to ensure the overall financial soundness and stability of the Bank's business operations. The risk management framework outlines the overall governance structure, aspiration, values and risk management strategies which aligns the Bank'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 Bank 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 Bank's minimum capital threshold and target capital levels.

From a governance perspective, the Board has the overall responsibility to define the Bank'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 Bank 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 one of the components of 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 Bank's risk appetite thresholds and to the regulatory requirements. Coverage of the GRM function includes Market Risk, Interest Rate Risk in the Banking Book, Liquidity Risk, Credit Risk, Technology Risk, Operational Risk, ICAAP and Stress Testing, Environment, Social and Governance ("ESG") Risk 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 Bank.

The risk management process for each key risk area of the Bank 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 Bank.

The Bank 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 Bank'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.

The Independent Credit Review function 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 Bank'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 Bank'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 Bank 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 Bank also conducts periodic stress testing of its credit portfolios to ascertain the credit risk impact to capital under the relevant stress scenarios. In addition, the Bank's credit risk assessments are progressively enhanced to consider the effects of climate-related risks, as well as its impact on the ability and willingness of customers to honour their credit obligations.

Basel II Pillar 3 Disclosures

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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 2022			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	**1,065,670**	**1,876,878**	**2,942,548**
Financial investments at fair value through other comprehensive income*	**23,773,424**	**2,339,493**	**26,112,917**
Financial investments at amortised cost	**31,377,076**	**981,338**	**32,358,414**
Loans, advances and financing	**154,760,494**	**11,727,127**	**166,487,621**
Derivative financial instruments	**1,777,988**	**85,312**	**1,863,300**
Total On-Balance Sheet Exposures	**212,754,652**	**17,010,148**	**229,764,800**
Off-Balance Sheet Exposures^			
OTC Derivatives	**3,178,204**	**109,866**	**3,288,070**
Credit Derivatives	**46,916**	**-**	**46,916**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**16,069,534**	**219,429**	**16,288,963**
Total Off-Balance Sheet Exposures	**19,294,654**	**329,295**	**19,623,949**
Total On and Off-Balance Sheet Exposures	**232,049,306**	**17,339,443**	**249,388,749**
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

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 419 and page 420.

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 2022			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	**657,940**	**1,876,878**	**2,534,818**
Financial investments at fair value through other comprehensive income*	**20,001,154**	**2,331,981**	**22,333,135**
Financial investments at amortised cost	**22,225,115**	**919,430**	**23,144,545**
Loans, advances and financing	**119,112,240**	**7,633,296**	**126,745,536**
Derivative financial instruments	**1,692,309**	**84,062**	**1,776,371**
Total On-Balance Sheet Exposures	**163,688,758**	**12,845,647**	**176,534,405**
Off-Balance Sheet Exposures^			
OTC Derivatives	**2,995,832**	**106,061**	**3,101,893**
Credit Derivatives	**46,916**	**-**	**46,916**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**12,750,992**	**39,796**	**12,790,788**
Total Off-Balance Sheet Exposures	**15,793,740**	**145,857**	**15,939,597**
Total On and Off-Balance Sheet Exposures	**179,482,498**	**12,991,504**	**192,474,002**
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

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 421 and page 422.

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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 2022										
Agriculture	24,365	41,252	-	3,161,634	-	3,227,251	-	360,796	360,796	3,588,047
Mining and quarrying	-	-	-	126,477	-	126,477	-	23,798	23,798	150,275
Manufacturing	-	-	-	14,120,195	-	14,120,195	-	2,925,571	2,925,571	17,045,766
Electricity, gas and water	15,418	1,826,396	431,237	720,058	-	2,993,109	-	95,259	95,259	3,088,368
Construction	10,195	287,553	160,904	4,954,202	-	5,412,854	-	1,161,094	1,161,094	6,573,948
Wholesale and retail	-	31,847	-	15,666,440	-	15,698,287	-	2,622,529	2,622,529	18,320,816
Transport, storage and communications	-	118,864	-	5,271,899	-	5,390,763	-	431,186	431,186	5,821,949
Finance, insurance, real estate and business services	172,153	9,044,626	1,122,291	14,112,171	1,863,300	26,314,541	3,334,986	1,103,589	4,438,575	30,753,116
Government and government agencies	2,720,417	14,762,379	30,643,982	-	-	48,126,778	-	68,545	68,545	48,195,323
Education, health and others	-	-	-	1,714,066	-	1,714,066	-	202,042	202,042	1,916,108
Household	-	-	-	106,595,675	-	106,595,675	-	7,279,506	7,279,506	113,875,181
Others	-	-	-	44,804	-	44,804	-	15,048	15,048	59,852
Total On and Off-Balance Sheet Exposures	2,942,548	26,112,917	32,358,414	166,487,621	1,863,300	229,764,800	3,334,986	16,288,963	19,623,949	249,388,749

* 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 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 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 2022										
Agriculture	24,365	41,252	-	1,693,048	-	1,758,665	-	253,524	253,524	2,012,189
Mining and quarrying	-	-	-	95,998	-	95,998	-	19,038	19,038	115,036
Manufacturing	-	-	-	10,655,006	-	10,655,006	-	2,310,970	2,310,970	12,965,976
Electricity, gas and water	15,418	1,800,892	264,181	296,288	-	2,376,779	-	53,609	53,609	2,430,388
Construction	10,195	287,553	160,904	3,911,381	-	4,370,033	-	862,380	862,380	5,232,413
Wholesale and retail	-	31,847	-	12,039,302	-	12,071,149	-	2,011,495	2,011,495	14,082,644
Transport, storage and communications	-	118,864	-	4,761,090	-	4,879,954	-	351,075	351,075	5,231,029
Finance, insurance, real estate and business services	163,056	8,765,571	873,690	10,801,366	1,776,371	22,380,054	3,148,809	825,919	3,974,728	26,354,782
Government and government agencies	2,321,784	11,287,156	21,845,770	-	-	35,454,710	-	68,545	68,545	35,523,255
Education, health and others	-	-	-	891,452	-	891,452	-	98,809	98,809	990,261
Household	-	-	-	81,566,321	-	81,566,321	-	5,934,981	5,934,981	87,501,302
Others	-	-	-	34,284	-	34,284	-	443	443	34,727
Total On and Off-Balance Sheet Exposures	2,534,818	22,333,135	23,144,545	126,745,536	1,776,371	176,534,405	3,148,809	12,790,788	15,939,597	192,474,002

* 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 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.

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 2022				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	**2,319,944**	**455,783**	**166,821**	**2,942,548**
Financial investments at fair value through other comprehensive income*	**2,572,169**	**18,834,057**	**4,706,691**	**26,112,917**
Financial investments at amortised cost	**5,599,963**	**21,641,147**	**5,117,304**	**32,358,414**
Loans, advances and financing	**30,258,048**	**17,826,589**	**118,402,984**	**166,487,621**
Derivative financial instruments	**896,363**	**673,666**	**293,271**	**1,863,300**
Total On-Balance Sheet Exposures	**41,646,487**	**59,431,242**	**128,687,071**	**229,764,800**
Off-Balance Sheet Exposures^				
OTC Derivatives	**2,459,820**	**388,512**	**439,738**	**3,288,070**
Credit Derivatives	**-**	**-**	**46,916**	**46,916**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**7,612,127**	**8,676,836**	**-**	**16,288,963**
Total Off-Balance Sheet Exposures	**10,071,947**	**9,065,348**	**486,654**	**19,623,949**
Total On and Off-Balance Sheet Exposures	**51,718,434**	**68,496,590**	**129,173,725**	**249,388,749**
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

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 419 and page 420.

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 2022				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	**1,912,215**	**455,782**	**166,821**	**2,534,818**
Financial investments at fair value through other comprehensive income*	**2,526,533**	**16,544,469**	**3,262,133**	**22,333,135**
Financial investments at amortised cost	**4,083,106**	**15,414,614**	**3,646,825**	**23,144,545**
Loans, advances and financing	**24,844,109**	**13,340,417**	**88,561,010**	**126,745,536**
Derivative financial instruments	**813,570**	**672,718**	**290,083**	**1,776,371**
Total On-Balance Sheet Exposures	**34,179,533**	**46,428,000**	**95,926,872**	**176,534,405**
Off-Balance Sheet Exposures^				
OTC Derivatives	**2,309,499**	**384,307**	**408,087**	**3,101,893**
Credit Derivatives	**-**	**-**	**46,916**	**46,916**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**6,381,890**	**6,408,898**	**-**	**12,790,788**
Total Off-Balance Sheet Exposures	**8,691,389**	**6,793,205**	**455,003**	**15,939,597**
Total On and Off-Balance Sheet Exposures	**42,870,922**	**53,221,205**	**96,381,875**	**192,474,002**
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

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 421 and page 422.

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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 (write back)/charges 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	(Write back)/charges lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2022							
Agriculture	3,112	3,394	11,149	1,093	79	(284)	55
Mining and quarrying	754	168	531	1,043	20	182,816	183,951
Manufacturing	47,259	55,892	55,162	37,821	30,648	4,844	50
Electricity, gas and water	1,163	1,171	9,850	1,424	595	(49)	-
Construction	95,163	60,730	31,013	16,948	23,820	8,408	1,257
Wholesale and retail	80,296	138,539	84,664	35,396	55,544	38,207	1,138
Transport, storage and communications	13,607	5,830	12,007	1,831	2,350	3,055	141
Finance, insurance, real estate and business services	56,610	113,038	73,195	20,396	28,929	9,439	278
Education, health and others	13,038	12,379	5,538	6,631	3,371	1,016	52
Household	4,173,270	428,609	693,592	301,126	190,291	282,356	238,916
Others	70	-	218	167	-	-	-
	4,484,342	819,750	976,919	423,876	335,647	529,808	425,838

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:

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

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 (write back)/charges and write-offs for Stage 3 during the period as follows:

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	(Write back)/charges lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2022							
Agriculture	3,073	3,394	5,261	784	79	(284)	55
Mining and quarrying	754	168	400	939	20	(72)	-
Manufacturing	23,641	53,258	40,408	22,043	30,064	4,602	50
Electricity, gas and water	1,161	-	3,228	389	-	(82)	-
Construction	71,665	54,361	23,672	11,898	21,049	8,392	1,257
Wholesale and retail	59,556	104,844	55,721	29,538	43,618	28,104	1,138
Transport, storage and communications	11,344	5,828	9,670	1,708	2,348	1,144	141
Finance, insurance, real estate and business services	44,761	104,163	48,190	19,158	26,032	8,745	278
Education, health and others	10,608	11,026	3,541	759	2,931	531	52
Household	2,935,563	310,604	555,590	208,954	133,016	204,118	175,365
Others	70	-	54	33	-	-	-
	3,162,196	647,646	745,735	296,203	259,157	255,198	178,336

Basel II Pillar 3 Disclosures

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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:

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

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:

	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
The Group					
30 June 2022					
Malaysia	**4,395,535**	**805,638**	**955,661**	**419,958**	**332,877**
Other countries	**88,807**	**14,112**	**21,258**	**3,918**	**2,770**
	4,484,342	**819,750**	**976,919**	**423,876**	**335,647**
The Bank					
30 June 2022					
Malaysia	**3,135,741**	**646,805**	**733,871**	**295,998**	**258,792**
Other countries	**26,455**	**841**	**11,864**	**205**	**365**
	3,162,196	**647,646**	**745,735**	**296,203**	**259,157**
The Group					
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

Note:

(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 impairment, refer to Note 2N to the financial statements.

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 2022				
At 1 July	1,074,984	459,674	234,509	1,769,167
Changes in ECL due to transfer within stages	(57,015)	(237,985)	295,000	-
Transfer to Stage 1	33,219	(33,172)	(47)	-
Transfer to Stage 2	(87,703)	147,995	(60,292)	-
Transfer to Stage 3	(2,531)	(352,808)	355,339	-
New financial assets originated	39,269	230	299	39,798
Financial assets derecognised	(16,026)	(26,665)	(15,760)	(58,451)
Changes due to change in credit risk	(60,303)	235,583	250,653	425,933
Changes in models/risk parameters	(4,986)	(7,335)	(384)	(12,705)
Amount written off	-	-	(425,838)	(425,838)
Exchange difference	996	374	903	2,273
Other movements	-	-	(3,735)	(3,735)
At 30 June	976,919	423,876	335,647	1,736,442

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for the financial year ended 30 June 2022

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 2022				
At 1 July	818,437	326,761	186,098	1,331,296
Changes in ECL due to transfer within stages	(39,809)	(80,113)	119,922	-
Transfer to Stage 1	24,038	(24,007)	(31)	-
Transfer to Stage 2	(62,553)	103,838	(41,285)	-
Transfer to Stage 3	(1,294)	(159,944)	161,238	-
New financial assets originated	24,649	198	3	24,850
Financial assets derecognised	(6,553)	(16,235)	(9,573)	(32,361)
Changes due to change in credit risk	(47,827)	71,620	145,195	168,988
Changes in models/risk parameters	(3,638)	(6,080)	(349)	(10,067)
Amount written off	-	-	(178,336)	(178,336)
Exchange difference	476	52	12	540
Other movements	-	-	(3,815)	(3,815)
At 30 June	745,735	296,203	259,157	1,301,095

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 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

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 2022	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%	53,049,498	-	-	-	-	-	-	-	1,370,428	54,419,926	-
20%	-	411,661	8,387,245	-	3,187,152	-	-	-	991,238	12,977,296	2,590,235
35%	-	-	-	-	-	-	43,276,151	-	-	43,276,151	15,146,653
50%	-	-	4,492,863	-	482,378	22,825	16,072,070	-	-	21,070,136	10,528,807
75%	-	-	-	-	-	57,946,697	53,736	-	-	58,000,433	43,500,325
100%	-	-	-	984,004	50,956,317	2,551,650	8,583,331	-	5,674,789	68,750,091	68,750,091
150%	-	-	-	-	93,825	121,499	-	92,245	-	307,569	461,354
Total	53,049,498	411,661	12,880,108	984,004	54,719,672	60,642,671	67,985,288	92,245	8,036,455	258,801,602	140,977,465
Risk Weighted Assets by Exposure	-	82,332	3,912,395	984,004	51,975,674	46,205,334	31,806,321	138,368	5,873,037	140,977,465	
Average Risk Weight	0%	20.00%	30.38%	100.00%	94.99%	76.19%	46.78%	150.00%	73.08%	54.47%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

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 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	-	-	-	-	-	-	-	-	-	-	

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 2022	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%	38,982,184	-	-	-	-	-	-	-	1,124,960	40,107,144	-
20%	-	333,909	10,481,908	-	2,796,496	-	-	-	940,385	14,552,698	2,910,540
35%	-	-	-	-	-	-	35,599,468	-	-	35,599,468	12,459,814
50%	-	-	4,035,438	-	480,207	19,724	11,847,620	-	-	16,382,989	8,191,495
75%	-	-	-	-	-	44,105,338	43,931	-	-	44,149,269	33,111,949
100%	-	-	-	977,854	38,624,875	443,030	5,847,119	-	5,076,282	50,969,160	50,969,160
150%	-	-	-	-	87,744	101,767	-	92,238	-	281,749	422,624
Total	38,982,184	333,909	14,517,346	977,854	41,989,322	44,669,859	53,338,138	92,238	7,141,627	202,042,477	108,065,582
Risk Weighted Assets by Exposure	-	66,782	4,114,101	977,854	39,555,892	33,684,546	24,263,691	138,357	5,264,359	108,065,582	
Average Risk Weight	0%	20.00%	28.34%	100.00%	94.20%	75.41%	45.49%	150.00%	73.71%	53.49%	
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 Bank 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%	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	-	-	-	-	-	-	-	-	-	-	

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

The Group						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2022						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		**-**	**73,157**	**-**	**-**	**338,504**
Insurance Cos, SF and FM		**-**	**-**	**156,504**	**-**	**827,500**
Corporates		**3,084,043**	**366,596**	**414,562**	**-**	**50,854,471**
		3,084,043	**439,753**	**571,066**	**-**	**52,020,475**
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

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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)

(i) Ratings of Public Sector Entities, Insurance Cos, SF and FM and Corporates by approved ECAIs (continued)

The Bank						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2022						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		**-**	**73,157**	**-**	**-**	**260,752**
Insurance Cos, SF and FM		**-**	**-**	**156,504**	**-**	**821,350**
Corporates		**2,693,387**	**364,896**	**314,054**	**-**	**38,616,985**
		2,693,387	**438,053**	**470,558**	**-**	**39,699,087**
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

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

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
The Group		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2022							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		**516,635**	**1,582,213**	**123,614**	**248,512**	**-**	**50,578,524**
Banks, DFIs and MDBs		**1,951,956**	**2,106,317**	**2,187,383**	**520,991**	**-**	**6,113,461**
		2,468,591	**3,688,530**	**2,310,997**	**769,503**	**-**	**56,691,985**
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

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	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2022							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		**516,635**	**1,582,213**	**-**	**-**	**-**	**36,883,336**
Banks, DFIs and MDBs		**5,037,233**	**2,010,442**	**1,934,534**	**-**	**-**	**5,535,137**
		5,553,868	**3,592,655**	**1,934,534**	**-**	**-**	**42,418,473**
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

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation

The Bank 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 Bank uses 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 2022			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	52,853,792	-	-
Public Sector Entities	73,157	-	-
Banks, DFIs and MDBs	11,007,818	-	-
Insurance Cos, SF and FM	555,839	-	88
Corporates	50,328,255	-	2,390,960
Regulatory Retail	50,995,417	-	392,493
Residential Mortgages	67,829,157	-	36,939
Higher Risk Assets	92,238	-	-
Other Assets	8,006,453	-	-
Defaulted Exposures	507,924	-	1,212
Total On-Balance Sheet Exposures	242,250,050	-	2,821,692
Off-Balance Sheet Exposures			
OTC Derivatives	3,288,070	-	-
Credit Derivatives	46,916	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	16,274,365	-	250,413
Defaulted Exposures	14,598	-	292
Total Off-Balance Sheet Exposures	19,623,949	-	250,705
Total On and Off-Balance Sheet Exposures	261,873,999	-	3,072,397

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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 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 Bank	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2022			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	38,786,478	-	-
Public Sector Entities	73,157	-	-
Banks, DFIs and MDBs	12,751,686	-	-
Insurance Cos, SF and FM	555,649	-	88
Corporates	38,625,466	-	2,078,150
Regulatory Retail	37,157,396	-	358,208
Residential Mortgages	53,218,307	-	31,411
Higher Risk Assets	92,238	-	-
Other Assets	7,131,626	-	-
Defaulted Exposures	411,499	-	928
Total On-Balance Sheet Exposures	188,803,502	-	2,468,785
Off-Balance Sheet Exposures			
OTC Derivatives	3,101,893	-	-
Credit Derivatives	46,916	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,780,033	-	231,544
Defaulted Exposures	10,755	-	293
Total Off-Balance Sheet Exposures	15,939,597	-	231,837
Total On and Off-Balance Sheet Exposures	204,743,099	-	2,700,622

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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)

Counterparty credit risk

Counterparty credit risk is the risk of trading counterparties' failure to honour its obligations to 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 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 Bank also engages 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 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 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 Bank with recourse in the event of defects in the assets, and investment or purchase commitments entered into by 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 Bank is 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 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 2022				
Commitments and Contingent Liabilities				
Direct credit substitutes	137,103	-	137,103	134,866
Transaction related contingent items	2,024,547	-	1,012,274	968,976
Short term self liquidating trade related contingencies	853,412	-	170,682	168,415
Irrevocable commitments to extend credit:				
- More than one year	17,538,803	-	8,768,099	6,836,899
- Less than one year	23,913,907	-	4,782,781	4,249,310
Unutilised credit card lines	7,090,121	-	1,418,024	1,064,572
	51,557,893	-	16,288,963	13,423,038
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	55,995,785	847,790	2,392,914	1,040,612
- One year to less than five years	5,944,644	126,821	134,013	133,310
- Five years and above	396,495	21,252	-	-
Interest/profit rate related contracts:				
- Less than one year	34,692,744	44,604	3,130	626
- One year to less than five years	52,644,892	532,350	173,984	164,499
- Five years and above	4,395,228	142,177	321,999	312,959
Equity related contracts:				
- Less than one year	245,878	2,212	16,769	8,696
- One year to less than five years	102,699	11,904	20,121	10,060
- Five years and above	270,542	90,686	117,740	58,869
Credit related contracts:				
- Five years and above	938,327	39,156	46,916	9,384
Commodity related contracts				
- Less than one year	438,428	1,757	45,600	28,063
- One year to less than five years	493,416	2,591	61,800	38,116
	156,559,078	1,863,300	3,334,986	1,805,194
	208,116,971	1,863,300	19,623,949	15,228,232

* 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 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.

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 2022				
Commitments and Contingent Liabilities				
Direct credit substitutes	129,077	-	129,077	126,839
Transaction related contingent items	1,444,276	-	722,138	682,487
Short term self liquidating trade related contingencies	803,334	-	160,667	158,703
Irrevocable commitments to extend credit:				
- More than one year	12,942,713	-	6,470,698	5,023,094
- Less than one year	19,450,920	-	3,890,184	3,455,501
Unutilised credit card lines	7,090,121	-	1,418,024	1,064,572
	41,860,441	-	12,790,788	10,511,196
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	51,999,925	764,997	2,244,001	992,074
- One year to less than five years	5,987,312	125,628	132,604	132,606
- Five years and above	396,495	21,253	-	-
Interest/profit rate related contracts:				
- Less than one year	34,692,744	44,604	3,130	626
- One year to less than five years	52,835,368	532,595	169,780	163,173
- Five years and above	4,208,323	138,988	290,348	290,348
Equity related contracts:				
- Less than one year	245,878	2,212	16,769	8,696
- One year to less than five years	102,699	11,904	20,121	10,060
- Five years and above	270,542	90,686	117,740	58,870
Credit related contracts:				
- Five years and above	938,327	39,156	46,916	9,384
Commodity related contracts				
- Less than one year	438,428	1,757	45,600	28,063
- One year to less than five years	493,416	2,591	61,800	38,116
	152,609,457	1,776,371	3,148,809	1,732,016
	194,469,898	1,776,371	15,939,597	12,243,212

* 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.

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 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 Bank's trading book is as follows:

Financial Year Ending 30 June 2022	VaR (RM mil)
Minimum	(5.5)
Maximum	(13.0)
Average	(9.5)

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 Bank 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 arises 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 are 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 Bank'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 Bank 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 Bank 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 Bank uses 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 Bank uses 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)

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. (continued)

(iii) Cash flow hedges

The Bank uses 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 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 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 Bank.

Details of the 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 2022				
Financial investments at fair value through other comprehensive income				
Unquoted equity securities	**83,386**	**150%**	**83,386**	**150%**
30 June 2021				
Financial investments at fair value through other comprehensive income				
Unquoted equity securities	69,094	150%	69,094	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 2022.

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2022

6. INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK ("IRRBB"/"RORRBB")

The Bank 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 Bank's economic value by present valuing the Bank'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 Bank's current position. In general, measuring the present value of instruments will be able to provide an overview of the Bank'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 2022		
100 bps upward		
Ringgit Malaysia	**3,851**	**137,938**
100 bps downward		
Ringgit Malaysia	**(225,326)**	**(141,638)**
30 June 2021		
100 bps upward		
Ringgit Malaysia	52,736	(409,998)
100 bps downward		
Ringgit Malaysia	(294,242)	434,578

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 2022		
100 bps upward		
Ringgit Malaysia	**39,645**	**342,908**
100 bps downward		
Ringgit Malaysia	**(221,978)**	**(358,505)**
30 June 2021		
100 bps upward		
Ringgit Malaysia	86,379	(108,100)
100 bps downward		
Ringgit Malaysia	(287,661)	116,348

7. SHARIAH GOVERNANCE DISCLOSURE

On 20 September 2019, Bank Negara Malaysia has issued the policy document on Shariah Governance ("SGPD") for Islamic financial institutions to supersede the Shariah Governance Framework. 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 Islamic Financial Services Act 2013.

The 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 Eighty-First Annual General Meeting ("AGM") of Hong Leong Bank Berhad ("Bank") will be held at Wau Bulan 2, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Thursday, 27 October 2022 at 10.30 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2022.

2. To approve the payment of Director Fees of RM1,325,896 for the financial year ended 30 June 2022 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM350,000 from the 81st AGM to the 82nd AGM of the Bank. **(Resolution 1)**

3. To re-elect the following Directors pursuant to the Bank's Constitution:

   (a) Mr Tan Kong Khoon **(Resolution 2)**
   (b) YBhg Datuk Dr Md Hamzah bin Md Kassim **(Resolution 3)**
   (c) Ms Lau Souk Huan **(Resolution 4)**
   (d) Ms Cheong Soo Ching **(Resolution 5)**
   (e) Puan Fa'izah binti Mohamed Amin **(Resolution 6)**

4. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix their remuneration. **(Resolution 7)**

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as resolutions:

5. **Ordinary Resolution**
   Authority to Directors to Allot Shares

   "**THAT** subject to the Companies Act 2016, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the 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 issue and allot new 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, to any persons who are not caught by Paragraph 6.04(c) of the MMLR provided that the aggregate number of shares issued and alloted, 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;

   AND THAT in connection with the above, pursuant to Section 85 of the Companies Act 2016 to be read together with Clause 50 of the Constitution of the Bank, the shareholders of the Bank do hereby waive their pre-emptive rights over all new shares, options over or grants of new shares or any other convertible securities in the Bank and/or any new shares to be issued pursuant to such options, grants or other convertible securitites, such new shares when issued, to rank pari passu with existing issued shares in the Bank." **(Resolution 8)**

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 2022 ("the Circular") with HLCM, GCA and persons connected with them ("Hong Leong Group"), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to 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;

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 9)**

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 2022

NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 18 October 2022 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the 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.

3. Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.

4. The Form of Proxy must be deposited at the Registered Office of the 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.

5. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to a vote by way of a poll.

EXPLANATORY NOTES

1. Resolution 1 on Director Fees and Other Benefits

- Director Fees of RM1,325,896 are inclusive of Board Committee Fees of RM483,739 and Meeting Allowances of RM127,500.
- Directors' Other Benefits refer to Directors' & Officers' Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to RM350,000.

2. Resolutions 2, 3, 4, 5 and 6 on Re-election of Directors

The Board, on the recommendation of the Nomination Committee of the Bank ("NC"), supports the re-election of the retiring Directors. The NC has reviewed the results of the Board Annual Assessment conducted for the financial year ended 30 June 2022 and noted that the retiring Directors have effectively discharged their duties and responsibilities. The NC has also conducted assessments on the fitness and propriety of the retiring Directors including the review of their Fit and Proper Declarations and results of their background checks, and was satisfied that the retiring Directors met the Fit and Proper criteria as set out in the Fit and Proper Policy of the Bank. In addition, the NC has assessed the declaration made by YBhg Datuk Dr Md Hamzah bin Md Kassim, Ms Lau Souk Huan, Ms Cheong Soo Ching and Puan Fa'izah binti Mohamed Amin confirming that they fulfilled the Independent Director criteria as set out in the relevant regulatory requirements, and found them to be in order.

The retiring Directors had abstained from deliberations and decisions on their re-election at the NC and Board meetings, as applicable.

The details and profiles of the retiring Directors are set out in the Board of Directors' Profile section of the Bank's 2022 Annual Report.

3. Resolution 8 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 27 October 2021 and which will lapse at the conclusion of the 81st AGM. The Renewed General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issuance and allotment of new shares, grant of rights to subscribe for shares, conversion of any security into shares, or allotment of shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

Pursuant to Section 85 of the Companies Act 2016 read together with Clause 50 of the Constitution of the Bank, shareholders have pre-emptive rights to be offered any new shares in the Bank which rank equally to the existing issued shares in the Bank or other convertible securities.

Section 85(1) of the Companies Act 2016 provides as follows:

"85. Pre-emptive rights to new shares

(1) Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."

Clause 50 of the Constitution of the Bank provides as follows:

"50. Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities, shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. Such offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of such time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they consider beneficial to the Company.

The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities or by reason of any other difficulty in apportioning the same) cannot, in the opinion of the Directors, be conveniently offered in manner herein before provided.

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person."

The proposed Ordinary Resolution, if passed, will exclude your pre-emptive right to be offered new shares and/or convertible securities to be issued by the Bank pursuant to the said Ordinary Resolution.

4. Resolution 9 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 2022 which is available on the Bank's Corporate website (https://www.hlb.com.my/agm2022).

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- **Details of individuals who are standing for election as Directors**

  No individual is seeking election as a Director at the forthcoming Eighty-First 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 3 of the Notice of Eighty-First Annual General Meeting.

Other Information

1. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Bank and its subsidiaries involving the interests of Directors, chief executives and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2022

Total number of issued shares	: 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 2022

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	413	3.53	8,928	0.00
100 – 1,000	3,408	29.17	1,887,605	0.09
1,001 – 10,000	6,115	52.33	20,916,490	1.00
10,001 – 100,000	1,287	11.01	39,196,434	1.88
100,001 – less than 5% of issued shares	460	3.94	478,479,825	22.93
5% and above of issued shares	2	0.02	1,546,127,302	74.10
	11,685	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 2022

Name of Shareholders	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	205,989,621	9.87
3. MTrustee Berhad - Exempt AN for Hong Leong Bank Berhad (ESOS)	38,152,316	1.83
4. Kumpulan Wang Persaraan (Diperbadankan)	29,911,200	1.43
5. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West Clt OD67)	19,137,780	0.92
6. Permodalan Nasional Berhad	17,488,500	0.84
7. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	16,517,124	0.79
8. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Rakaman Anggun Sdn Bhd (PB)	14,254,300	0.68
9. AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	12,533,300	0.60
10. AmanahRaya Trustees Berhad - Amanah Saham Bumiputera 2	9,632,300	0.46

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2022 (CONTINUED)

List of Thirty Largest Shareholders as at 30 August 2022 (continued)

Name of Shareholder	No. of Shares	%
11. Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	9,548,200	0.46
12. AmanahRaya Trustees Berhad - Amanah Saham Malaysia	9,018,200	0.43
13. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	8,814,572	0.42
14. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	8,416,482	0.40
15. Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	8,064,880	0.39
16. HLIB Nominees (Tempatan) Sdn Bhd - Chew Brothers Development Corporation Sdn Bhd	6,485,863	0.31
17. HLIB Nominees (Asing) Sdn Bhd - Kwek Leng Hai (Custodian)	5,510,000	0.26
18. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	5,401,600	0.26
19. DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for People's Bank Of China (SICL Asia EM)	4,572,396	0.22
20. Citigroup Nominees (Asing) Sdn Bhd - CB Spore GW for Government of Singapore (GIC-C)	4,477,822	0.22
21. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 19)	4,388,000	0.21
22. 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
23. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts	4,056,820	0.19
24. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Fiduciary Trust Company, Institutional Total International Stock Market Index Trust II	3,789,100	0.18
25. Citigroup Nominees (Asing) Sdn Bhd - UBS AG	3,689,962	0.18
26. Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	3,593,540	0.17
27. Pertubuhan Keselamatan Sosial	3,567,300	0.17
28. HSBC Nominees (Asing) Sdn Bhd - J.P. Morgan Securities PLC	3,450,400	0.17
29. GuoLine (Singapore) Pte Ltd	2,776,344	0.13
30. DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for Invesco Funds	2,746,600	0.13
	1,810,301,903	86.75

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2022 (CONTINUED)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Bank as at 30 August 2022 are as follows:

Name of Shareholders	Direct No. of Shares	Direct %	Indirect No. of Shares	Indirect %
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	215,937,021	10.35	-	-

Note:
(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 2022

Subsequent to the financial year end, there is no change, as at 30 August 2022, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares or convertible bonds of the Bank and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 169 and 170 as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 59 of the Companies Act 2016 except for the change set out below:

Indirect Interest	No. of Shares	%
YBhg Tan Sri Quek Leng Chan in:		
Hume Cement Industries Berhad	350,231,658	69.54

4. GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S INTEREST AS AT 30 AUGUST 2022

Direct Interest	Number of ordinary shares	%
Mr Domenic Fuda	774,741	0.04
	480,363#	N/A

Free ordinary shares to be vested pursuant to the Executive Share Scheme of HLB

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2022

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
1	No. 1, Light Street, Georgetown, 10200 Pulau Pinang	Freehold	Branch premises	20,594	88	7,409	30/12/1986
2	No. 15-G-1, 15-1-1 & 15-2-1, Medan Kampung Relau, Bayan Point, 11900 Pulau Pinang	Freehold	Branch premises	9,968	23	1,984	26/06/1997
3	No. 42, Jalan Pending, 93450 Kuching, Sarawak	Leasehold - (31/12/2779) - 758/859 years	Branch premises	4,425	40	1,246	27/12/1983
4	No. 133, 135 & 137, Jalan Kampong Nyabor, 96000 Sibu, Sarawak	Freehold	Branch premises	4,871	30	2,775	28/12/1992
5	Jungle land at Sungai Limut Rajang, Sarawak Occupation Ticket 612 of 1931	Leasehold - (31/12/2026) - 5/99 years	Jungle land	1,217,938	N/A	1	31/12/1938
6	No. 25 & 27, Jalan Tun Ismail, 25000 Kuantan, Pahang Darul Makmur	Freehold	Branch premises	1,600	31	1,050	29/06/1996
7	No. 69, 70 & 71, Jalan Dato' Bandar Tunggal, 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,363	27/12/1994
8	No. 26, Lorong Rahim Kajai 14, Taman Tun Dr Ismail, 60000 Kuala Lumpur	Freehold	Branch premises	3,750	36	475	30/12/1986
9	No. 120-122, Jalan Mersing, 6000 Kluang, Johor Darul Takzim	Leasehold	Branch premises	3,355	56	478	31/05/1990
10	No. 100, Jalan Gurney, 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	36	1,931	25/06/1992
11	No. 12, 14 & 16, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Takzim	Freehold	Branch premises	4,174	31	3,365	25/06/1992
12	No. 63 & 65, Jalan SS 23/15, 47400 Petaling Jaya, Selangor Darul Ehsan	Freehold	Vacant	4,760	27	3,054	28/04/1997
13	No. 24, Medan Taming 2, Taman Taming Jaya, 43300 Balakong, Selangor Darul Ehsan	Freehold	Branch premises	3,037	26	911	28/04/1997

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
14	No. 1, Jalan Takal 15/21, Seksyen 15,40000 Shah Alam, Selangor Darul Ehsan	Leasehold - (29/6/2086)- 65/99 years	Branch premises	2,625	35	1,045	26/06/1997
15	Lots 3594 & 3595, Jalan Baru Pak Sabah, 23000 Dungun, Terengganu Darul Iman	Leasehold - (8/4/2082) - 61/84 years	Branch premises	3,199	28	176	26/06/1997
16	Lot 3073 & 3074, Jalan Abang Galau, 97000 Bintulu, Sarawak	Leasehold - (12/2/2056) - 35/60 years	Branch premises	2,582	25	862	26/06/1997
17	Lot 34, Putra Industrial Park, 47000 Sungai Buloh, Selangor Darul Ehsan	Freehold	Warehouse	96,219	26	2,527	26/01/1995
18	No. 1540, Jalan Sultan Badlishah, 05000 Alor Setar, Kedah Darul Aman	Leasehold - (19/7/2030) - 9/60 years	Vacant	10,619	47	15	30/06/1977
19	No. 9A & 9B, Jalan Kampong Baru, 08000 Sungai Petani, Kedah Darul Aman	Freehold	Branch premises	9,320	29	704	01/01/1994
20	No. 45, Jalan Burma, 10500 Pulau Pinang	Freehold	Vacant	14,277	44	1,696	24/11/1978
21	No. 55-57, Jalan Yang Kalsom, 30250 Ipoh, Perak Darul Ridzuan	Freehold	Vacant	11,720	43	883	01/10/1984
22	No. 27, Jalan Dewangsa, 31000 Batu Gajah, Perak Darul Ridzuan	Leasehold - (26/2/2078) - 57/79 years	Branch premises	4,694	27	222	24/11/1995
23	No. 75, Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan	Freehold	Branch premises	1,900	25	574	15/06/1998
24	No. 80 & 82, Jalan Othman 1/14, 46000 Petaling Jaya, Selangor Darul Ehsan	Leasehold - (15/6/2089) - 68/90 years	Branch premises	9,062	32	773	01/06/1994
25	No. 19, Jalan 54, Desa Jaya, 52100 Kepong, Selangor Darul Ehsan	Leasehold - (8/3/2081) - 60/99 years	Branch premises	5,859	40	301	29/11/1985
26	Lot 111, Jalan Mega Mendung, Kompleks Bandar, Off Jalan Klang Lama, 58200 Kuala Lumpur	Leasehold - (11/10/2076) - 55/99 years	Vacant	4,978	42	359	31/07/1988
27	No. 161, Jalan Imbi, 55100 Kuala Lumpur	Freehold	Vacant	2,454	26	2,664	14/02/1996

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
28	No. 8A-D, Jalan Station, 80000 Johor Bahru, Johor Darul Takzim	Freehold	Vacant	12,854	29	298	22/10/1977
29	No. 109, Main Road, 83700 Yong Peng, Johor Darul Takzim	Freehold	Branch premises	2,740	34	198	01/09/1988
30	No. 1, Bentong Heights, 28700 Bentong, Pahang Darul Makmur	Freehold	Branch premises	5,432	54	28	30/06/1977
31	No. 36, Main Road Tanah Rata, 39000 Cameron Highland, Pahang Darul Makmur	Leasehold - (24/11/2039) - 18/99 years	Branch premises	1,728	82	71	30/08/1982
32	W-1-0, W-2-0 & W-1-1, Subang Square Business Centre, Jalan SS15/4G, 47500 Subang Jaya, Selangor Darul Ehsan	Freehold	Branch premises	4,545	23	1,046	18/12/1999
33	No. 2828-G-02 & 2828-1-02, Jalan Bagan Luar, 12000 Butterworth, Pulau Pinang	Freehold	Vacant	12,173	23	1,990	18/12/1999
34	Plot No 20, Jalan Bidor Raya, 35500 Bidor, Perak Darul Ridzuan	Freehold	Branch premises	3,243	23	438	23/11/1999
35	No. 1, Persiaran Greentown 2, Greentown Business Centre, 30450 Ipoh, Perak Darul Ridzuan	Leasehold - (21/11/2094) -73/99 years	Branch premises	7,870	22	1,335	23/11/1999
36	Lots 39 & 40, Kompleks Munshi Abdullah, 75100 Melaka	Leasehold - (24/2/2084) - 63/99 years	Branch premises	5,988	23	1,024	31/05/1991
37	No. 1 & 2 Jalan Raya, 09800 Serdang, Kedah Darul Aman	Freehold	Branch premises	5,840	21	336	20/09/2000
38	No. 133 & 135, Jalan Gopeng, 31900 Kampar, Perak Darul Ridzuan	Freehold	Branch premises	4,700	21	311	13/12/2000
39	No. 65-67, Jalan Tun HS Lee, 50000 Kuala Lumpur	Freehold	HLB's CSR Community Center	2,223	26	4,637	14/10/1996
40	No. 64, Jalan Tun Mustapha, 87007 Labuan	Leasehold - (28/12/2881) - 860/999 years	Branch premises	1,370	31	363	30/05/1991
41	No. 159, Jalan Imbi, 55100 Kuala Lumpur	Freehold	Vacant	1,688	17	2,518	25/11/2005
42	No. 163, Jalan Imbi, 55100 Kuala Lumpur	Freehold	Vacant	1,688	17	2,595	25/10/2005

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
43	No. 114 & 116, Jalan Cerdas, Taman Connaught, 56000 Kuala Lumpur	Leasehold - (16/10/2078) - 57/99 years	Branch premises	12,200	16	3,307	07/06/2006
44	Lot A08-A09, Jalan SS 6/5A Dataran Glomac, Pusat Bandar Kelana Jaya, 47301 Petaling Jaya	Freehold	Branch premises	9,800	16	2,491	06/07/2006
45	No. 2 Jalan Puteri 2/4, Bandar Puteri, Puchong, 47100 Selangor Darul Ehsan	Freehold	Branch premises	11,850	15	4,889	28/06/2007
46	Tower A, PJ City Development, 46100 Petaling Jaya, Selangor	Leasehold - (14/08/2094) - 73/99 years	Branch premises	194,489	14	68,173	21/07/2008
47	OUG, No.2, Lorong 2/137C, Off Jalan Kelang Lama, 58200 Kuala Lumpur	Leasehold - (year 2088) - 67/99 years	Branch Premises	17,300	12	4,418	01/04/2011
48	KEP, Lot No 77C & 77D, Lot No.58529 Jalan Kepong, 52100 Kuala Lumpur	Leasehold - (7/01/2101) - 80/99 years	Branch Premises	30,613	12	7,789	01/05/2011
49	No. 122, Kapit By-Pass, 96807 Kapit, Sarawak	Leasehold - (29/4/2045) - 24/60 years	Branch Premises	1,200	29	166	30/04/1985
50	No. 12A, Block B, Level 2, Fraser's Hill, Condominium, 49000 Bukit Fraser's, Pahang Darul Makmur	Leasehold - (23/05/2082) - 61/99 years	1 unit apartment (Vacant)	1,792	35	89	24/05/1983
51	No. 9, Jalan Cheng Lock, 50000 Kuala Lumpur, Wilayah Persekutuan	Freehold	Vacant	2,199	49	248	18/09/1972
52	No. 3, Jalan Bandar Satu, Pusat Bandar Puchong, 47100 Puchong, Selangor Darul Ehsan	Freehold	Branch Premises	4,687	27	1,618	03/04/1997
53	No. 32 & 34, Jalan 21/19, Sea Park, 46300 Petaling Jaya, Selangor Darul Ehsan	Freehold	Vacant	3,080	59	2,075	19/08/1997
54	No. 26 & 27, Jalan Kenari 1, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan	Freehold	Branch Premises	3,600	26	1,290	22/01/1999
55	No. 2, Jalan PJU 5/8, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	Leasehold - (23/11/2100) - 79/99 years	Branch Premises	12,892	18	3,135	12/02/2005

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
56	No. J09-6 and J02-06, Paradise Lagoon Holiday, Apartment, Batu 3 1/2 Jalan Pantai, 70100 Port Dickson, Negeri Sembilan Darul Khusus	Leasehold - (7/6/2087) - 66/99 years	2 units apartment	2,088	26	160	21/04/1994
57	No. S-3, Kompleks Negeri, Jalan Dr. Krishnan, 70000 Seremban, Negeri Sembilan Darul Khusus	Leasehold - (30/01/2078) - 57/99 years	Vacant	1,680	38	214	29/06/1981
58	No. 105 & 107, Jalan Melaka Raya 24, Taman Melaka Raya, 75000 Melaka	Leasehold - (20/3/2094) - 73/99 years	Vacant	3,132	26	428	17/04/1998
59	No. 67 & 69, Jalan Merdeka, 75000 Taman Merdeka Raya, Melaka	Leasehold - (7/7/2093) - 72/99 years	Branch Premises	3,080	27	593	15/08/1999
60	No. 35, 37 & 39, Jalan Johor Satu, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim	Freehold	Branch Premises	13,965	19	1,802	12/02/2003
61	No. 21, Jalan Permas 10/1, Bandar Baru Permas Jaya, 81750 Masai, Johor Darul Takzim	Freehold	Branch Premises	2,624	25	885	05/04/1999
62	No. B-278 & B-280, Jalan Beserah, 25300 Kuantan, Pahang Darul Makmur	Freehold	Branch Premises	3,208	21	1,278	04/08/1999
63	No. 31, 33, 35 & 37, Jalan Usahaniaga 1, Taman Niagajaya, 14000 Bukit Mertajam, Seberang Perai Tengah, Penang	Freehold	Branch Premises	15,844	19	1,088	10/07/2003
64	Lot 171, Jalan Council, 95000 Bandar Sri Aman, Sarawak	Leasehold - (20/06/2050) - 29/60 years	Branch Premises	1,740	26	114	21/06/1990
65	Lot No. 2013, Jalan Pisang Barat, 93150 Kuching, Sarawak	Leasehold - (31/12/2038) - 17/99 years	Storage	1,390	29	-	23/09/1992
66	No: 3/G14, 3/G15 & 3/G16, Block 3, Lorong Api-Api 2, Api-Api Centre, 88000 Kota Kinabalu, Sabah	Leasehold - (31/12/2086)- 65/99 years	Branch Premises	4,141	27	1,465	04/02/1997
67	No. 177, Limbok Hill, 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	Single-storey Detached house	6,730	49	9	16/08/1972

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
68	No. 11, Jalan Emas 2, Taman Emas Cheras, 43200 Cheras, Selangor	Freehold	Vacant	5,804	29	-	25/05/1993
69	No. 53 & 55, Jalan Sultan Ismail, 50250 Kuala Lumpur	Freehold	Branch Premises	9,600	25	17,408	01/06/2015
70	No. 300, Jalan Jelutong, 11600 Pulau Pinang	Freehold	Branch Premises	16,652	20	12,830	23/06/2015
71	Lot 1, Block 35, Fajar Commercial Complex, Jalan Lembaga, 91000 Tawau, Sabah	Leasehold - (31/12/2895)- 874/998 years	Branch Premises	13,880	50	4,634	17/08/2015
72	Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur	Freehold	Head Office/ Branch	668,331	7	546,680	03/07/2015
73	01-01, 01-02, 01-03, 01-05, Blok D, Komersil Southkey Mozek, Persiaran Southkey 1, Kota Southkey, 80150, Johor Bahru	Leasehold - (21/2/2100) - 79/99 years	Branch	18,317	4	14,128	16/11/2018
74	No. 8, Jalan 3/5-C, Taman Setapak, Indah Jaya, Off Jalan Genting Klang, 53300 Kuala Lumpur	Leasehold - (28/8/2086) - 65/99 years	Branch	6,908	4	2,008	13/09/2018

Property Sold

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Age (Years)	Net book value (RM'000)	Date of Acquisition
1	No. 33A-C, Lintang Angsana, Bandar Baru Air Hitam, 11500 Pulau Pinang	Leasehold - (8/4/2082) - 61/83 years	Vacant	4,394	26	321	26/12/1995

BRANCHES AS AT 30 JUNE 2022

FEDERAL TERRITORY KUALA LUMPUR

1 Level 1, Wisma Hong Leong, 18, Jalan Perak, 50450 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

11 180-0-7 & 180-0-8, Wisma Mahkota, Taman Maluri, Cheras, 55100 Kuala Lumpur

12 No 50 Jalan Merlimau, Off Jalan Kenanga, 55200 Kuala Lumpur

13 No. 2, Jalan Rampai Niaga 1, Rampai Business Park, Taman Sri Rampai, 53300 Kuala Lumpur

14 No. 44 & 46, Block A, Plaza Sinar, Jalan 8/38D, Taman Sri Sinar, Segambut, 51200 Kuala Lumpur

15 No. 71 & 73, Jalan Radin Tengah, Zone J 4, Bandar Baru Seri Petaling, 57000 Kuala Lumpur

16 No. 7 & 9, Jalan 2/109F, Plaza Danau 2, Taman Danau Desa, Off Jalan Klang Lama, 58100 Kuala Lumpur

17 A-G-10 & A-01-11, Jalan 26/70A, Desa Sri Hartamas, 50480 Kuala Lumpur

18 150, Jalan Tun Sambanthan, 50470 Kuala Lumpur

19 No. 53 & 55, Jalan Sultan Ismail, 50250 Kuala Lumpur

20 166 & 168, Jalan 2/3A Off KM 12, Jalan Ipoh, 68100 Batu Caves, Kuala Lumpur

21 No. 15, 16 & 17, Jalan Midah Satu, Taman Midah, Cheras, 56000 Kuala Lumpur

22 Ground Floor(Lot G3), Menara Raja Laut, No. 288, Jalan Raja Laut, 50350 Kuala Lumpur

23 Ground & Mezzanine Floors, No. 2-21A & 2-21A1, Jalan Desa 1/1, Desa Aman Puri, 52100 Kepong, Kuala Lumpur

24 Unit E-1-2 Level 1 Block E, Pusat Komersial Southgate, No 2 Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur

25 Ground & 1st Floor, Unit 25-G & 25-1, Signature Office, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur

26 Tingkat Bawah, No. 6 & 8, Blok 5, Jalil Link, Jalan Jalil Jaya 6, Bukit Jalil, 57000 Kuala Lumpur

27 No 63, Jalan Medan Putra 1, Medan Putra Business Centre, Menjalara, 52200 Kuala Lumpur

28 Level 1 Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur

29 **Hong Leong Islamic Bank Berhad** No. 28, Ground & First Floor, Jalan Setiawangsa 10/55A, Taman Setiawangsa, 54200 Kuala Lumpur

30 No. 1-GM, Jalan Perdana 4/6, Pandan Perdana, 55300 Kuala Lumpur

31 No. 19, Jalan 54, Desa Jaya, 52100 Kepong, Kuala Lumpur

32 No. 23GM & 25GM, Jalan Pandan Indah 4/8, 55100 Kuala Lumpur

SELANGOR DARUL EHSAN

33 No. 80 & 82, Jalan Othman (1/14), 46000 Petaling Jaya, Selangor Darul Ehsan

34 No. 3, Jalan Takal 15/21, Seksyen 15, 40000 Shah Alam, Selangor Darul Ehsan

35 No. 59A, Jalan Welman, 48000 Rawang, Selangor Darul Ehsan

36 Wisma Meru, No. 1, Lintang Pekan Baru, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan

37 No. 119 & 121, Jalan Sultan Abdul Samad, 42700 Banting, Selangor Darul Ehsan

38 No. 64, Jalan Stesen, 45000 Kuala Selangor, Selangor Darul Ehsan

39 W-1-0, W-2-0 & W-1-1, Subang Square Business Centre, Jalan SS15/4G, 47500 Subang Jaya, Selangor Darul Ehsan

40 No. 91, Lorong Memanda 1, Ampang Point, 68000 Ampang, Selangor Darul Ehsan

41 No. 2, Jalan Kinrara, Taman Kinrara, Jalan Puchong, 47100 Selangor Darul Ehsan

Other Information

42 No. 24, Medan Taming 2,
Taman Taming Jaya,
43300 Balakong,
Selangor Darul Ehsan

43 No. 12 & 14, Jalan PJS 11/28A,
Metro Bandar Sunway, Bandar Sunway,
46150 Petaling Jaya,
Selangor Darul Ehsan

44 No. 1 & 3, Jalan Sri Sarawak 17,
Taman Sri Andalas,
41200 Klang, Selangor Darul Ehsan

45 No. 11 & 13, Jalan M/J 1,
Taman Majlis Jaya, Jalan Sungai
Chua, 43000 Kajang,
Selangor Darul Ehsan

46 No. 174 & 174A, Jalan Besar,
42800 Tanjung Sepat, Kuala Langat,
Selangor Darul Ehsan

47 No. 18 & 20, Jalan 20/16A,
Taman Paramount,
46300 Petaling Jaya,
Selangor Darul Ehsan

48 No. 15 & 16 Jalan Menteri Besar 2,
New Sekinchan Business Centre,
45400 Sekinchan,
Selangor Darul Ehsan

49 No. 36, Jalan Dato Shahbudin 30,
Taman Sentosa,
41200 Klang, Selangor Darul Ehsan

50 No.39 & 41, Jalan SJ 17,
Taman Selayang Jaya,
68100 Batu Caves,
Selangor Darul Ehsan

51 No. 169, Jalan Teluk Pulai,
41100 Klang, Selangor Darul Ehsan

52 No. 1G-3G, Jalan Wawasan 2/10,
Bandar Baru Ampang,
68000 Ampang,
Selangor Darul Ehsan

53 No 25-29G, Jalan SS 21/60,
47400 Damansara Utama,
Petaling Jaya, Selangor Darul Ehsan

54 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

55 No. 68, Lorong Batu Nilam 4A,
Bandar Bukit Tinggi,
41200 Klang, Selangor Darul Ehsan

56 No. 1 & 3, Jalan Seri Taming 1F,
Taman Seri Taming, Batu 9,
43200 Cheras, Selangor Darul Ehsan

57 No. 7 & 9,
Jalan Bunga Tanjong 6A,
Taman Putra,
68000 Ampang, Selangor Darul Ehsan

58 No. 22 & 24 Jalan 14/14,
46100 Petaling Jaya,
Selangor Darul Ehsan

59 Wisma Keringat 2, No. 17, Lorong
Batu Caves 2, 68100 Batu Caves,
Selangor Darul Ehsan

60 Ground Floor, Tower A PJ City
Development 15A,
Jalan 219, Section 51A,
46100 Petaling Jaya,
Selangor Darul Ehsan

61 No. E-01-07 & E-01-08, Jalan Puchong
Prima 5/3, Puchong Prima,
47100 Puchong, Selangor Darul Ehsan

62 No. 30, Jalan Public,
Sungai Buloh New Village,
47000 Sungai Buloh,
Selangor Darul Ehsan

63 No. 64, Jalan BRP 1/2,
Bukit Rahman Putra,
47000 Sungai Buloh,
Selangor Darul Ehsan

64 No. 5 & 7 Jalan Besar Susur 1,
43300 Seri Kembangan,
Selangor Darul Ehsan

65 No. 7 & 9, Jalan Pasar Baru 2,
Seksyen 3, Bandar Semenyih,
43500 Semenyih,
Selangor Darul Ehsan

66 No. 2, Jalan Puteri 2/4,
Bandar Puteri, 47100 Puchong,
Selangor Darul Ehsan

67 No. 1, Jalan Temenggung 21/9,
Bandar Mahkota Cheras,
43200 Cheras, Selangor Darul Ehsan

68 No. 2G,2-1 & 2A-G, Jalan Cheras Maju,
Pusat Perniagaan Cheras Maju,
43200 Balakong, Selangor

69 5, Jalan SL 1/4, Bandar Sungai Long,
43000 Kajang, Selangor Darul Ehsan

70 Ground Floor, 36, Jalan Sulaiman,
43000 Kajang, Selangor Darul Ehsan

71 No. 9 & 11, Jalan 52/2,
PJ New Town Centre,
46200 Petaling Jaya,
Selangor Darul Ehsan

72 90, Persiaran Raja Muda Musa,
42000 Pelabuhan Klang,
Selangor Darul Ehsan

73 3, Jalan Bandar Satu,
Pusat Bandar Puchong,
47100 Puchong, Selangor Darul Ehsan

74 No. 26 & 27, Jalan Kenari 1,
Bandar Puchong Jaya,
47100 Puchong, Selangor Darul Ehsan

75 No. 28 & 30, Jalan SS 2/67,
47300 Petaling Jaya,
Selangor Darul Ehsan

76 Lot 43 & 45, Jalan USJ 10/1G,
47620 Subang Jaya,
Selangor Darul Ehsan

77 51 & 53, Jalan TSB 10A,
Taman Industri Sungai Buloh,
47000 Sungai Buloh,
Selangor Darul Ehsan

78 No. 2, Jalan PJU 5/8,
Dataran Sunway, Kota Damansara,
47810 Petaling Jaya,
Selangor Darul Ehsan

79 No. 5 & 7, Jalan Cempaka 1,
Taman Cempaka,
48200 Serendah, Hulu Selangor,
Selangor Darul Ehsan

80 26-32, Jalan Kapar,
41400 Klang, Selangor Darul Ehsan

81 No. 19, Jalan Setia Prima R U 13/R,
Setia Alam, Seksyen U13,
40170 Shah Alam Selangor

82 No. 3-G, Jalan Anggerik Vanilla
N31/N, Kota Kemuning,
40460 Shah Alam,
Selangor Darul Ehsan

83 No.1 & 3,
Jalan PJU 1/43, Aman Suria,
47301 Petaling Jaya,
Selangor Darul Ehsan

84 Ground Floor, Lot G01,
Giant Hypermarket Putra Heights,
Persiaran Putra Perdana,
47560 Putra Heights,
Selangor Darul Ehsan

85 Ground Floor, No. 109 & 111,
Jalan Mahogani 5, Bandar Botanic,
41200 Klang, Selangor Darul Ehsan

86 No. 4G & 6G, Jalan Equine 1B,
Taman Equine Boulevard,
43300 Seri Kembangan,
Selangor Darul Ehsan

87 Lot 529,
Jalan Besar, Pekan Kapar,
42200 Klang, Selangor Darul Ehsan

88 No. 8, Jalan UP 1/5,
Taman Ukay Perdana,
68000 Ampang,
Selangor Darul Ehsan

89 No. 21, Jalan BS 10/6,
Seksyen 10, Bukit Serdang,
43300 Seri Kembangan,
Selangor Darul Ehsan

90 **Hong Leong Islamic Bank Berhad**
Lot G13A (Ground Floor),
D'Pulze Shopping Centre,
P-01, D'Pulze,
Lingkaran Cyber Point Timur,
Cyberjaya 12,
63000 Cyberjaya,
Selangor Darul Ehsan

91 No. 120, Jalan Puj 3/2,
Taman Puncak Jalil,
Bandar Putra Permai,
43300 Seri Kembangan Selangor
Darul Ehsan

PAHANG DARUL MAKMUR

92 No. 59 & 60, Jalan Temerloh,
Locked Bag No. 9,
28409 Mentakab,
Pahang Darul Makmur

93 No. 25, Jalan Tun Ismail,
25000 Kuantan,
Pahang Darul Makmur

94 No. 39-41, Jalan Tun Razak,
27600 Raub, Pahang Darul Makmur

95 No. F105 & F106, Jalan Kuantan,
28000 Temerloh,
Pahang Darul Makmur

96 No. 36, Main Road, Tanah Rata,
39000 Cameron Highlands,
Pahang Darul Makmur

97 No. 1, Bentong Heights,
28700 Bentong,
Pahang Darul Makmur

98 No. B 278 & B 280,
Jalan Beserah, 25300 Kuantan,
Pahang Darul Makmur

99 No. 113, Jalan Inderapura 1,
Bandar Inderapura,
27000 Jerantut, Pahang

TERENGGANU DARUL IMAN

100 Lot 3594 & 3595,
Jalan Baru Pak Sabah,
23000 Dungun,
Terengganu Darul Iman

101 **Hong Leong Islamic Bank Berhad**
No. 31, Jalan Sultan Ismail,
20200 Kuala Terengganu,
Terengganu Darul Iman

102 No. 1107 - R,S & T, Jalan Pejabat,
20200 Kuala Terengganu,
Terengganu Darul Iman

103 No. 5686 & 5694-B,
Jalan Kubang Kurus,
24000 Kemaman,
Terengganu Darul Iman

KELANTAN DARUL NAIM

104 **Hong Leong Islamic Bank Berhad**
Ground & Mezanine Floor,
No. 1121A & B, Jalan Padang Garong,
Seksyen 12,
15000 Kota Bahru,
Kelantan Darul Naim

105 PT 320 & 321, Seksyen 25,
Jalan Sultan Yahya Petra,
15200 Kota Bahru,
Kelantan Darul Naim

PERLIS INDERA KAYANGAN

106 No. 40 & 42, Jalan Bukit Lagi,
01000, Kangar,
Perlis Indera Kayangan

KEDAH DARUL AMAN

107 Ground Floor & 1st Floor,
No. 212, Jalan Gangsa,
Seberang Jalan Putra,
05150 Alor Setar,
Kedah Darul Aman

108 Ground & 1st Floor, No. 64 & 65,
Jalan Pengkalan, Taman Pekan Baru,
08000 Sungai Petani,
Kedah Darul Aman

109 No. 1 & 2, Jalan Raya,
09800 Serdang,
Kedah Darul Aman

110 No. 62 & 63, Jalan Bayu Satu,
09000 Kulim, Kedah Darul Aman

111 No. 167 & 168,
Susuran Sultan Abdul Hamid 11,
Kompleks Perniagaan Sultan Abdul
Hamid Fasa 2,
05050 Alor Setar,
Kedah Darul Aman

112 No. 9A & 9B, Jalan Kampung Baru,
08000 Sungai Petani,
Kedah Darul Aman

113 18K & 18L, Jalan Raya,
08300 Gurun, Kedah Darul Aman

114 Ground & First Floor,
255, Jalan Legenda 10,
Legenda Heights,
08000 Sg Petani,
Kedah Darul Aman

115 No. 93, Langkawi Mall,
Jalan Kelibang,
07000 Kuah, Langkawi,
Kedah Darul Aman

116 No 1520-2A, Pantai Halban,
Jalan Kepala Batas,
06000 Jitra, Kedah Darul Aman

Other Information

PULAU PINANG

117 No. 1, Light Street, Georgetown, 10200 Pulau Pinang

118 No. 9 & 10, Jalan Todak 2, Pusat Bandar, Seberang Jaya, 13700 Prai, Pulau Pinang

119 Unit G-02, Mezzanine 2-02B, No. 405 Jalan Burmah, 10350 Pulau Pinang

120 No. 15-G-1 (Bayan Point), Medan Kampung Relau, 11900 Pulau Pinang

121 1780 & 1781, Jalan Nibong Tebal, Taman Panchor Indah, 14300 Pulau Pinang

122 98-G-15, Prima Tanjung, Jalan Fettes, Tanjung Tokong, 10470 Pulau Pinang

123 No. 1, Lebuh Kurau 1, Taman Chai Leng, 13700 Prai, Pulau Pinang

124 No. 19, Jalan Bertam, 13200 Kepala Batas, Seberang Prai, Pulau Pinang

125 No. 723-G-G, 723-H-G & 723-I-G, Jalan Sungai Dua, 11700 Pulau Pinang

126 No. 6963 & 6964, Jalan Ong Yi How, Kawasan Perusahan Raja Uda, 13400 Butterworth, Pulau Pinang.

127 Lot G-17 & G-18, Jalan Dato Keramat, Penang Times Square, 10150 Georgetown, Pulau Pinang

128 No. 1823-G1, Jalan Perusahaan Auto-City, North-South Highway Juru Interchange, 13600 Prai, Pulau Pinang

129 1435 & 1436, Jalan Besar, 14200 Sungai Bakap, Seberang Prai Selatan, Pulau Pinang

130 No. 26, 28 & 30, Jalan Murni 1, Taman Desa Murni, Sungai Dua, 13800 Butterworth, Pulau Pinang

131 No. 300 Jalan Jelutong, 11600 Pulau Pinang

132 Ground Floor, No. 16A & 16B, Lebuhraya Thean Teik, Bandar Baru Ayer Itam, 11500 Pulau Pinang

133 No. 31, 33, 35, Jalan Usahaniaga 1, Tmn Niagajaya, 14000 Bukit Mertajam, Pulau Pinang

134 No. 3350 & 3351, Jalan Rozhan, Taman Industri Alma Jaya, 14000 Bukit Mertajam, Pulau Pinang

135 No. 1, Jalan Besar, Taman Tempua, 14000 Simpang Ampat, Pulau Pinang

136 No. 306-F, Jalan Dato Ismail Hashim, Sungai Ara, 11900 Bayan Lepas, Pulau Pinang

137 No. 82 Jalan Besar, 11000 Balik Pulau, Pulau Pinang

138 Ground & First Floor, No.1 Medan Limau Emas, Pusat Perniagaan Limau Emas, Off Jalan Song Ban Keng, 14000 Bukit Mertajam, Pulau Pinang

PERAK DARUL RIDZUAN

139 Lot-A-G-2 (Ground Floor), No 1, Persiaran Greentown 2, Greentown Business Centre, 30450 Ipoh, Perak Darul Ridzuan

140 N-20, Jalan Bidor Raya, Off Jalan Persatuan, 35500 Bidor, Perak Darul Ridzuan

141 No. 41, Jalan Taiping, 34200 Parit Buntar, Perak Darul Ridzuan

142 No. 16 & 17, Taman Sitiawan Maju, Jalan Lumut, 32000 Sitiawan, Perak Darul Ridzuan

143 Ground & First Floors, No.116 & 117, Jalan Besar, 31450 Menglembu, Ipoh, Perak Darul Ridzuan

144 No. 28, Medan Silibin, 30100 Ipoh, Perak Darul Ridzuan

145 No. 53, 55 & 57, Jalan Stesyen, 34000 Taiping, Perak Darul Ridzuan

146 No. 133 & 135 Jalan Gopeng, 31900 Kampar, Perak Darul Ridzuan

147 No. 27, Jalan Dewangsa, 31000 Batu Gajah, Perak Darul Ridzuan

148 No. 11 & 12, Kompleks Menara Condong, Jalan Bandar, 36000 Teluk Intan, Perak Darul Ridzuan

149 No. 579 & 579A, Jalan Pasir Puteh, 31650 Ipoh, Perak Darul Ridzuan

150 No. 91 & 93, Jalan Dato Lau Pak Khuan, Ipoh Garden, 31400 Ipoh, Perak Darul Ridzuan

151 86 & 88, Jalan Besar, 32400 Ayer Tawar, Perak

152 PT 1167 & 1168 Jalan Chui Chak, 36700 Langkap, Perak Darul Ridzuan

153 Ground & First Floor, No.254 & 254A, Jalan Raja Dr. Nazrin Shah, Gunung Rapat, 31350 Ipoh, Perak Darul Ridzuan

154 No. 25 & 27, Jalan Bunga Anggerik, Taman Bunga Raya, 35900 Tanjong Malim, Perak Darul Ridzuan

155 Ground & First Floor, No. 362, Medan Bercham, Jalan Bercham, 31400 Ipoh, Perak Darul Ridzuan

NEGERI SEMBILAN DARUL KHUSUS

156 No. 100, Jalan Gurney, 72100 Bahau, Negeri Sembilan Darul Khusus

157 No. 69, 70 & 71, Jalan Dato Bandar Tunggal, 70000 Seremban, Negeri Sembilan Darul Khusus

158 No. 112, Jalan Yam Tuan Raden, 72000 Kuala Pilah, Negeri Sembilan Darul Khusus

159 Lot PT 5729 & 5730,
Jalan TS 2/1D,
Taman Semarak,
71800 Nilai,
Negeri Sembilan Darul Khusus

160 Lot 3120 & 3121,
Jalan Besar, Lukut,
71010 Port Dickson,
Negeri Sembilan Darul Khusus

161 145-G, 145-1 & 146-G, Blok M,
Taipan Senawang,
Senawang Commercial Park,
70450 Negeri Sembilan Darul Khusus

162 Ground, 1st & 2nd Floors, No. 7 & 8,
Jalan S2 B15, Biz Avenue, Seremban 2,
70300 Seremban,
Negeri Sembilan Darul Khusus

MELAKA

163 No. 345, Jalan Ong Kim Wee,
75300 Melaka

164 No. 150 & 152,
Kompleks Munshi Abdullah,
Jalan Munshi Abdullah,
75100 Melaka

165 Lot BB-371A & B,
Taman Melaka Baru,
Batu Berendam,
75350 Melaka

166 Lot 215 & 130, Jalan Besar,
78300 Masjid Tanah, Melaka

167 No. 1, 1-1 & 3, Jalan Malim Jaya 2/7A,
Taman Malim Permai,
75250 Melaka

168 No. 67 & 69,
Jalan Merdeka,
Taman Melaka Raya,
75000 Melaka

169 No. 76 & 76-1,
Jalan Inang 4 (Cheng),
Taman Paya Rumput Utama,
76300 Paya Rumput, Melaka

JOHOR DARUL TAKZIM

170 No. 12 - 16, Jalan Wong Ah Fook,
80000 Johor Bahru,
Johor Darul Takzim

171 No. 70, Jalan Segamat,
85300 Labis, Johor Darul Takzim

172 Lot No. 24 & 25,
Jalan Ahmad Ujan, Taman Kota Besar,
81900 Kota Tinggi, Johor Darul Takzim

173 No. 120 - 122, Jalan Mersing,
86000 Kluang, Johor Darul Takzim

174 No. 173 & 175,
Jalan Sri Pelangi, Taman Pelangi,
80400 Johor Bahru, Johor Darul Takzim

175 No. 6 & 8, Jalan Nakhoda 12,
Taman Ungku Tun Aminah,
81300 Skudai, Johor Darul Takzim

176 No. 6 & 7, Jalan Anggerik 1,
Taman Kulai Utama,
81000 Kulai, Johor Darul Takzim

177 No. LC 531, Jalan Payamas,
84900 Tangkak, Johor Darul Takzim

178 No. 109 Main Road,
83700 Yong Peng, Johor Darul Takzim

179 No. 39 & 41, Jalan Kebudayaan 1,
Taman Universiti,
81300 Skudai, Johor Darul Takzim

180 Ground & Mezzanine Floors,
Penggaram Complex, No. 1,
Jalan Abdul Rahman,
Off Jalan Rahmat,
83000 Batu Pahat, Johor Darul Takzim

181 No. 80, Jalan Dedap 13,
Taman Johor Jaya,
81100 Johor Bahru, Johor Darul Takzim

182 No. 2, Jalan Jati Satu,
Taman Nusa Bestari Jaya,
81300 Skudai, Johor Darul Takzim

183 No. 5, Jalan Camar 1/3,
Taman Perling,
81200 Johor Bahru,
Johor Darul Takzim

184 No. 35, 37 & 39, Jalan Johar 1,
Taman Desa Cemerlang,
81800 Ulu Tiram, Johor Darul Takzim

185 No. 8-10 Jalan Nusaria 11/7,
Taman Nusantara,
81550 Gelang Patah,
Johor Darul Takzim

186 105-106, Jalan Besar,
81750 Masai, Johor Darul Takzim

187 30 & 31, Jalan Mawar 1, Taman Mawar,
81700 Pasir Gudang,
Johor Darul Takzim

188 1, 1A, 1B & 1C, Jalan Belimbing,
81400 Senai, Johor Darul Takzim

189 01-01, 01-02, 01-03, 01-05,
Block D Komersil Southkey Mozek,
Persiaran Southkey 1. Kota Southkey,
80150 Johor Bahru,
Johor Darul Takzim

190 No. 21, Jalan Permas 10/1,
Bandar Baru Permas Jaya,
81750 Masai, Johor Darul Takzim

191 No. 30 & 31, Jalan Delima,
Pusat Perdagangan Pontian,
82000 Pontian, Johor Darul Takzim

192 No. 43A & 45, Jalan Genuang,
Kampung Abdullah,
85000 Segamat, Johor Darul Takzim

193 No. 29 & 31,
Jalan Molek 2/4, Taman Molek,
81100 Johor Bahru,
Johor Darul Takzim

194 No. 25 & 25A,
Jalan Kenanga 29/1, Indahpura,
81000 Johor Bahru,
Johor Darul Takzim

195 Ground & 1st Floor, No. 3,
Pusat Dagangan Bakri, Jalan Bakri,
84000 Muar, Johor Darul Takzim

196 Ground Floor, No. 121 & 123,
Jalan Austin Heights 3,
Taman Mount Austin,
81100 Johor Bahru,
Johor Darul Takzim

197 Ground Floor,
No.1, Jalan Setia Tropika 1/15,
Taman Setia Tropika,
81200 Johor Bahru,
Johor Darul Takzim

198 No. 345A, Jalan Ismail,
86800 Mersing, Johor Darul Takzim

Other Information

SABAH

199 Ground & 1st Floor,
Lot No.1, Block 35,
Fajar Commercial Complex,
Jalan Lembaga,
91013 Tawau, Sabah

200 No. 5 & 6 (Ground Floor),
Lorong Lintas Plaza 1, Lintas Plaza,
88300 Kota Kinabalu, Sabah

201 Lot 1, 2 & 3, Block 18, Mile 4,
North Road, Bandar Indah,
90000 Sandakan, Sabah

202 Ground Floor,
Wisma Sandaraya, Humprey Street,
90000 Sandakan, Sabah

203 No. 19, Jalan Haji Saman,
P.O. Box 11989,
88821 Kota Kinabalu, Sabah

204 No. 8, Jalan Pantai,
Locked Bag No. 124,
88999 Kota Kinabalu, Sabah

205 Lot 4, 5 & 6, Block C,
Lorong KK Taipan 2,
Inanam New Township,
88450 Kota Kinabalu, Sabah

206 Lot 3-0-14 to 3-0-16, Block 3,
Lorong Api-Api 2, Api-Api Centre,
88000 Kota Kinabalu, Sabah

207 MDLD 4711 & 4712, Lot 3 & 4,
Jalan Kastam Lama,
91100 Lahad Datu, Sabah

208 No. 38, Block E,
Alamesra Plaza Permai,
88400 Kota Kinabalu, Sabah

SARAWAK

209 No. 35, Jalan Khoo Hun Yeang,
93000 Kuching, Sarawak

210 No. 42, Jalan Pending,
93450 Kuching, Sarawak

211 Lot 3073 & 3074,
Jalan Abang Galau,
97000 Bintulu, Sarawak

212 No. 133, 135 & 137,
Jalan Kampung Nyabor,
96000 Sibu, Sarawak

213 No. 8-10, Lorong Maju, PO Box 279,
96508 Bintangor, Sarawak

214 Lot 13 & 14, Olive Garden,
7th Mile Bazaar, Jalan Pensrissen,
93250 Kuching, Sarawak

215 No. 175, Serian Bazaar,
94700 Serian, Sarawak

216 Lot 124, Saratok Baazar, P.O Box 71,
95407 Saratok, Sarawak

217 No. 10, Lot 734,
Jalan Lee Kai Teng,
95700 Betong, Sarawak

218 No. 18, Chew Geok Lin Street,
P.O Box 1461,
96000 Sibu, Sarawak

219 No. 722, Jalan Masjid, P.O Box 19,
96400 Mukah, Sarawak

220 Lot 122, Jalan Yong Moo Chai,
P.O. Box 15,
96807 Kapit, Sarawak

221 Lot 11600-11602, Block 16,
No. 127-129 R.H.Plaza,
Jalan Lapangan Terbang,
93550 Kuching, Sarawak

222 Lot 122-124,
Jalan Song Thian Cheok, 93100
Kuching, Sarawak

223 Lot 1078-1079,
Buangsiol Road, P.O. Box 69,
98707 Limbang, Sarawak

224 Ground & First Floor,
Lot 715, Merbau Road,
98008 Miri, Sarawak

225 No. 22-23,
Suria Permata Commercial Centre,
Jalan Lanang,
96000 Sibu, Sarawak

226 Lot 2499 & 2500,
Ground & 1st Floor,
Boulevard Commercial Centre,
Jalan Miri-Pujut, KM 3,
98000 Miri, Sarawak

227 No. 18C & 20,
Lorong Tun Razak 1,
Jalan Masjid Lama,
96100 Sarikei Sarawak

228 10, 12, 14, 16 & 18,
Mission Road, P.O. Box 656,
96007 Sibu, Sarawak

229 345-347, Ground Floor & 1st Floor,
Central Park Commercial Centre,
Jalan Tun Ahmad Zaidi Adruce, 9
3200 Kuching, Sarawak

230 Lot 171, Jalan Council,
95000 Bandar Sri Aman, Sarawak

FEDERAL TERRITORY PUTRAJAYA

231 **Hong Leong Islamic Bank Berhad**
Lot T00 - U01, No. 5,
Jalan P16, Precinct 16,
62150 Putrajaya,
Wilayah Persekutuan

FEDERAL TERRITORY LABUAN

232 No. 64, Jalan Tun Mustapha,
87007 Labuan

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

Overseas Branches and Subsidiaries

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

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
Kingdom of 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

3 **Hong Leong Bank (Cambodia) PLC**
Olympic Branch Branch:
No 345, 347, and 349, Street 274,
Sangkat Veal Vong, Khan 7 Makara,
Phnom Penh

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

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**
Sen Sok Branch:
#65&67, St. 1003, 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 Eighty-First Annual General Meeting of the Bank to be held at Wau Bulan 2, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Thursday, 27 October 2022 at 10.30 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below with an "X":

	RESOLUTIONS	**FOR**	**AGAINST**
1.	To approve the payment of Director Fees and Directors' Other Benefits		
2.	To re-elect Mr Tan Kong Khoon as Director		
3.	To re-elect YBhg Datuk Dr Md Hamzah bin Md Kassim as Director		
4.	To re-elect Ms Lau Souk Huan as Director		
5.	To re-elect Ms Cheong Soo Ching as Director		
6.	To re-elect Puan Fa'izah binti Mohamed Amin as Director		
7.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
8.	To approve the ordinary resolution on Authority to Directors to Allot Shares		
9.	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______________________2022

_______________________________ _______________________________

Number of shares held Signature(s) of Member

CDS Account No. ___________________

Notes:-

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 18 October 2022 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the Bank.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the 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.*
6. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the 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.*
9. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of Proxies	*% of shareholdings to be represented*

10. *Pursuant to Paragraph 8.29 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.*

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AFFIX STAMP

The Group Company Secretary

HONG LEONG BANK BERHAD
Registration No. 193401000023 (97141-X)

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No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

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