HongLeong Bank Berhad

Annual Report **2020**

Corporate

Financials

Additional Information

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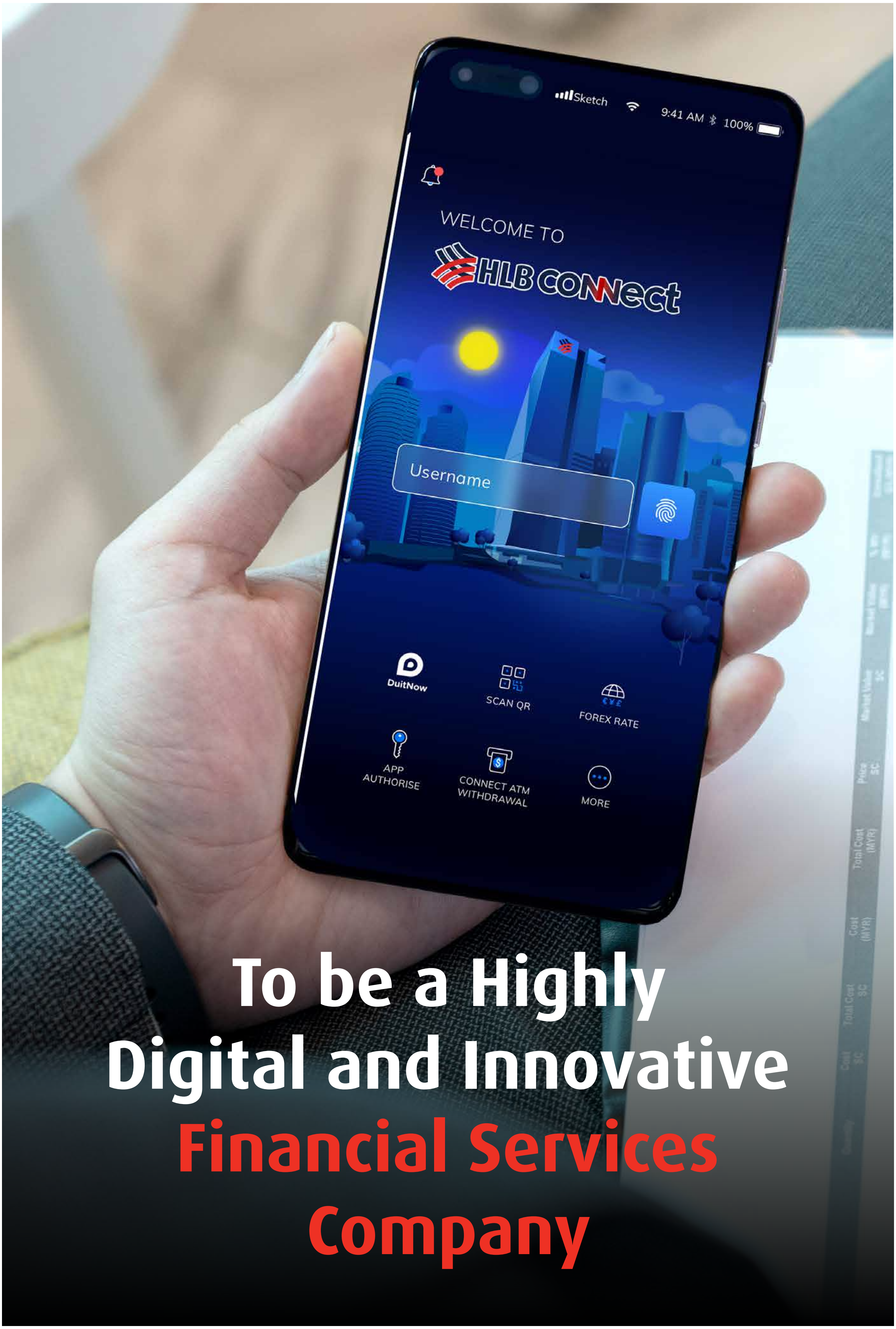


To be a Highly Digital and Innovative Financial Services Company

The Business

In line with HLB's ethos of 'Digital-at-the-Core' and brand promise of 'Built Around You', the Bank is well on the way to ensure that Digital Banking permeates all that we do, whether it's with our product and service offerings to customers or the way we work internally and interact and transact with customers. Further, we are seeing traction on our endeavours to build a culture where the client is at the centre of everything we do. We do this by continuing to invest in new and more accessible technologies, leveraging on consumer collaborations, research and, insights to form an integrated banking platform with the aim of personalising solutions around customer needs. Through these efforts, the Bank is able to deliver a simple, seamless and straightforward banking experience delighting our customers with experiences and interactions with us that gives them the ability to take control of their finances and financial management.

Hong Leong Bank Berhad ("HLB" or "the Bank") is a leading Malaysian financial services institution which provides a wide range of products and services and innovative financial solutions in Malaysia and across the region.

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

With vast changes and numerous developments in the banking industry and financial landscape as a whole, there is a need to ensure that we can continue to stay ahead of our customers' financial needs and ambitions so that we can provide the right solutions at the right time. The essence of this approach was very apparent during the peak of the COVID-19 pandemic in the countries where we serve its communities. In staying true to HLB's ethos of being Digital-at-the-Core and building personalised solutions by having a deep understanding of our customer's needs during these trying times, we were able to accelerate help through technological engagements that enabled swift delivery of products and services to customers in a bid to help them recover and rebuild their

HONG LEONG BANK'S KEY BUSINESS PILLARS ARE:

Personal Financial Services

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

Business & Corporate Banking

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

businesses. Simultaneously, we were able to leverage on our technology infrastructure spend and upskilling of our employees, so that we could quickly adapt to the way we work, and from where we work, ensuring services and support to customers remained uninterrupted even during the lock-down and recovery phases put in place by governments to manage the spread of COVID-19.

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

REGIONAL FOOTPRINT

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

SINGAPORE OPERATIONS

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

HONG KONG OPERATIONS

The Bank's Hong Kong Branch operates under a full banking license and provides global market and wealth management services to its customers. We are also the first bank in Hong Kong to launch an Islamic Banking service. Currently, we are developing a value proposition to service SME customers as we prepare to launch our SME business proposition in the new financial year.

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 a branch and a transaction office, both located in Ho Chi Minh City and a branch each in Binh Duong and Hanoi.

CAMBODIA OPERATIONS

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

INVESTMENT IN CHINA

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

Global Markets

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

Islamic Financial Services

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

HONG LEONG BANK BERHAD

The Asset Triple A Digital Awards 2020

Best Cloud Based Project

Organised by **The Asset Triple A**

Euromoney Awards for Excellence 2020

Excellence in Leadership in Asia 2020

Organised by **Euromoney**

Asiamoney Best Bank Awards 2019

Best SME Bank in Malaysia

Organised by **Asiamoney**

Awards & **Accolades**

Asiamoney Best Bank Awards 2019

Best Digital Bank Malaysia

Organised by **Asiamoney**

Highest Return to Shareholders (FI) Over 3 Years

Billion Ringgit Club

Organised by **The Edge**

Red Hat APAC Innovation Awards 2019

Red Hat APAC Innovation Awards

Organised by **Red Hat**

Top Financial Instituition Partner (Overall Category) 2019

Top Financial Institution Partner

Organised by **Credit Guarantee Corporation Malaysia**

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

Billion Ringgit Club

Organised by **The Edge**

International Business Magazine Awards 2019

Best SME Bank Malaysia

Organised by **International Business Magazine**

HR Excellence Awards 2019

Excellence in Workplace Culture - Gold

Organised by **Human Resources Online**

HR Excellence Awards 2019

HR Leader of the Year - Gold

Organised by **Human Resources Online**

HR Excellence Awards 2019

Excellence in HR Team Collaboration - Silver

Organised by **Human Resources Online**

HR Excellence Awards 2019

Excellence in HR Innovation - Bronze

Organised by **Human Resources Online**

HR Excellence Awards 2019

Young HR Talent of the Year - Individual - Bronze

Organised by **Human Resources Online**

Hong Leong Bank **Story**

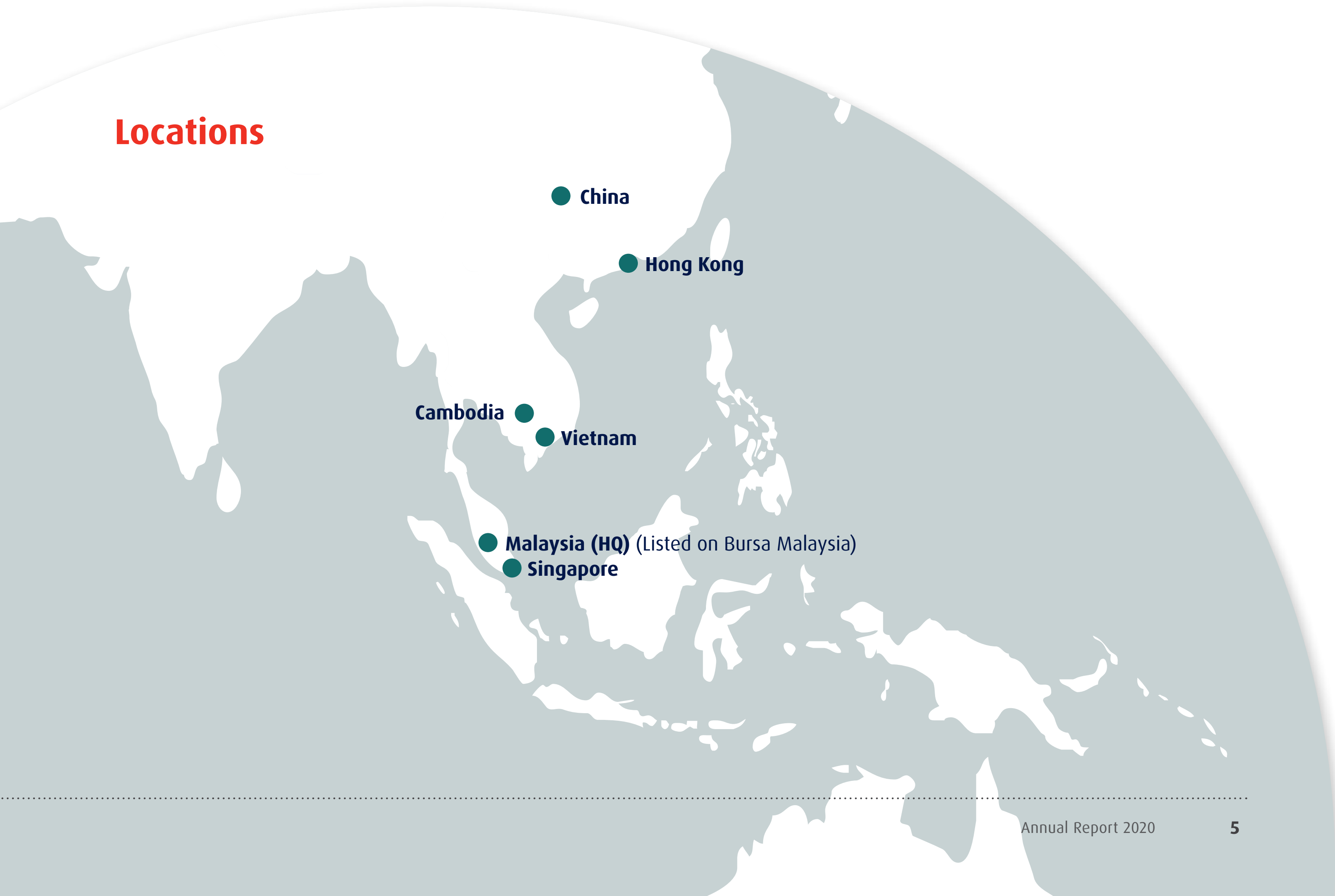
HLB is listed on Bursa Malaysia Berhad and forms part of the Hong Leong Group. Headquartered in Kuala Lumpur, the Bank has a strong Malaysian entrepreneurship heritage of over 100 years.

HLB was originally incorporated as Kwong Lee Mortgage and Remittance Company in 1905 in Kuching, Sarawak and later as Kwong Lee Bank Limited in 1934, bearing heritage of the oldest local financial institution in Malaysia. Kwong Lee Bank Berhad was acquired by the MUI Group in May 1982 and renamed Malayan United Bank Berhad on 2 February 1983. In 1989, it was renamed as MUI Bank. Under the MUI Bank banner, it grew from 11 to 35 branches nationwide. On 3 January 1994, Hong Leong Group acquired MUI Bank Berhad through Hong Leong Credit Berhad (now known as Hong Leong Financial Group Berhad) and renamed it Hong Leong Bank Berhad. The Bank was listed on the Kuala Lumpur Stock Exchange (now under Main Market of Bursa Malaysia) on 17 October 1994 and since then has grown to be a significant player in the Malaysian banking and financing landscape, organically as well as through mergers and acquisitions, with its merger with EON Bank Group in 2011. Today the Bank is Malaysia's fifth largest banking group by assets with over RM220 billion in assets as at 30 June 2020, and 4th largest by market capitalisation as at the same date.

Incorporated in 1905:
Kwong Lee Mortgage and Remittance Company in Kuching, Sarawak

Over RM220 billion in assets
as at 30 June 2020

Locations



Hong Leong Bank Story

HongLeong Bank

Personal Financial Services

Business & Corporate Banking

Global Markets

Islamic Banking

Technologically Focused:
Digital-at-the-Core

Customer Centred Solutions:
Built Around You

Strong Entrepreneurial Heritage

Channels

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

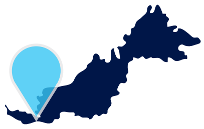
Core Values

- 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

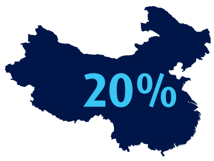
Renamed as MUI Bank, operating with 35 branches

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

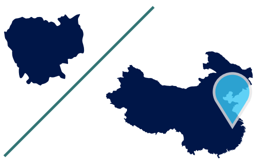
HLBVN opened its doors in Ho Chi Minh City

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

HongLeong connect BIZ

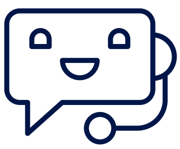
2017

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

Corporate Milestones

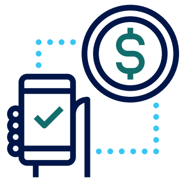
2018

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

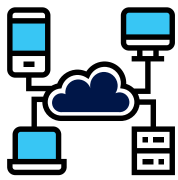
Business



- 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

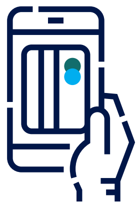
2020

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



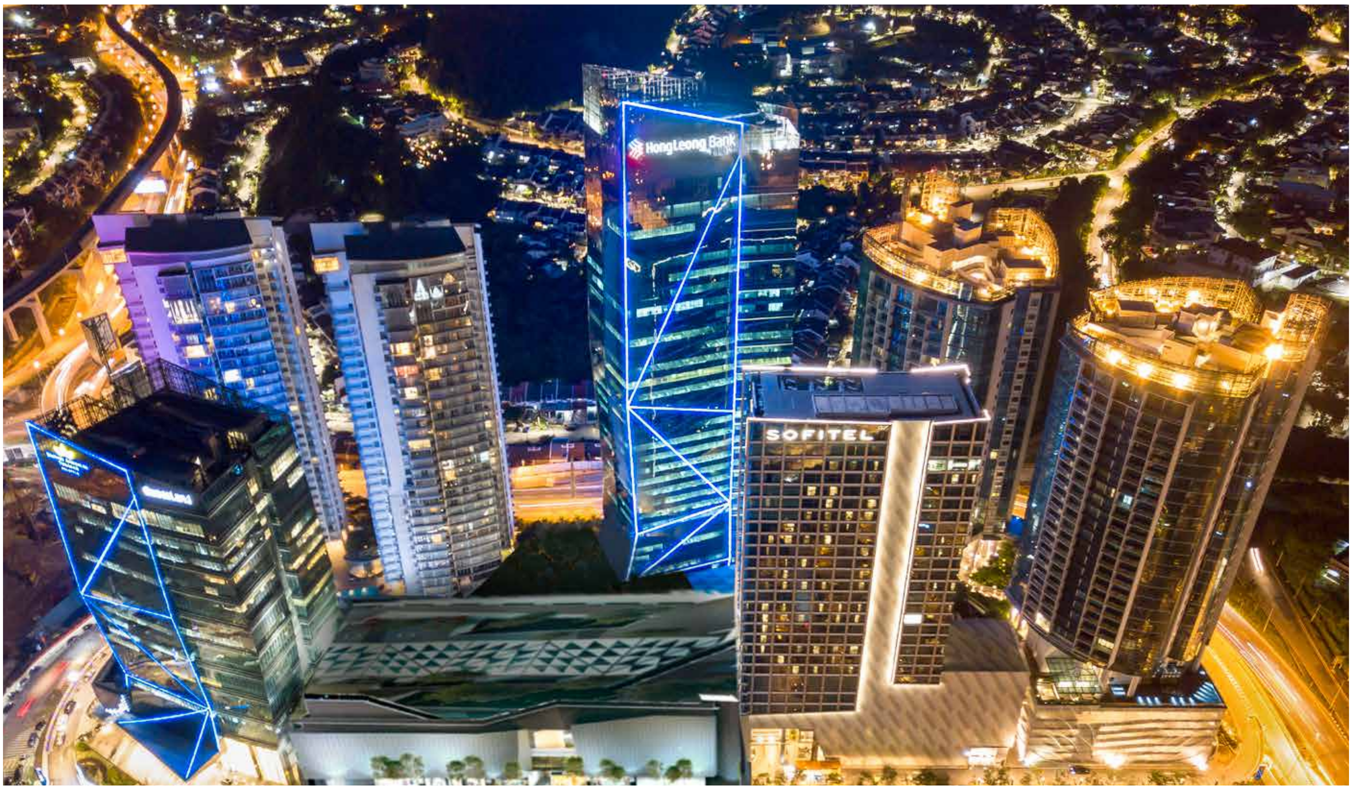
Customers and Employees

- 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

Chairman's **Statement**



"Against the backdrop of a global COVID-19 pandemic that has severely impacted the economies around the world, Hong Leong Bank ("HLB" or "Bank") performed commendably well in the 2020 Financial Year ("FY2020"). During the year, HLB continued to deliver and preserve value for our stakeholders underpinned by our strong capital, liquidity and the disciplined execution of our strategies. While there was a 6.4% reduction in net profits against the previous year, when we exclude a one-off divestment gain in FY2019 and modification loss in FY2020, the Bank's core net profit after tax was higher at RM2,603 million."

The Bank's strategy has been built on our prudent approach to asset quality and investments and our dedication to improving efficiencies and delivering value through our digital transformation. Despite the three cuts to the Overnight Policy Rate ("OPR") in FY2020 totalling 100bps, our core net interest margin has remained relatively stable. Total assets continue to increase, now standing at a record RM221.3 billion, 6.7% higher than the previous year, as we continue to pursue growth in a prudent and sustainable manner.

Total assets

RM**221.3**

Billion

Chairman's Statement

Most of the Bank's accomplishments in FY2020 in preserving shareholder value can be attributed to the implementation of our strategic priorities over the recent years that have transformed the Bank into a strong, digital-first and resilient organisation. We have also been pro-active in helping our customers who have been impacted by the current economic malaise trigged by the COVID-19 pandemic, acknowledging that the sustainability of our business is closely linked to the financial health of our customers.

With the Malaysian economy likely to stay weak in 2020, we will continue to focus on helping customers weather this difficult period which will enable the economy to bounce back stronger. Although the government's RM295 billion stimulus packages will provide much-needed support to the economy, we remain vigilant over the second wave of virus infections in major economies, protracted US-China trade tensions that has lingered since 2018 and domestic policy challenges on the fiscal front in the form of rising government debt levels and a higher fiscal deficit.

We have also been pro-active in helping our customers who have been impacted by the current economic malaise trigged by the COVID-19 pandemic, acknowledging that the sustainability of our business is closely linked to the financial health of our customers.

I am pleased to present to you the Annual Report and Financial Statements of the Bank for the financial year ended 30 June 2020.

ECONOMIC LANDSCAPE

The Malaysian economy remained resilient in FY2020 despite headwinds caused by the COVID-19 pandemic in the second-half of FY2020. In the first quarter of 2020, the economy posted a small 0.7% year-on-year ("y-o-y") growth, supported by still robust private consumption, which was comparatively better than many regional economies as they had started to experience contractions during the 4th quarter of 2019. Economic activities subsequently contracted by 17.1% y-o-y in the second quarter as the economic impact of the necessary Movement Control Order ("MCO") came into effect mid-March 2020.

Inflation was subdued in the absence of both demand and cost pressure while the nation's current account surplus and foreign reserves remain healthy and will continue to provide a buffer in the event of external shocks. The financial markets remain sound despite some volatility, while liquidity in the system remains ample. The Malaysian banking sector is healthy, well capitalised and will continue to play a crucial role to support the country's economic recovery.

The external environment, which was already slowing before the outbreak of COVID-19, weakened further with the pandemic, exposing the fragility of the global economy and the inter-dependency of a global supply chain. This has prompted many central banks to further ease their already loose monetary policy with the Federal Reserve delivering two emergency cuts totalling 150bps in March and expanding its balance sheet from US$4 trillion to US$7 trillion within three months. Similarly, at home, Bank Negara Malaysia also adjusted its OPR downwards by 125bps to 1.75% in the first seven months of 2020 and reduced the Statutory Reserve Ratio by 100bps to 2.00% to provide liquidity to the market.

DELIVERING RESULTS UNDER CHALLENGING CIRCUMSTANCES

For the year under review, the Bank's performance held up well despite the prevailing headwinds as we operated from a position of strength with solid asset quality and prudent management strategies. With industry-leading loans growth, robust contributions from our regional operations and a strong capital base, the Bank has also seen encouraging payment behaviour with over a third of customers continuing with their loan instalments despite the ongoing loan moratorium.

This has further strengthened our robust asset quality, resulting in further improvements to our gross impaired loan ("GIL") ratio. The Bank's total gross loans and financing has also maintained its positive growth trend with a healthy 6.1% y-o-y expansion to RM145.9 billion, even during this uncertain period, demonstrating the strength of our domestic lending businesses. Customer deposits in FY2020 expanded at an accelerated rate of 6.4% y-o-y, to RM173.5 billion, outpacing last year's increase of 3.6%.

With this performance, the Bank's core earnings per share ("EPS") for FY2020 is 127.2 sen, an increase of 1.1% y-o-y, while our core return on equity ("ROE") stood at 9.9%, excluding one-off items. Our share price performed resiliently to close at RM14.08 for FY2020, with share price appreciation over five years outperforming both the FBM KLCI index and KLFIN index by 20.8% and 26.3%, respectively.

Chairman's Statement

Total gross loans and financing maintained a healthy 6.1% y-o-y expansion to

RM145.9 Billion

Total customer deposit expanded 6.4% y-o-y to

RM173.5 Billion

Thus, for FY2020, the Board has proposed a final dividend of 20.0 sen per share subject to the approval of shareholders during the forthcoming Annual General Meeting on 30 October 2020. This brings the total dividend for FY2020 to 36.0 sen per share, with a dividend payout ratio of 30%, as we exercise prudence in the management of our capital in view of the current environment.

ISLAMIC BANKING PERFORMANCE

Malaysia continues to build on its position as a major powerhouse in the global Islamic Finance industry with total Islamic banking assets expanding by 8.3%, amounting to RM835.2 billion in 2019. Financing by Islamic financial institutions accounted for 39.2% of total banking sector financing, up from last year's 37.7%, illustrating its increasing appeal and wide public acceptance.

Capitalising on the growing awareness of Islamic banking as an alternative financial solution, Hong Leong Islamic Bank ("HLISB") remains steadfast in enhancing the sustainable growth of its business. This is done by providing a seamless and connected experience which anticipates and caters to the evolving needs of our customers, further raising Malaysia's premier status as a global Islamic Finance hub.

> Innovative, simplified and personalised financial solutions are key to HLISB's value proposition to connect with customers, with Shariah governance at the heart of our proposition.

Our efforts has translated into HLISB producing a strong FY2020 performance with profit before zakat and taxation recording a growth of 8% y-o-y to RM475 million. Gross Islamic financing assets saw an increase of 15% y-o-y to RM30 billion. The contribution of HLISB's financing portion towards the Bank's total financing also expanded to 21% from 19% in the last financial year.

Amidst the challenging background presented by the COVID-19 pandemic outbreak and persistent global uncertainties, HLISB will adapt to the "New Norm" and is well-positioned to remain resilient and move forward via its continued embracing of the wider group's ethos of being "Digital at the Core". Innovative, simplified and personalised financial solutions are key to HLISB's value proposition to connect with customers, with Shariah governance at the heart of our proposition.

Aligning with the Bank's sustainability goals, HLISB remains dedicated to integrate Value-Based Intermediation ("VBI") principles into the business. VBI puts equal emphasis to economic value creation while upholding ethical values in respect to the business, economy, environment and the communities we serve. HLISB has made progress in this context as we continue to strive to meet our aspiration of becoming a Value Based Bank.

REGIONAL PERFORMANCE

The Bank's regional business has continued to make solid contributions to our overall performance, helping to deliver value to our stakeholders. Accounting for 19.1% of the Bank's pre-tax profit in FY2020, we continue to see robust loan growth from our businesses in Cambodia and Vietnam, and strong profit contributions from our associate in China.

Our Singapore operation is represented by HL Bank Singapore ("HLBS") and is an important franchise for the Bank. In FY2020, total income recorded was RM130 million while gross loans remained stable at RM5.3 billion, which contributed 3.6% to the Bank's total gross loans. In recent years, the branch has seen itself change from a pure Private Banking outfit to a more holistic financial services provider with greater coverage in niche sectors. This has enabled Personal Financial Services to establish a firm foothold in Auto Financing, while looking to expand into other consumer loans. Business and Corporate Banking focuses on Medium Size Enterprises in economic sectors such as manufacturing, construction and wholesale trade, while Private Wealth is re-strategising to focus on generational wealth transfer, specific sectors such as healthcare professionals and other high net worth individuals. HLBS will continue to develop its business to best align with customer preferences, with the use of digital technology that leverages on the Head Office's ("HO") digital transformation roadmap, to build the Hong Leong franchise by immersing ourselves in the communities we serve.

Chairman's Statement

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

19.1%

Hong Leong Bank Vietnam Ltd ("HLBVN") recorded a solid performance in FY2020 with loans growing by 47.4% y-o-y and deposits improving by 21.5% y-o-y (on a normalised basis), resulting in total income growth of 12.0% y-o-y. GIL ratio remains well under control at 0.20%. HLBVN has also made good progress in its journey to become a retail digital bank with the release of a new mobile app designed and built exclusively for customers in Vietnam. It is also among the first few banks in the country to introduce digital debit cards to the market. In the second half of 2020, HLBVN will be launching other digital initiatives to further enhance customer acquisition and improve customer experience.

Hong Leong Bank (Cambodia) PLC ("HLBCAM") managed to record a 26.8% y-o-y growth in its loan portfolio to RM1.6 billion, while deposits grew by 11.2% y-o-y to RM1.4 billion. This has elevated our total assets to approximately RM2.7 billion as at end June 2020, representing a 29.9% y-o-y growth. Our Cambodian operation has shifted from a traditional branch structure to be a more digital based financial services provider. We have enhanced our mobile banking platform (Hong Leong Connect Cambodia) along with other digital initiatives to further complement our products and services and will continue to further upgrade our Internet banking application for HLBCAM's business customers.

Our associate in China, Bank of Chengdu ("BOCD"), a city commercial bank in Sichuan Province listed on the Shanghai Stock Exchange, has maintained above average growth and made meaningful contributions of RM631 million to our bottom line; a 13.9% y-o-y improvement. BOCD's operations are mainly provincial centric and were relatively more insulated from the more drastic disruption caused by the COVID-19 pandemic. Operations resumed right after the Chinese New Year period with business continuity plans in place.

PERSEVERING THROUGH CHALLENGES

The Bank continues to seek ways to create sustainable value in how we operate while we expand the vibrant ecosystem we have built for our stakeholders and communities around us.

We recognise that everything that we do must be built around the potential and success of the people we engage with. Thus, it is our mission to continuously learn from our customers and to enhance our products and service delivery, to provide an ecosystem that enables the potential and capabilities of those around us to be fully realised. More importantly, we are driven to cultivate and nurture the entrepreneurial spirit with which the Bank was founded, to generate new and sustainable opportunities.

We remain fully committed to strengthen and refine our digitalisation journey through our Digital at the Core initiatives. Customers have embraced digitalisation, and at Hong Leong Bank, we strive to take it to the next level for our customers as we continue to invest in transforming our business model, process optimisation, and innovation to provide a comprehensive suite of banking functionality at the fingertips of our clients. Our

Hong Leong Bank Vietnam Ltd

Total loan growth of **47.4% y-o-y to RM909 million**

Hong Leong Bank (Cambodia) PLC

Total loan growth of **26.8% y-o-y** to **RM1.6 billion**

Bank of Chengdu

Profit contribution of **RM631 million, 13.9% y-o-y** improvement

Launch of HLB Connect in Vietnam

Chairman's Statement

improving Customer Satisfaction Scores is a key indicator that we are on the right track and validates our strategy and progress.

This digital transformation extends to our regional operations which have seen meaningful progress in recent years.

Beyond our employees and customers, we see social enterprises as an important emerging segment which allows us to provide support to businesses that pursue relevant and worthwhile causes. Assisting these enterprises not only enables us to make our communities sustainable, but also adds vibrancy and promotes innovation too. We are consistently developing programmes under our Corporate Social Responsibility pillar to provide social enterprises with the necessary financial tools, skills development, and marketing and branding expertise that would enable them to expand their businesses in a sustainable manner.

We firmly believe that we need to take the initiative in addressing the environmental changes that are happening around us. Therefore, we have embraced green financing to play a role against climate change and we have built on this further by incorporating Environmental Sustainability Risk in our Business and Corporate Banking Credit Policy. The Bank will continue to develop frameworks and policies and upgrade procedures and processes that will enable us to be a positive influence towards the creation of a more sustainable future.

CREATING VALUE THROUGH GOOD GOVERNANCE

One of the key components of operating a sustainable financial services business is the enactment of rigorous governance practices and a strong culture of integrity as important safeguards of the value creation process. In this context, the Bank has undertaken a number of initiatives that upholds good governance and integrity that goes beyond compliance. For example, the Bank's position on corruption and bribery is one of zero tolerance and we have developed an Anti-Bribery and Corruption Framework to affirm this. The Bank also appointed an Ethics and Integrity Officer who sets out a holistic approach in the implementation of adequate policies and procedures to safeguard the Bank from corrupt practices.

For our customers, we continue to prioritise the principle of fair treatment with various initiatives undertaken to ensure that Fair Treatment of Financial Consumers is completely integrated throughout the Bank. We believe fair treatment is integral to our business conduct and in our interest to cultivate a conducive environment that enhances business opportunities and contributes to the overall well-being of the community we operate in.

Chairman's Statement

To further combat financial crime risks, the Bank has established a dedicated Financial Crime Governance Committee ("FCGC") in January 2020, in addition to the existing Risk & Compliance Governance Committee, as we strive to safeguard the Bank from being used as a conduit for financial crime proceeds. The committee focuses on Financial Crime Compliance ("FCC") matters and further enhances senior management oversight of the ever-increasing FCC risk landscape. To bolster these efforts against Financial Crime Risk, the Bank is embarking on a project to adopt an Anti-Money Laundering ("AML") system which leverages on artificial intelligence and machine learning to improve the effectiveness of AML detection, monitoring and reporting.

OUTLOOK

The global economic outlook remains highly uncertain as both consumers and businesses adjust and adapt to the new normal brought about by the COVID-19 pandemic and the US-China trade tension. The changes we are seeing in consumer behaviour and the need for a more resilient global supply chain may be here to stay.

Despite the challenging economic backdrop, Malaysia is expected to weather the storm, supported by massive fiscal and monetary stimulus and by capitalising on its sound fundamentals and diversified economic base. The Malaysian economy is expected to recover in 2021 in line with the rest of the world, as trade and domestic consumption improve along with better consumer sentiments and job prospects and business investments return.

The Bank remains committed to support our customers through these trying times, and will keep on delivering products and services that meet their ever-changing needs. While the unexpected economic headwinds may require some recalibration of our tactical approach, it has nevertheless proven that the Bank has the resilience to consistently return good value to its stakeholders.

ACKNOWLEDGEMENTS

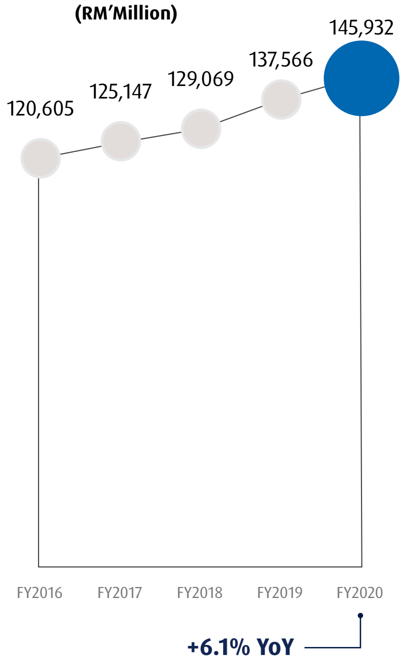
In closing, I would like to extend my sincere appreciation and gratitude to my fellow Board members for their wisdom, leadership and insights. To our customers, business partners and shareholders – thank you for your support and loyalty throughout the years. Our employees also deserve special recognition for their dedication and energy as they continue to deliver consistent and quality performances while holding true to our core values at all times. I would like to convey my appreciation to Bank Negara Malaysia, the Ministry of Finance, government agencies and other regulatory authorities for their assistance and guidance. Last and not least, I would like to acknowledge the performance of our senior management team who have managed and guided the Bank with unwavering commitment during these very challenging times.

QUEK LENG CHAN
Chairman
11 September 2020

Five Year Group
Financial Highlights

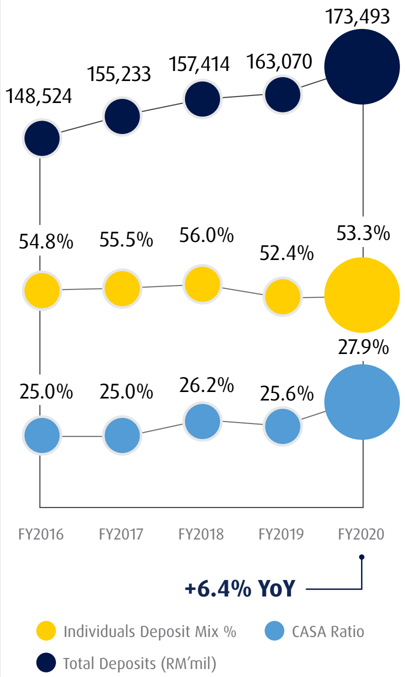
Gross Loans, Advances and Financing
Sustained loans/financing growth momentum led by key segments of mortgages, SME and commercial banking

(RM'Million)



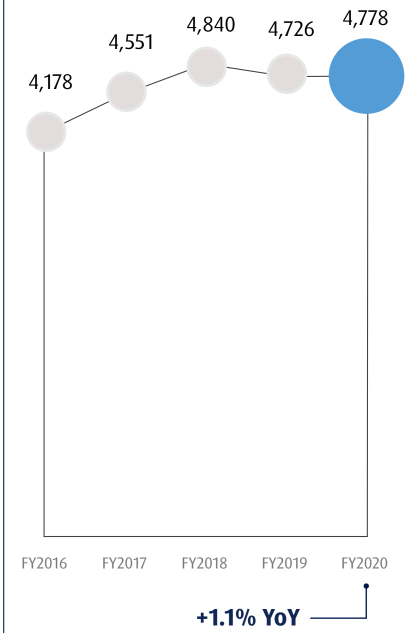
Deposits from Customers
Deposit growth driven by good CASA expansion

(RM'Million)



Total Income
Topline sustained by above industry loan growth and improved non-interest income contribution, however impacted by modification loss

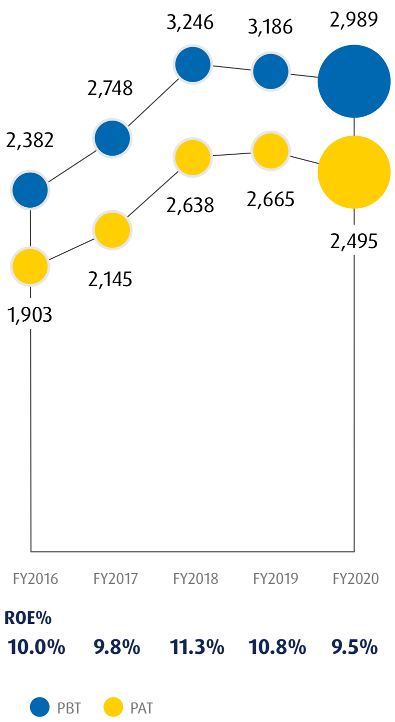
(RM'Million)



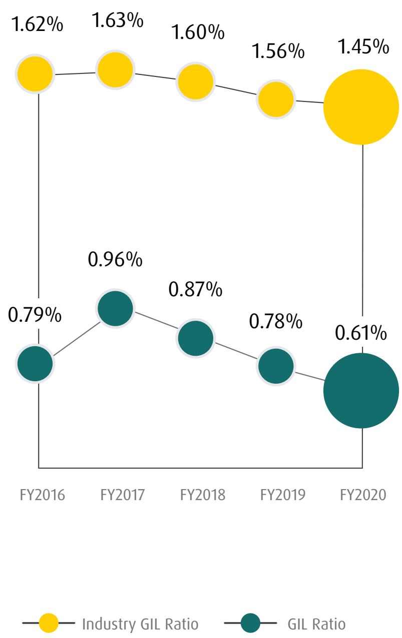
The Group	**FY2016 RM'Million**	**FY2017 RM'Million**	**FY2018 RM'Million**	**FY2019 RM'Million**	**FY2020 RM'Million**
Total Assets	189,828	195,553	202,891	207,369	**221,278**
Gross Loans, Advances and Financing	120,605	125,147	129,069	137,566	**145,932**
Customer Deposits	148,524	155,233	157,414	163,070	**173,493**
Shareholders' Fund	21,117	22,685	23,892	25,474	**27,234**
Profit Before Tax	2,382	2,748	3,246	3,186	**2,989**
Profit After Tax	1,903	2,145	2,638	2,665	**2,495**
Earnings per share (sen)	100	105	129	130	**122**
Net dividend per share (sen)	41.0	45.0	48.0	50.0	**36.0**
Dividend payout ratio (%)	44.1	42.9	37.2	38.4	**29.5**

Five Year Group Financial Highlights

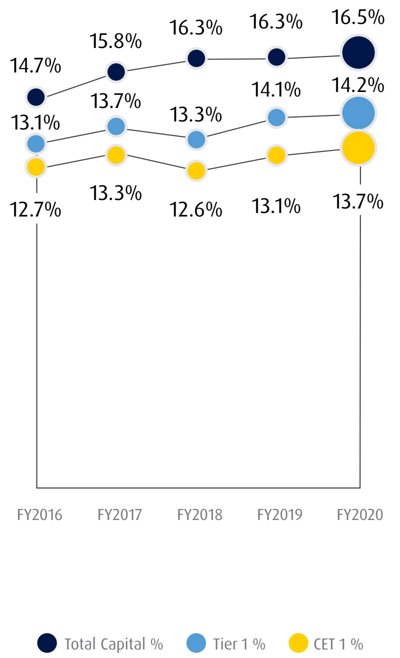
Profitability
Sustainable returns on solid performance
(RM'Million)



Asset Quality
Asset quality remained solid with sufficient coverage



Capital Ratios
Strong capital position



The Bank	FY2016 RM'Million	FY2017 RM'Million	FY2018 RM'Million	FY2019 RM'Million	FY2020 RM'Million
Total Assets	162,238	164,817	169,111	169,461	**177,707**
Gross Loans, Advances and Financing	101,054	103,516	105,079	109,943	**113,745**
Customer Deposits	126,241	129,859	129,583	131,397	**137,633**
Shareholders' Fund	17,431	18,442	19,263	20,125	**20,985**
Profit Before Tax	2,025	2,347	2,518	2,386	**2,075**
Profit After Tax	1,605	1,744	1,972	1,927	**1,654**

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

"

Dear Shareholders, Customers and Business Partners,

The Bank has delivered a healthy set of results in FY2020, given the backdrop of the COVID-19 pandemic and its widespread effects on the local, regional and global economy. Our financial results were underpinned by strong loan/financing growth, a further improvement in asset quality, strong results from our Markets/Treasury business and robust contributions from our associates. This performance marks a second consecutive year of above market loans/financing growth, bolstered by a set of solid financial ratios coupled with continued disciplined cost management.

"

I am pleased with the Bank's performance and our response to the challenges posed by the COVID-19 pandemic, particularly in the context of the direct impact on the banking industry's profitability from multiple cuts to interest rates in FY2020, as the central bank sought to bring support to the economy following the severe economic slowdown, preventive provisions we made with regard to the economic slowdown and weak outlook as well as the day 1 modification loss we had to make due to the support provided to borrowers through the auto-moratorium in Malaysia for retail and SME customers. As a customer-centric financial services organisation, we responded swiftly to this crisis and continue to evolve our offerings to alleviate the burdens faced by our customers with regard to their loan repayments and financial commitments during this difficult time.

The year in review also witnessed a further injection of pace in our digitisation push for both our customers and employees offerings. The various digital improvements to our products, services and internal processes aided

Group Managing Director/ Chief Executive Officer's Review

all our employees to continue to work together, albeit physically remote, to deliver uninterrupted services to all clients during the Movement Control Orders ("MCO") and thereafter, as online transactions and virtual interactions, a necessity rather than a choice, were facilitated by the digital capabilities we have been building over the past couple of years. About 86% of retail transactions, and 71% of SME and corporate clients' transactions were executed via the internet or mobile device in FY2020. For our employees, the digital evolution has taken us to a new level of digital interactions over the past year, with many of the traditional functions moving online. Recent additions incorporate cloud-solutions into the management of our human capital, talent management, collaboration and learning & development, making it much easier for employees to remain engaged and work together even in periods like those faced by the Bank over the second half of the financial year.

The environment within which we have entered the new financial year remains highly uncertain and the outlook for business growth subdued. There is an expectation that gross impaired loans ("GIL") will see a significant increase after the financing and loans moratorium period ends, as the economy's recovery is expected to be slow. We have been hard at work to pro-actively assist clients before the auto-moratorium started and will continue to do so when it ends (scheduled for 30 September 2020). With a track record of deeper collaboration with our customers, we are of the view that whilst GILs are likely to rise, we come from a very solid base, which will put us in good stead to see the recovery period through together. We will therefore, be able to maintain GILs at a reasonable level and retain our ability to support and provide financing for viable projects and initiatives.

ECONOMIC OUTLOOK

The global economy expanded at a more moderate pace of 2.9% in 2019 even before the onset of the pandemic, as a result of slower expansion from both advanced as well as emerging economies. The protracted protectionism policy pursued by major economies has dampened global trade flows and world economic activities. The US economy expanded at a slower rate of 2.3% in 2019 (2018: 2.9%), while growth in the China economy tapered off from 6.6% to 6.1%, its slowest in nearly three decades.

Acknowledging the dissipating growth momentum, the Federal Reserve began slashing interest rates as early as July 2019, and by a cumulative 50bps in the second half of 2019, to sustain economic expansion, besides expanding its balance sheet again. Other major central banks have also resorted to expanding their bond buying programmes, again to ensure a continuous accommodative monetary policy to sustain growth.

In Malaysia, growth momentum has eased since the second half of 2019, as a softer external environment arising from the protracted US-China trade war dampened exports. Domestic demand has also slowed considerably in the first half of this year as consumer spending and investment activities were severely affected by the movement restrictions implemented to contain the spread of the COVID-19 pandemic.

Before economic activities return to pre-COVID 19 levels, we will need to see that the spread of the virus is brought under control, with governments around the world re-opening borders and enabling the free movement of people, a moderation in protectionist behaviour and employment returning to pre-crisis level. This might take the better part of the next 18 to 24 months. In the interim period, we have set ourselves the objective to maintain our sharp focus on helping clients so that we are able to help those in need, as well as, those looking to invest to capture opportunities that will arise under this "new norm".

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 2020.

OPERATING PERFORMANCE

Core* total income for the Bank for FY2020 stood at RM4,921 million, rising by 6.1% y-o-y, while core net profit was higher than the previous year at RM2,603 million. In light of the headwinds experienced during the financial year, these are commendable results, achieved through the sharp focus on managing clients' needs, seeking opportunities where we could extend lending and financing and reduce loans/financing in arrears which resulted in continued improvements in asset quality. The Markets/Treasury business had a very strong second half of the year as we looked for the right opportunities in the volatile environment that ensued with the onset

Core* net profit

RM **2,603**
Million

* *Core basis: Excluding one-off gain from divestment of joint venture of RM90 million in FY2019 and net modification loss of RM142 million in FY2020.*

Group Managing Director/ Chief Executive Officer's Review

of COVID-19. Our associates in China had another respectable year, which resulted in healthy contributions to the Bank.

Due to the multiple OPR cuts in FY2020 that totalled 100bps, the Bank experienced net interest margin ("NIM") compression and hence pressure on interest and profit income, nevertheless we were able to maintain core* NIM for FY2020 at a stable 1.96% as a result of the many initiatives to manage cost of deposits and diversify sources of funding.

Core* non-interest income stood at RM1,373 million, which was 10.4% higher than the previous year, with the non-interest income ratio improving to 27.9% from 26.8% the previous year. This is reflective of the solid performance from the Markets/Treasury business in the second half of the year and wealth management throughout the year.

Operating expenses remained flat at RM2,104 million compared to the RM2,092 million in the previous year, a clear indication of the effectiveness of our digitisation efforts and strategic cost management initiatives to drive efficiencies across the businesses. Positive JAWS was achieved as our core* cost-to-income ratio ("CIR") for FY2020 improved to 42.8%.

Consequently, core* operating profit for FY2020 was RM2,817 million, a 10.7% y-o-y increase compared to the same period last year, excluding the one-off items.

In FY2020, gross loans and financing grew by 6.1% y-o-y to RM145.9 billion, mirroring the pace of growth from the previous year, and doing so despite economic activity slowing significantly in the 3rd and 4th quarter of the financial year. Even with the cautious business and consumer sentiment, HLB saw an increase in contributions from key segments of residential mortgages, Small and Medium Enterprises ("SME"), Commercial Banking and our overseas operations.

Overall, domestic loans/financing growth continued to outpace the industry in FY2020, with growth of 5.9% y-o-y. Residential mortgages expanded by 8.7% y-o-y to RM73.3 billion, while transport vehicle loans were muted due to lower car sales during the MCO period and closed out the year at RM16.8 billion.

Domestic loans/financing to business enterprises expanded 6.3% y-o-y to RM43.3 billion. SMEs, a key segment for the Bank, saw loan/financing grow by 5.3% y-o-y to RM22.6 billion, with the community banking sub-segment recording convincing growth of 32.8% y-o-y, boosted by the Bank moving quickly to provide much needed financing to SMEs via the Bank Negara Malaysia's ("BNM") Special Relief Facility ("SRF"). The SRF was launched as part of the country's response to help businesses following the negative economic impact caused by the MCO.

The Bank has maintained its healthy position in terms of funding and liquidity with the loan-to-deposit ratio ("LDR") at 83.5%. Liquidity coverage ratio ("LCR") remained well above regulatory requirements, improving to 137% at financial year end.

Customer deposits increased by 6.4% y-o-y in FY2020 to RM173.5 billion and by leveraging the Bank's cash management system, CASA growth was robust at 15.9% y-o-y with an improved CASA ratio of 27.9%. The Bank continued to enjoy a stable funding base backed by a solid individual deposit base, with the ratio at 53.3%, amongst the highest in the industry.

The Bank's emphasis on maintaining strong asset quality continued to yield results with the GIL ratio in FY2020 improving to a record low 0.61% (down from 0.78% in the previous year). Meanwhile, loan impairment coverage ("LIC") ratio improved to 142%, as management's pre-emptive actions to build provision buffers bolstered the coverage. It is also noteworthy to report that the provisions on GIL coupled with the security value that we hold on these GILs results in a combined LIC ratio of 184%. This pre-emptive build-up of provisions is in anticipation of potential risks arising from the COVID-19 pandemic after the loan/financing auto-moratorium ends, as well as the expected moderate pace of the economic recovery that lies ahead.

* *Core basis: Excluding one-off gain from divestment of joint venture of RM90 million in FY2019 and net modification loss of RM142 million in FY2020.*

Group Managing Director/ Chief Executive Officer's Review

The Bank's capital position remains supportive of future loan/financing expansion with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 13.7%, 14.2% and 16.5% respectively.

RECOGNITIONS FOR BUILDING SOLUTIONS FOR OUR STAKEHOLDERS

HLB continues to garner recognition for its success in uniting technology with the skills of our people to create innovative solutions not only for customers, but also employees and the various communities in the banking ecosystem. Our ethos of being "Digital at the Core", is clearly delivering excellent customer experiences which are seamless and easy to use and centred around what the customer wants; fulfilling this growing demand for digital based solutions predicated on eliminating pain points.

For example, we have introduced new features that makes banking even easier in our Hong Leong Bank Connect mobile application following feedback obtained from constant and consistent engagements with retail and business customers. The Bank has also raised its game further in branches, expanding and enhancing the In-Branch tablet facilities throughout FY2020, putting the focus squarely on serving our customers quickly and effectively, while also giving us the opportunity to reallocate resources to greater value-add activities.

HLB's solid efforts to accelerate digital transformation and raise its customers' digital engagement successfully earned us the recognition as the "Best Digital Bank, Malaysia" for the second consecutive year at the Best Bank Awards 2019 by Asiamoney.

In the SME space, the Bank has taken a leadership position in providing tailor-made holistic banking solutions powered by digital innovation, by continuing to work closely with business owners to better serve their business needs and requirements. With the rapidly changing business landscape and fast-paced technological changes, understanding evolving customer expectations, and making their day-to-day banking needs and experience as frictionless as possible, are even more important now that most activities, driven by the risks surrounding the pandemic, have moved online. We expect this trend to continue in the coming months as most customers will make a permanent shift to online banking. For our persistent drive in innovating customer experiences on mobile, internet and in-branch banking, the Bank was recognised as the "Best SME Bank in Malaysia" at the Best Bank Awards 2019 by Asiamoney.

In the context of our people, the Bank remains committed to its overall strategy to ensure the readiness of our workforce to tackle emerging customer needs and evolving working environment. We will do this by devoting a significant portion of our resources to employee training and development in order to drive the right skillset that we will need to compete in today's and tomorrow's marketplace. Key components of this plan are centred

Group Managing Director/ Chief Executive Officer's Review

around delivering quality development interventions where and when needed, leveraging on a practical learning framework, through multiple channels and employee engagement sessions.

For example, to-date, a little over 2,000 of our employees have been trained in design thinking concepts, with more in the pipeline to undergo this type of training. These workshops have greatly enabled us to shift the workforce culture from being process driven to being laser focused on customer outcomes.

In terms of employee engagement, the introduction of the cloud-based Workday platform has helped streamline talent management and learning and development, while the introduction of Workplace, a Facebook application for enterprises, has made employee collaboration faster and easier, and stood us in good stead when the workforce had to move rapidly to work-from-home or back-up sites. Our efforts in the area of human capital development have been recognised with the Bank clinching five prestigious awards at the HR Excellence Awards 2019 for Excellence in Workplace Culture, HR Leader of the Year, Excellence in HR Team Collaboration, Young HR Talent of the Year and Excellence in HR Innovation.

In response to the COVID-19 pandemic, HLB moved to ensure the safety of our employees and to reduce the risk of cross infection by swiftly instituting business continuity plans, social distancing and work from home arrangements. Being a company that has embraced being "Digital at the Core", the shift was an easy one as employees made use of platforms such as Workchat video calls, remote system access and other digital channels to ensure business operations continued smoothly. Our efforts were acknowledged by Euromoney through the Excellence in Leadership in Asia 2020 award, the only bank in Malaysia to win this prestigious award, recognising our leadership and resilience for the support we extended to customers, the community ecosystem and our employees.

STRATEGIC PRIORITIES

The Bank remains completely focused on its mission of building a highly digital and innovative ASEAN financial services institution, grounded in our calling to make banking easier, more convenient and bringing meaningful value add to our customers. Our strategic priorities are helping us to do this every single day, as our "Digital at the Core" ethos has truly taken root across the Bank, delivering numerous innovations that unlock and preserve value even through the challenging times we have been facing. During the year under review, we have constantly reminded ourselves about our responsibility to advocate a strong customer-centric culture, while nurturing our people to perform to the best of their abilities. As a result of the foundations that have been laid over the years, the Bank is seeing significant outcomes through a tumultuous period.

Group Managing Director/ Chief Executive Officer's Review

The key strategic priorities that we focused on to continue to deliver on our brand promise of "Built Around You" are: eliminating pain points by listening to customers; fostering employees experience that drives a high-performance culture; injecting momentum into our Digital at the Core journey; and increasing our support to developing a sustainable banking ecosystem to build improved resilience and capabilities amongst those that we serve, while positively impacting the environment and ensuring our business activities are sustainable. I will elaborate further on our strategic agenda below:

Key Strategic Priorities

01 ELIMINATING PAIN POINTS BY LISTENING TO CUSTOMERS

02 FOSTERING AN EMPLOYEE EXPERIENCE THAT DRIVES A HIGH-PERFORMANCE CULTURE

03 INJECTING MOMENTUM INTO OUR DIGITAL AT THE CORE JOURNEY

04 DEVELOPING A SUSTAINABLE BANKING ECOSYSTEM

01 ELIMINATING PAIN POINTS BY LISTENING TO CUSTOMERS

The events that unfolded at the turn of the calendar year into 2020 have clearly had disruptive effects on businesses, individuals and societies. It has been our main priority to help customers weather the storm, by extending repayments/ payments relief and providing the required liquidity at different stages of the pandemic and during the recovery phase, helping them rebound as the economy rebounds. We have provided various types of assistance whenever and wherever possible, and in fact, we mobilised early in our response to help SME and individual customers with our own Customer Financial Relief Plans put in place at the beginning of February 2020. The Bank has also leveraged on its "Digital at the Core" ethos to provide simple, seamless and straight-through processing and interactions for customers that applied for the various loans and financial relief programs that were announced by the government, BNM and the Bank itself. We have since approved more than a total of RM1.2 billion funding for over 1,500 SMEs under the SRF, providing timely and much needed support to SMEs. In an effort to further support SMEs, HLB has also provided an additional RM500 million loans from its own funds to more than 600 SMEs supplementing the SRF to address the financing gap, filling the demand from SMEs to shore up their finances and reboot their businesses.

For more information on how HLB responded to the COVID-19 pandemic to help customers, employees and communities, please refer to page 32.

MAKING BANKING EASIER FOR OUR CUSTOMERS THROUGH DIGITALISATION

Our efforts to optimise the customer journey has gained even more traction as we continue to leverage digital technology to deliver products and services built around our customers' needs. This year in particular, customers are now experiencing new and upgraded features throughout our products and services that were introduced as a result of clients' feedback and insights obtained in 2019. These new features have sought to eliminate as many pain points as possible, as we re-imagined the customer journey through the use of innovation to give customers a seamless, convenient and secure banking experience. Feedback continues to be collected for future upgrades to our products and services, as we believe that there are always avenues for further improvement to make the banking experience easier and frictionless.

The new HLB Connect App is a clear example of the results from our joint efforts with our customers. The new application gives clients the freedom to customise their digital banking experiences, reduces the number of steps needed to make payments, introduces real time credit and debit card transaction status and keeps track of the most recent payments so that it can be easily accessed again - making the mobile banking experience even more pleasant. We have received positive feedback from customers on our efforts in improving their digital experiences with the Connect Online Banking and HLB Connect App achieving an 85% customer satisfaction score in FY2020.

Group Managing Director/ Chief Executive Officer's Review

01 ELIMINATING PAIN POINTS BY LISTENING TO CUSTOMERS

HLB has also expanded this customer-centricity approach to our subsidiary in Vietnam with the launch of digital banking services via its mobile banking platform, HLB Connect. Customers can use this platform to enjoy fee-free financial services, shop for e-vouchers and also apply for a bank account which comes with a ready-to-use virtual Visa prepaid card, without ever having to visit a physical branch.

Our branches continue to play a critical role in meeting the needs of customers and we are actively expanding the introduction of In-Branch tablets throughout the branch network to further improve customer service efficiency. In FY2020, further enhancements were made to the tablet to provide added functions in the areas of new account opening, product application, account management and data-enabled personalised offers. In addition to customers enjoying a 'zero' queue experience, the tablet has empowered branch staff to deliver greater value-add through digital tools and the simultaneous reduction of time spent on operational duties. As of August 2020, the Bank has deployed the tablets to over 150 branches and plans to expand this to all remaining branches by the end of FY2021.

Listening to our Business customers, and true to our brand promise of "Built Around You", in FY2020 we were able to simplify the process of approving banking transactions which this segment of customers felt was unnecessarily complex. The introduction of an eToken linked to a mobile phone to authenticate banking transactions, in replacement of a physical security token, has since seen an encouraging take-up rate as it has effectively removed a pain point of significant concern while providing the same level of security but at a greater efficiency. This eToken also has an additional biometric facial recognition feature, which simplifies the process further.

Given the backdrop of the working environment, we have seen a wider adoption of digital technology as well as adaptation to more digitally enabled business models amongst our SME customers. Building on this and leveraging on our "Digital at the Core" ethos, HLB reached out to various partners in the digital ecosystem in the area of food and beverage, payments and e-commerce platforms to help SMEs get through this difficult period. For example, we partnered with WeEat to launch a food ordering and payment platform at a fraction of the fees charged by competitors and we also launched FastCollect in partnership with PayNet, which allows businesses to quickly register as a JomPAY biller and start receiving payments faster.

Group Managing Director/ Chief Executive Officer's Review

02 FOSTERING AN EMPLOYEE EXPERIENCE THAT DRIVES A HIGH-PERFORMANCE CULTURE

We strongly believe that to deliver an outstanding customer experience, it is crucial that the Bank and our employees use digital technology internally for almost everything we do. Expanding on our "Digital at the Core" ethos, we have integrated digitalisation into many parts of the employee journey and experience, giving employees a strong foundation on which to further improve their skills and to achieve their career aspirations. At the same time, as employees experience "digital" in their daily work tasks, they are better equipped to empathise and see the customers' view point, making digital customer offerings more attuned to human behaviour. At the same time, we have not neglected the human touch, understanding that employees will be far more engaged and productive by being able to have meaningful interactions with their co-workers and managers.

Over the past 12 months we have continued to see further encouraging results towards empowering, engaging and developing our people to ensure that they continue to reach their full potential. Our strategies are designed to build resilience, agility and entrepreneurial skills, to produce a high-performing customer-focused workforce.

PERSONALISED LEARNING EXPERIENCES

As part of our digital transformation, we have launched a cloud-based people and performance management solution, namely HLB@Workday to empower our people to collaborate and make data-driven decisions, in all the markets we operate in. An important aspect of this platform is that it is also able to deliver personalised learning experiences to employees, enabling them to consume bit-sized learning content, anytime and anywhere. With the launch of the Workday platform which incorporates the learning functionality found previously in our Smartup mobile platform, HLB is now also able to assign courses to specific segments of our employee population, mirroring the intent of role-based training that is available to our frontline or customer-facing employees.

During the MCO, we began testing the response of curated learning by promoting online learning around the pillars of personal growth, productivity and wellbeing. The response to date has been encouraging enough for us to turn these offerings into permanent available modules. The pilot was also a precursor to the next phase of eLearning – to integrate curated learning from cloud vendors with Workday and use it to drive specific skillsets for selected employees. For example, customer service staff who may require refresher courses in customer etiquette and communication or pointers on how to remain motivated and resilient whilst working remotely.

RESHAPING THE WAY WE WORK

The MCO had the dual effect of not only confirming our learning strategy, but also encouraging us to use it as an opportunity to review the work experience and flexibility in our practices. We have conducted an employee on-line survey to assess their sentiment towards alternate worksites and work-from-home arrangements and practices, with the aim of using the results to shape future policies and standard operating procedures that could possibly provide greater flexibility and further improve the employee experience at HLB.

RESOLVING CHALLENGES TOGETHER BY FOSTERING MEANINGFUL RELATIONSHIPS

People thrive on relationships to learn, to be inspired and to improve. Whilst settings have changed, the best experiences are fostered through human connections even in a world that is highly reliant on technology. It is one of the reasons we organised an internal hackathon last year, placing senior regional heads, branch managers, front, middle and back office staff together to focus on resolving work and/or customers' challenges and having them take the driving seat to bring about real business change through their ideas and collaborative solutions.

At the heart of workforce engagement and productivity lies meaningful conversations. Over the past year we have coached our people managers to have meaningful retention conversations by actively discovering their team members' career aspirations. People managers and employees have responded very positively, taking on the responsibility of helping us nurture a high-performance culture. It is this belief in our values and actions, along with the impetus to keep progressing as an organisation that has led to our continued success.

The Bank is deeply committed to its human capital development journey. We continue the discussion in the Management Discussion & Analysis section of this report.

Group Managing Director/ Chief Executive Officer's Review

03 INJECTING MOMENTUM INTO OUR DIGITAL AT THE CORE JOURNEY

As a core component of our strategic priorities, the Bank's digitalisation push continues to gain momentum, solidifying the cultural shift in how we create new products, services and features that simplify processes and reduces friction for our customers and employees. The latest slate of improvements in our digital services being a direct result of comprehensive customer feedback that was then refined and transformed via the design thinking process into features that not only make banking easier, but also drives further digital adoption.

By providing convenient and omni-channel options that have eliminated pain points in the customer journey, the Bank continues to see digital adoption rising across all channels. We now have 1.9 million of our retail customers registered for Hong Leong Connect, with over 40 million transactions executed monthly either through Connect online or mobile banking, accounting for 86% of our total transactions. No doubt, the acceleration in adoption was partly driven by the onset of the various MCOs in the later part of the financial year, with customers taking advantage of the additional cashless payment options offered by an increasing number of merchants and vendors. Nevertheless, we would not have been able to handle a 13-fold increase in the total amount of transaction value of e-wallet top-ups between March and May 2020, compared with the same period last year, if our digital platforms were not ready.

As we review our achievements, and feel quite proud about the journey so far, it is important to remind ourselves that the journey is far from over as competitors evolve and customer expectations grow, leaving little room for complacency. As a value creation tool, the digitalisation of the Bank continues to provide multiple opportunities across all areas of our operations as we strive for frictionless banking in everything we do. This was particularly evident in how we were able to swiftly assist our customers to safely apply for financial relief post the onset of the MCO and various recovery plans since.

To further drive home the adoption of digital banking and services, the Bank organised its fourth annual Digital Day, which kicked off a month-long line-up of deals and promotions, from July 7th 2020. With the aptly theme "Reboot Your 2020" campaign, we stressed that whilst the first half of 2020 has indeed been challenging for all our customers, we invited them to move ahead with us into the rest of the year. In this context, recognising the desire of customers to return to spending time with friends and families at restaurants, outdoor activities and domestic travel, the Digital Day centred its rewards and deals around these various activities, as we partnered with over 35 online, retail and commercial brands, with over 39,000 customers participating during the campaign period. On offer were exclusive benefits and rewards for banking online and spending at participating outlets, while our commercial partners offered digital solutions and services.

All-new HLB Connect App & Pocket Connect App

Having the right infrastructure is the bedrock to driving customer centricity and innovation and our Customer Experience Lab ("CX Lab") in the Damansara City head office continues to play a pivotal role in facilitating collaboration sessions where cross-functional business, operations and technology teams as well as ecosystem value creators (e.g. FinTechs, startups & bigtech technology partners) come together to find customer-centric solutions. These activities include customer co-creation sessions, design thinking, UI/UX design labs, rapid prototyping and agile developments. In addition to this, the Bank has launched the Jumpstart@65 facility in February 2020, comprising a co-working space, customer usability labs and a community centre to further emphasize the need for collaborative problem solving. Equipped with state-of-the-art tools like eye tracking technology and 3D printing etc. This is a place where our employees are able to observe and participate in customer immersion sessions like focus groups, ethnographic studies, customer-staff co-creation sessions as well as experiencing first-hand how customers behave and react when they try out our pre-launch products/services during concept and usability testing sessions.

Read more about Jumpstart in the next section which also describes how we actively contribute to improving the sustainability of the banking ecosystem

Group Managing Director/ Chief Executive Officer's Review

Workshop at Jumpstart@65

Looking internally, we continually strive to make our business operations more resilient, data enabled, and efficient. Digitalisation allows us to do this, by significantly reducing our cost, subsequently boosting our financial capacity to invest and grow. Today, we use robotic process automation to automate a large proportion of our cheque clearing, credit and collection operations, credit card operations and merchant settlement. This has not only freed up valuable human resources to focus on high value activities but also made the back office more efficient. It has also eliminated any potential human error, ultimately delivering a faster and error free experience for our customers.

Alongside process automation, the use of cloud services will also continue to play a role in how we transform our operations. Cloud services provide a number of real tangible benefits for the Bank, allowing us to drive efficiency in managing and maintaining infrastructure, providing the ability to scale and to do so in a nimble manner, thus improving our ability to implement at pace across the countries we operate in. In the past 12 months, we have embarked on a number of enterprise grade cloud-based solutions across the Bank, some of which are now live, and have helped our people work better, faster and smarter.

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

Café at Jumpstart@65

Group Managing Director/ Chief Executive Officer's Review

04 DEVELOPING A SUSTAINABLE BANKING ECOSYSTEM

As we evolve and grow through the sustained execution of our strategic priorities, we remain committed to ensuring that everything we do will in fact bolster and fortify our ability to sustainably create value. Thus, our contribution to the sustainable development of a vibrant ecosystem continues in earnest, as we apply ourselves to protecting the environment, and assisting communities and other stakeholders to bring about long-lasting, impactful and positive change. HLB is also deliberately improving its operations and business practices by incorporating environmental, social and governance ("ESG") principles into our frameworks and processes.

We believe the key to helping us succeed in this mission is through the acquisition of knowledge, driving innovation and embracing digitalisation. Most of our initiatives carried out in FY2020 are representative of these aspirations, and we continue to be encouraged to do more because of the many opportunities that exist.

For example, for our customers, besides our unrelenting focus on digitalisation which has helped to make their banking experiences better, the Bank has also realised that a more vibrant and sustainable banking ecosystem is closely linked to the customer's financial literacy and knowledge. Findings from a survey we conducted showed that at least three-quarters of Malaysians nationwide rated their financial knowledge as low to average, while almost two thirds found financial jargon to be confusing and intimidating. This presented the Bank an ideal opportunity to help bridge the gap, and we did so with the launch of our very first financial sustainability initiative - 'HLB DuitSmart', with the support of the Credit Counselling and Debt Management Agency and University of Malaya. This initiative was focused on engaging Malaysians with approachable and relatable content and activities on financial knowledge and information which helped to demystify financial jargon.

Subsequently, to help Malaysians kickstart their financial education journey with the right tools, we partnered with iMoney, an online financial education platform, to enable a month-long free credit score check. We also activated a year-long on-ground engagement roadshow with the public which included visiting media houses, universities and corporate organisations nationwide, as well as organising Hong Leong Bank in-branch activities for customers and surrounding communities.

Launch of HLB DuitSmart

Group Managing Director/ Chief Executive Officer's Review

On the environmental front, we have noticed a significant shift in customer sentiment towards going green with simple things such as bank statements. Hence, we moved quickly to migrate those that are not using paperless and electronic statements (e-statements). This not only contributes towards reducing HLB's environmental impact, but also supports a seamless transition for our customers towards a sustainable lifestyle and reduced carbon footprint.

The urgency to adopt more ecologically friendly ways of doing business is not confined to our retail customers, as we continued to make push into the renewable energy sector, for example, underscoring our commitment to ESG principles. As an industry with significant growth potential, HLB has committed RM500 million in financing for renewable energy over the next four years focusing on solar, biogas and small hydropower, marking our contribution to the nation's target of 20% renewable energy in its power generation mix by 2025. Within two years, 75% of the RM500 million has already been achieved, indicating that climate-positive financing is an important component of the banking ecosystem.

To add further value to the ecosystem, a portion of the financing is allocated to SMEs interested in venturing into this industry and is also providing advisory services to enable customers to make well-informed business decisions surrounding renewable energy equipment and projects. The Bank is also exploring other areas where we can develop similar financing opportunities, such as green bonds and green car financing. In addition, the Bank is in its final stages of developing an

ESG framework for SME, Commercial and Corporate lending/financing to enable us to assess and screen for environmental and social risks, in addition to the traditional credit, cashflow and collateral risks. For this, we are working with our strategic partners, the World Wide Fund for Nature Malaysia and Jeffrey Sachs Center for Sustainable Development under Sunway University in order to equip ourselves with the right knowledge so that we can build internal capacity to implement this initiate Bank-wide.

In relation to making SMEs more resilient, as they account for more than 98% of businesses in Malaysia, HLB continues to strive to provide broad-based solutions driven by our "Digital at the Core" ethos. In FY2020, we partnered with two new tech startups – Bixzee and Snaptruck – by onboarding them as part of HLB's SME Digital Business Solutions. Bixzee provides a platform to bring businesses online while expanding the visibility of their products and Snaptruck fulfils the needs of SMEs in the logistics space by offering cost effective, efficient and reliable on-demand transport solutions. These two additions have expanded the ecosystem and complemented our existing relationships with Kakitangan, an e-human resource and payroll platform; and Biztory, an e-accounting solution. As the growth of the SME solutions ecosystem gains momentum, we have also provided an option for SMEs to take up key man insurance to serve as protection and savings for business owners, to help preserve the legacy and sustainability of SMEs. Finally, earlier in 2020 we created a partnership with Avana, a social commerce platform with the intention to help our SME businesses grow digitally through Facebook, Instagram, WhatsApp and more.

Group Managing Director/ Chief Executive Officer's Review

04 DEVELOPING A SUSTAINABLE BANKING ECOSYSTEM

Following the launch of our first CSR platform, 'HLB Jumpstart', which has spearheaded our efforts in developing social enterprises, HLB took a significant step forward with the launch of Jumpstart@65. Situated in a five-storey building in Jalan Tun H.S. Lee, which was previously a HLB branch, it now houses a co-working space, customer usability labs and a community centre. Jumpstart@65 aims to benefit a wide range of audiences including startups, social enterprises and communities-in-need by providing them a space to call their own to further develop their initiatives.

With the success of SURI and Green Hero, our first two HLB Jumpstart participants, we on-boarded Coffee for Good, a social enterprise which offers barista skills training to youth from the B40 community. In addition to this, Jumpstart@65 also works with a number of social enterprises to empower underprivileged youth with skillsets (e.g. coding, 3D printing and design & financial literacy) to create a forward thinking, digital and financially savvy generation.

Our contributions to nurturing FinTechs and startups will be further boosted as Jumpstart@65 will soon be the primary venue to house our efforts in this, supported by our existing Hong Leong Tower CX Lab. Further efforts around our HLB LaunchPad programme - a mentorship programme in collaboration with ecosystem partners, such as The Malaysia Business Angels Network, Cradle & MaGIC to nurture young startups/Fintechs, have seen our senior management team dedicate over 1,500 hours to coach and mentor these startups with 20% of the alumnus engaging with HLB commercially today. Additionally, 80% of the alumnus have raised public and private funding (Seed to Series A) and many have expanded their business footprints across the country because of this programme.

As illustrated, the Bank's sustainability journey is closely connected with that of the vitality of the ecosystem it operates in, which includes our customers, the environment, communities and other stakeholders. We will continue to drive additional initiatives, both digital and non-digital, to enhance our services and contribute to the well-being of society.

HLB is also highly aware of the importance of its role as a financial services provider in the era of the COVID-19 pandemic, and we remain fully committed to helping our customers get through this very difficult period, knowing full well that the financial health of our customers is key to our own financial wellbeing. You may find out more about our COVID-19 response to help customers, communities and employees on page 32.

Sustainable banking practices also require participants in the financial system and economy at large, to promote fair banking practices, stamp out dubious financial transactions, promote honesty and integrity and have zero tolerance for corrupt practices. HLB, over the course of the past year, continued to drive policy and operational initiatives to ensure that we remain resilient to financial crime and we maintain a strict anti-bribery and corruption stance.

For more information on our sustainability practices, please refer to the Sustainability Statement in this annual report on page 73. The statement summarises our Sustainability Report 2020 which details our strategies and achievements, guided by local and international standards such as the Bursa Malaysia Sustainability Reporting Guide and the United Nations Sustainable Development Goals. Our efforts saw us meet globally recognised standards, which led to the Bank's inclusion in the FTSE4Good Bursa Malaysia Index since June 2018.

3rd Social Enterprise Coffee for Good

Group Managing Director/ Chief Executive Officer's Review

FINAL REMARKS

While there are signs to suggest that the world and the domestic economy are on the path to recovery, it will remain uncertain with downside risks prevailing until a vaccine is found for COVID-19. This new normal will definitely provide us with opportunities to develop new and innovative ways to serve our customers better and we will endeavour to do so by being agile and responsive.

We remain steadfast in our vision to build a highly digital and innovative ASEAN financial services institution, and to build products and services propositions that reflect our brand promise of "Built Around You", where clients are at the centre of everything we do. We also remain committed to provide the necessary support and collaborate closely with our customers to make sure they are able to return to a state of financial normalcy as the pandemic subsides. Concurrently, we will continue to improve our cost structure, enabling us to invest in growth opportunities and deliver sustainable returns to our shareholders.

In the year ahead, we will further drive sustainable practices into how we work and what we do as well as into the products and services that we offer. It's imperative that we promote sustainable practices as climate and environmental changes are increasingly manifesting themselves into risks that we, as a financial institution and corporate citizen, need to tackle, influence and manage.

OUTLOOK

Looking ahead, the global economy is expected to contract by 4.9% in 2020 before rebounding to growth of slightly more than 5% in 2021, according to projections given by the International Monetary Fund (IMF). No country has been spared from the economic fallout brought by the COVID-19 pandemic, with advanced economies expected to contract at a faster pace of 8.0% compared to that of emerging economies, at 3.0%.

In the case of Malaysia, we expect the domestic economy to experience a contraction in 2020 before rebounding in 2021, in line with the world economy which is in the process of recovering from the double whammy of unprecedented health and supply & demand shocks. While supply is expected to slowly normalise after the lifting of movement restrictions, overall demand is expected to remain soft given the new procedures in place to ensure social distancing compliance and the still cautious consumer sentiment. Concerns over job security and a shift in consumer spending behaviour will also likely affect certain business sectors. Barring the outbreak of a second wave of infections, overall growth is expected to gradually return as we move through 2021.

ACKNOWLEDGEMENTS

HLB continues to maintain its resilient performance due to the strong support of our stakeholders. We thank our customers for your feedback and trust shown in us, and your encouragement that supports our passion to serve you better and to help you through these challenging times. To our shareholders, we will remain dedicated to creating sustainable value for you and truly appreciate your support. As for our Board of Directors, your insights and guidance has helped us achieve much, and I look forward to your further support on our journey together.

My gratitude also goes out to all employees of the Bank and my management team for your commitment, devotion and drive to accomplish all that we have set out to do. We are certainly well-positioned to do more, and I feel privileged to helm the Bank during these times.

Our sincere appreciation also goes out to Bank Negara Malaysia, the Ministry of Finance and related government agencies and regulatory authorities for all the assistance rendered during the year.

For further details on the Bank's performance in FY2020, please refer to the Management Discussion and Analysis ("MD&A") section.

DOMENIC FUDA
Group Managing Director/
Chief Executive Officer

11 September 2020

HLB's COVID-19 **Response**

Key Highlights

Approximately **93%** of retail loans and **91%** of the SME portfolio **are under** the automatic loan moratorium programme.

HLB was amongst the **top 3** financial institutions in approving and availing the BNM SRF to SMEs nationwide that were affected by the slowdown in business activities due to COVID-19.

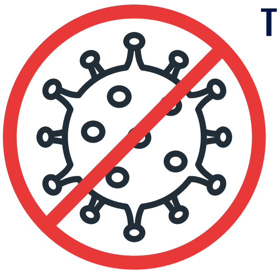
Approved **RM1.2 billion** for over **1,500 SME customers** under the BNM SRF, providing timely and much needed support to SMEs.

HLB had also provided an additional **RM500 million** from its own funds to more than **600 SMEs** supplementing the SRF to address the financing gap.

In addition, the Bank had approved a moratorium for non-SME loans totalling **RM5 billion** under its **internal Special Financial Relief Programme ("SFR").**

Approximately **35%** **of retail customers** and **39% of SME borrowers** continued to repay their financial obligations, indicating that we will enter the post-moratorium period with a reasonable level of confidence that whilst some customers will require further assistance come October 2020, the majority should be able to resume monthly payments.

HLB's COVID-19 Response



The COVID-19 pandemic continues to create uncertainty around the world, causing significant disruptions to economic activity and society, as people and governments grapple with how to manage and live with a persistent and evolving health crisis.

At Hong Leong Bank, we have always had our customers and employees as our top priority when considering our response to the numerous changes to the way of life and work that was triggered by the pandemic outbreak.

For our customers, we quickly initiated financial assistance and support to enable them to access the funds required to sustain themselves during the different stages of the movement control order and recovery phases, complementing the financing moratorium and various other relief measures announced by the government. In fact, many of our initiatives began before the implementation of the MCO, as we moved pre-emptively to help individual customers and SMEs while also activating various business continuity initiatives which were predominantly targeted at protecting our employees, whilst ensuring that we can continue to provide uninterrupted services.

The Bank also deployed assistance in the form of Corporate Social Responsibility activities to help communities-in-need and the underprivileged. Looking ahead, the Bank is committed to extending additional assistance to our customers, based on their individual circumstances, post 30th September 2020 (end of the auto-moratorium), through the HLB Payment Relief Assistance Plans.

IMPORTANT MILESTONES

FEBRUARY 2020

- The Bank initiated its business continuity plan for alternate sites for critical functions as well as initial working from home flexibility to those employees that were in the high risk category to COVID-19.
- The Bank's Retail Customers Financial Relief Plan was initiated.
- The Bank's Special Financial Relief Programme for corporates and SMEs was initiated.

MARCH 2020

- The Bank was fully operating on business continuity mode when MCO was announced on 18th March. Business continuity plans were also initiated in our overseas operations of Singapore, Hong Kong, Vietnam and Cambodia.
- Bank Negara Malaysia's Special Relief Facility for SMEs began.

APRIL 2020

- Commencement of industry wide automatic loan moratorium.

AUGUST 2020

- The Bank announced additional targeted assistance through its Payment Relief Assistance Plans, specifically aimed at customers who foresee difficulties in restarting regular payments after the automatic loan moratorium period ends on 30th September 2020.

HLB's COVID-19 Response

What we did for

our customers

As a customer-centric bank, HLB looked beyond the various financing relief initiatives BNM and the government introduced, as we sought to not only safeguard the health of our customers, but to provide convenience whilst protecting their financial sustainability and business viability. As such, the principle of 'We are Here to Help' guided many of our initiatives:

- Clear communication to customers regarding our loan/financing relief programs and the automatic moratorium once it was announced by BNM, via emails, HLB website and SMS in the 3 major languages.
- The Bank simplified and digitised the application process for BNM's SRF for SMEs due to the movement restrictions under the MCO by allowing applications to be done via email, SMS or Whatsapp with consent provided via digital signature.
- The Bank rolled-out its internal Greenlane SFR Programme, prior to the commencement of automatic loan moratorium. The programme which was open to all customers allowed applications without the requirement of traditional supporting documents in order to enjoy payment relief for up to six months.
- Safe banking practices at our branches – amongst others, ensuring temperature checks and social distancing adherence at all times at the branches and keeping Self-Service Terminals, door handles and other customer touchpoints safe with regular sanitisation on an hourly basis.
- Further SME relief support had been provided via BNM's Micro Enterprise Facility, Automation & Digitalisation Facility, Agrofood Facility, PENJANA SME Financing Scheme and PENJANA Tourism Financing Facility. This is to ensure that customers in these impacted industries receive the targeted assistance they need.
- The Bank organised the 'SME Talk', a monthly webinar series focusing on emerging trends and needs that would benefit the SME business community, to help them rebuild a stronger business while introducing digital tools that could be adapted into their businesses.
- Extended financial support to corporate customers on a case-by-case basis to meet their customised needs.
- Provided the option to credit cardholders to convert their balances into term loan/financing.
- Used analytics to identify and reach out to vulnerable customers such as the self-employed, highly leveraged, senior citizens/ retirees, as well as those involved in business activities most impacted by the pandemic to discuss about their cashflow outlook and recovery journey and if further financial assistance is required.
- Monitored and analysed customers' payment behaviours to identify potential at risk accounts whom are showing early signs of facing financial difficulties. As of June 2020, we have assisted more than 100,000 customers to restore their CCRIS track record to prompt status with various actions to help them with their payment behaviour.
- Many of the initiatives above were implemented in Malaysia as well as our overseas operations, following local requirements wherever necessary.

What we did for

communities

Recognising that underprivileged and marginalised communities would be severely impacted by the pandemic, the Bank responded by closing some of the gap that resulted from lower public contributions due to the COVID-19 pandemic and ensuing MCOs. We also ensured that our stakeholders in our Jumpstart programme continued to be supported during these difficult times:

- HLB and Hong Leong Islamic Bank pledged a total of RM150,000 worth of meals for buka puasa and Hari Raya celebrations for 10 welfare homes nationwide in collaboration with SME customers, and in addition to cash aid for these homes to buy essentials.
- HLB donated RM1 million to MERCY Malaysia through the Association of Banks Malaysia as part of a collective contribution to support critical preparedness, readiness and response to COVID-19 cases.
- HLISB as part of the Association of Islamic Banking Institutions Malaysia, gave out Zakat contributions of RM10,000 pledged to upgrade medical facilities at Hospital KL and Hospital Sg Buloh. HLISB also partnered with a digital platform, Global Sadaqah, to provide food pack worth of RM10,000 to Asnaf recipient during the COVID-19 outbreak.
- The Bank also extended support to our first Jumpstart participant, SURI, a denim upcycling social enterprise and changed their output into Personal Protective Equipment ("PPE") suits for medical frontliners at Klang Hospital. HLB subsidised their labour cost, to help ensure underprivileged single mothers had an income to weather the pandemic.
- Other social enterprises HLB worked closely with are The Asli Co., who works with Orang Asli mothers and Coffee For Good, by empowering underprivileged youths to earn a sustainable income and overcome challenges faced as a result of the health crisis.

What we did for our employees

The safety and well-being of our employees remains a key priority. Even before the MCO was announced, our business continuity plan and split operations had been activated to safeguard their health at the onset of the pandemic. At the peak of the MCO, 67% of our workforce were working from home and these employees were provided with the necessary tools to do so.

Some of our other initiatives included:

- Giving priority to high risk groups such as expectant and nursing mothers and employees with underlying health conditions to commence working from home.
- Employees were encouraged to practice staggered work hours to avoid crowds during peak hour.
- Consistent communication Bank-wide to employees on measures undertaken by the Bank to ensure transparency and ease anxieties that they may have/were experiencing.
- Commissioning a doctor specialising in Occupational Health & Safety to be stationed at our premises as an expert consultant to provide guidance and advice on ensuring the processes and policies that we have in place are sufficient and robust.
- From the onset, regular broadcasts to encourage staff to wear masks in common areas and practice proper hygiene at all times.
- Provision of masks and sanitising materials for employees and customers visiting our branches/premises to keep all our workplaces clean and safe from the virus.
- HLB@Workday, our cloud-based people and performance management system, enabled employees to provide proof of employment digitally and for HR to develop timely responses in accordance to developments in Malaysian National Security Council ("MKN")/BNM requirements.
- Establishing a COVID-19 Standard Operating Procedure ("SOP") to ensure employees nationwide would be able to adapt and manage the pandemic risk without compromising on their wellbeing whilst maintaining productivity/service levels.
- Continue building on earlier efforts to ensure the SOPs are guided by and meet the requirements of BNM, MKN and Ministry of Health Malaysia under the Recovery MCO.
- Alternative work sites, staggered work hours and split-operations are now part of the Bank's sustainable practices, in the event that subsequent infection waves occur.
- Virtual meetings are compulsory unless face-to-face is unavoidable.

What we did to protect loan portfolio quality

As part of the Bank's pre-emptive strategy to protect the retail, SME, commercial and corporate loans portfolio quality, the following initiatives were implemented:

- The Bank's Retail, SMEs and Corporates Financial Relief Plans were initiated.
- Rolled out the auto-moratorium programme for Retail and SME borrowers in conjunction with the industry wide initiative.
- Participated in the BNM SRF financing programme for SMEs affected by COVID-19.
- Rolled out the Greenlane Special Financing Relief/R&R Programme for non-SME borrowers.
- Conducted sectoral reviews to identify vulnerable sectors that were stressed due to drastic changes to macro-economic variables and disruption to overall business environment from the effects of the COVID-19 pandemic.
- Individual reviews were conducted on customers under the identified vulnerable sectors (approximately 4% of total Business and Commercial Banking portfolio) to ascertain the degree of stress and assistance required.
- Individual reviews were further extended to cover BCB's top exposures and watchlist names. In total, the reviews covered approximately 50% of overall Business and Commercial Banking portfolio.
- Leveraged on data analytics to review and analyse customers' behavior in the Retail and SMEs portfolios (commenced and on-going)
  a. Analysis of repayment behavior to determine which borrowers continued to repay during the moratorium and hence showing signs of limited impact.
  b. Analysis of the savings, debit and credit cards activities for retail customers and business current account activities for SMEs and corporates to gauge pace of business recovery during the various MCO stages.
  c. Analysis of borrower CCRIS, litigation and trade reference data to forecast potential delinquencies, repayment capacity and credit build up of SME borrowers and guarantors.
  d. Provided flexibility to borrowers to make partial or full payments on accounts that were delinquent prior to 31 March 2020 so that they have the opportunity to rehabilitate their credit track record, hence improving their ability to manage loan commitments post moratorium as well as improve their ability to apply for new credit as the economic situation improves.

Management Discussion & Analysis
Financial Review

1. FINANCIAL HIGHLIGHTS

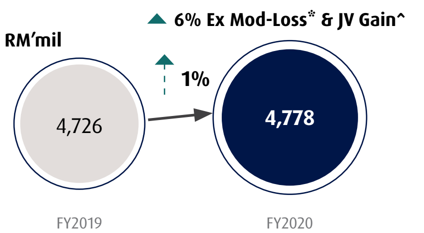
SUMMARY OF GROUP PERFORMANCE

	FY2019	FY2020	Growth %
Profitability & Efficiency (RM'million)			
Total Income	4,726	**4,778**	1.1%
Operating Profit	2,634	**2,675**	1.5%
Profit Before Tax	3,186	**2,989**	-6.2%
Profit After Tax	2,665	**2,495**	-6.4%
Underlying Profit After Tax*	2,574	**2,603**	1.1%
Earnings Per Share (sen)	130	**122**	-6.4%
Net Interest Margin	1.96%	**1.88%**	-0.08%
Cost-to-Income Ratio	44.3%	**44.0%**	-0.3%
Return on Assets	1.30%	**1.16%**	-0.14%
Return on Equity	10.8%	**9.5%**	-1.3%
Underlying Return on Equity*	10.4%	**9.9%**	-0.6%
Balance Sheet (RM'million)			
Total Assets	207,369	**221,278**	6.7%
Gross Loans, Advances and Financing	137,566	**145,932**	6.1%
Customer Deposits	163,070	**173,493**	6.4%
Asset Quality			
Gross Impaired Loan Ratio	0.78%	**0.61%**	-0.17%
Loan Impairment Coverage Ratio	118%	**142%**	24%
LIC Ratio (provisions and security value on GIL)	171%	**184%**	12%
LIC Ratio (including Regulatory Reserve)	197%	**236%**	39%
Liquidity and Capital Ratios			
Loan-to-Deposit Ratio	84.4%	**83.5%**	-0.9%
Common Equity Tier 1 Capital Ratio	13.1%	**13.7%**	0.5%
Tier 1 Capital Ratio	14.1%	**14.2%**	0.2%
Total Capital Ratio	16.3%	**16.5%**	0.1%

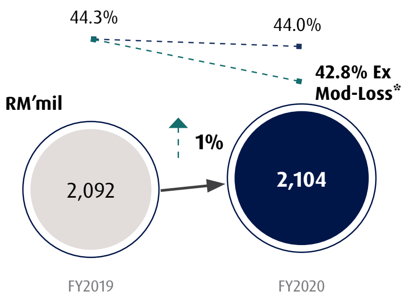
*Note: *Excluding one-off gain on divestment of joint venture ("JV Gain") of RM90 mil in FY2019 and net modification loss ("Mod-Loss") of RM108 mil (net of tax) in FY2020.*

SELECTED KEY PERFORMANCE INDICATORS

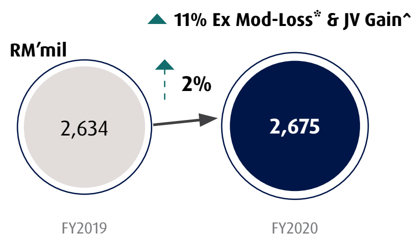
Total Income
Healthy topline underpinned by above industry loan growth and improved non-interest income contribution, partially mitigated by modification loss



Opex & Cost-to-income Ratio
CIR improved with positive JAWS attained

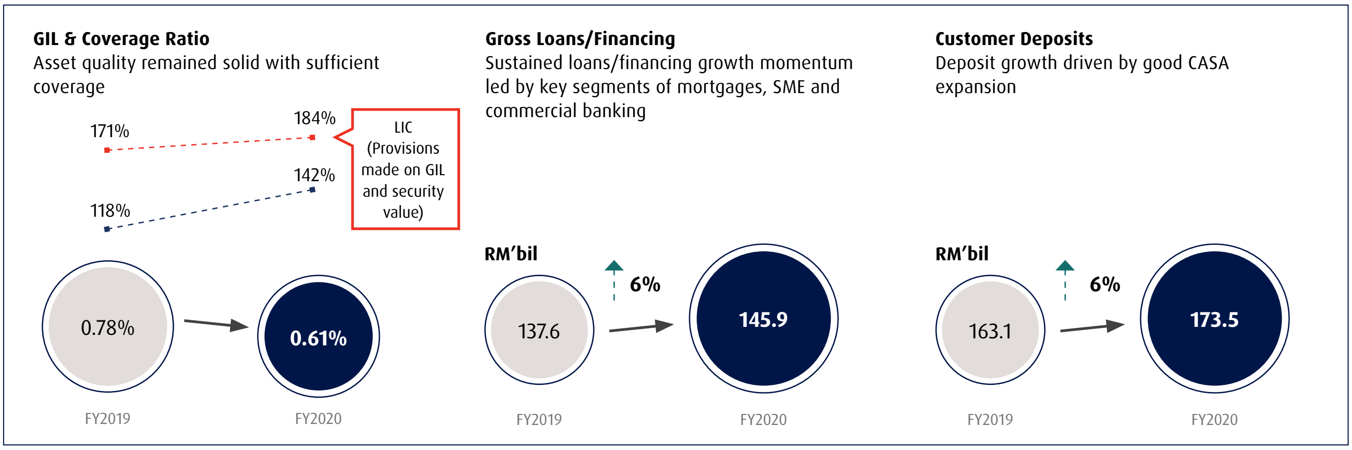


Operating Profit
Resilient operating profit against challenging backdrop



*Note: *Excluding net modification loss of RM142 mil in FY2020.*
^Excluding one-off gain on divestment of joint venture of RM90 mil in FY2019.

Management Discussion & Analysis
Financial Review



SOLID OPERATING METRICS & PROFITABILITY

The Bank has continued to produce solid results across key operating metrics, outperforming industry numbers and making clear and consistent improvements across underlying business drivers. We have improved our asset quality, experienced strong loans growth and protected our net interest margin ("NIM") even as the entire banking industry faced unprecedented disruptions from the COVID-19 pandemic, subsequent economic downturn and interest rates cuts.

Total income for FY2020 recorded a 1.1% y-o-y growth to RM4,778 million, on the back of loan book expansion and improved non-interest income ("NII") contribution, after the impact of the one-off modification loss, which arose as a consequence of providing payment relief to individual Hire Purchase and Islamic Fixed Personal Financing customers.

Operating expenses where managed tightly, consequently showed a slight increase of 0.6% y-o-y to RM2,104 million while the cost-to-income ratio ("CIR") reduced to 44.0%, with positive JAWS attained for the year. Excluding the modification loss, CIR would have improved to 42.8%. The improvement in CIR indicates the effectiveness of our digitisation efforts and strategic cost management initiatives to drive efficiencies.

Operating profit for FY2020 was RM2,675 million compared to RM2,634 million in the same period last year. Correspondingly, the Bank concluded the financial year with profit before tax ("PBT") and profit after tax ("PAT") at RM2,989 million and RM2,495 million respectively. Excluding the impact from the one-time modification loss, PBT and PAT would have been higher at RM3,132 million and RM2,603 million respectively.

Earnings per share ("EPS") was lower at 122 sen for FY2020. Despite the uncertain operating environment, the Bank achieved a healthy return on equity ("ROE") of 9.5% in FY2020.

IMPROVING BALANCE SHEET

Notwithstanding the overall industry's subdued credit growth in FY2020, our gross loans, advances and financing growth recorded strong expansion of 6.1% y-o-y to RM145.9 billion, predominantly led by growth in our key segments of mortgages, SME and commercial banking. Meanwhile, our customer deposits for FY2020 grew 6.4% y-o-y to RM173.5 billion, demonstrating the Bank's strong retail franchise which boasts a solid individual deposit mix of 53.3%. As a result, the Bank's loan-to-deposit ratio ("LDR") remains prudent at 83.5% and liquidity coverage ratio ("LCR") at 137%, supportive of maintaining smooth business operations and future business growth.

SOLID ASSET QUALITY

The Bank continued to uphold outstanding asset quality, showing improvement on this metric from the previous year with a gross impaired loan ("GIL") ratio of 0.61% despite the underlying concerns in the credit markets due to the economic consequences of the actions taken to combat COVID-19. Loan impairment coverage ("LIC") ratio remains prudent at 142%, one of the strongest in the industry. It is worth noting that the provisions on GIL coupled with security value of these GILs improves the LIC ratio further to 184%, providing a buffer for future non-performing loans/financing formation.

ROBUST CAPITAL POSITION

The Bank continues to maintain a strong capital position with Common Equity Tier 1 ("CET 1"), Tier 1 and Total Capital Ratios at 13.7%, 14.2% and 16.5% respectively. BNM's relaxation of prudential buffers allows the Bank to release regulatory reserve if need arises, which would boost capital levels further.

Management Discussion & Analysis
Financial Review

2. KEY PERFORMANCE INDICATORS (KPIs)

FY2020 KPI ACHIEVEMENT

	Target FY2020		Achieved FY2020	Ex Mod-Loss*
Gross Loan Growth	6% to 6.5%	✓	6.1% y-o-y	6.1% y-o-y
Net Interest Margin	~1.9%	✓	1.88%	1.96%
Non-Interest Income Ratio	>27%	✓	28.7%	27.9%
Cost-to-Income Ratio	<45%	✓	44.0%	42.8%
Gross Impaired Loan Ratio	<1%	✓	0.61%	0.61%
Return on Equity	~10%	✗	9.5%	9.9%

*Note: *Excluding net modification loss of RM142 mil in FY2020.*

In light of the headwinds experienced and one-off modification loss due to the loan moratorium initiatives, we are pleased to have achieved a set of commendable results in FY2020. We have also illustrated above what our results would have been in the absence of the modification loss.

- Loans growth of 6.1% y-o-y, predominantly driven by growth in key segments of mortgages, SME, commercial banking and overseas operations.
- NIM for FY2020 held steadily at 1.88% despite three OPR cuts of a combined of 100 bps during the financial year. Excluding modification loss, NIM would have been higher at 1.96%.
- Non-interest income ratio stood at 28.7% for the year, ahead of our guidance of above 27%.
- CIR ratio was enhanced to 44.0% as we continue to exert prudent cost management during this challenging year whilst continuing focus on growth. Underlying cost productivity was stronger, if one adjust for the lower income due to the modification loss.
- Asset quality indicators remains solid with GIL <1% per our guidance.
- ROE for the financial year was close to guidance at 9.5%. Without the modification loss, we would have ended the year on a stronger footing, demonstrating resiliency in our underlying business with ROE at 9.9%.

Management Discussion & Analysis
Financial Review

FY2021 TARGETS

FY2020 Actual

Gross Loan Growth	Net Interest Margin	Cost-to-Income Ratio	Gross Impaired Loan Ratio	Return on Equity	CASA Mix
6.1% y-o-y	1.88%	44.0%	0.61%	9.5%	27.9%
Target FY2021					
5% to 6%	1.95% to 2%	<43%	<1%	9.5% to 10%	>26%

- Moving forward, we believe that our strategic and tactical plans executed over the past few years put us in a position of strength, along with commendable loans growth and solid asset quality, giving us confidence that we will be able to face the uncertainties ahead and deliver performance commensurate to these strengths.

- For FY2021, the Bank has set targets for loan growth to be around 5% to 6% with a ROE within the range of 9.5% to 10%. We are guiding NIM to be within the range of 1.95% to 2% and CASA mix above 26%.

- Management intends to continue prudently managing expenses as well as upholding our strong asset quality. With that, CIR is expected to be maintained below 43% whilst GIL ratio should be able to be kept below 1%.

3. INCOME STATEMENT ANALYSIS

INCOME STATEMENT SUMMARY

RM'mil	FY2019	FY2020	Growth %
Net interest income	3,392	**3,406**	0.4%
Non-interest income	1,334	**1,373**	2.9%
Total Income	4,726	**4,778**	1.1%
Operating expenses	(2,092)	**(2,104)**	0.6%
Operating profit before allowances	2,634	**2,675**	1.5%
Allowances for loan and other impairments	(11)	**(327)**	->100%
Share of profits from associates	563	**642**	14.1%
Profit before tax	3,186	**2,989**	-6.2%
Profit after tax	2,665	**2,495**	-6.4%
Underlying profit after tax*	2,574	**2,603**	1.1%

*Note: * Excluding one-off gain on divestment of joint venture of RM90 mil in FY2019 and net modification loss of RM108 mil (net of tax) in FY2020.*

Management Discussion & Analysis
Financial Review

Total income for FY2020 increased 1.1% y-o-y to RM4,778 million, on the back of loan book expansion and improved non-interest income contribution, partially mitigated by modification loss, and OPR cuts.

Operating expenses for the year were marginally higher by 0.6% y-o-y to RM2,104 million. Accordingly, CIR was improved y-o-y to 44.0% due to prudent cost management.

Consequently, operating profit before allowances was 1.5% y-o-y higher at RM2,675 million.

During the year, there were higher impairment allowances of RM327 million as we made prudent provisioning to mitigate potential credit risks arising from the COVID-19 pandemic and the post auto-loan/financing moratorium period ahead.

Profit contributions from our associates, mainly from BOCD, remained strong at RM642 million, a 14.1% y-o-y increase compared to the same period last year. BOCD performance remained resilient and recovered quickly from the China lock-down COVID-19 pandemic period.

With this resilient performance, PBT and PAT for FY2020 were RM2,989 million and RM2,495 million respectively. Without the impact of the modification loss, PBT and PAT would have been higher at RM3,132 million and RM2,603 million respectively.

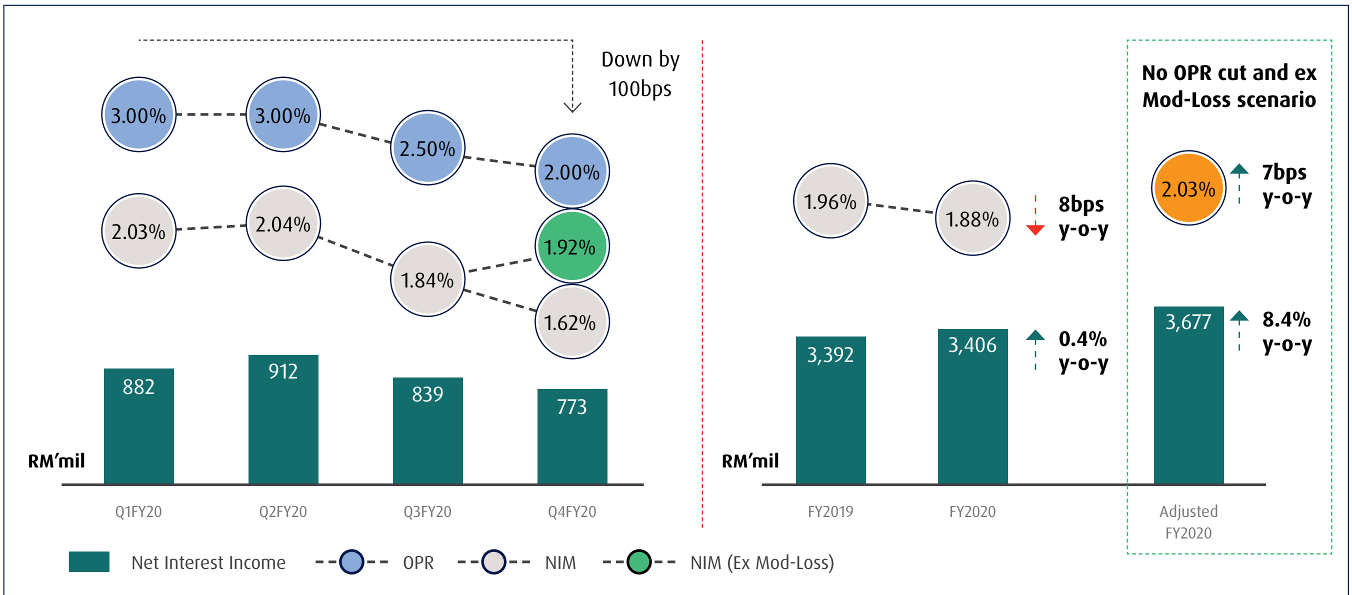
A) NET INTEREST INCOME

Despite OPR being reduced three times to 2.00% during the financial year, we were able to uphold NIM at 1.88% for FY2020, indicating the Bank's resiliency during this challenging economic environment. Accordingly, net interest income for FY2020 increased 0.4% y-o-y to RM3,406 million when compared against FY2019, as a result of healthy loans growth coupled with the easing cost of funds, dragged down by one-off modification loss recorded in the fourth quarter.

Modification loss arising from the modification of cash flows due to the automatic moratorium on loan repayments/payments arrived at RM142 million.

The repricing of loan assets from the combined 100bps OPR cuts during the financial year resulted in yields for FY2020 dropping by 49bps y-o-y, while interest income declined 5.8% y-o-y. Nevertheless, interest expense fell at a faster pace of 10.1% y-o-y as we tightly managed our cost of funds, which was lower by 36bps y-o-y mainly due to the repricing of Fixed Deposits and improved CASA mix.

If we were to exclude the impact from OPR cuts and modification loss, net interest income for FY2020 would have recorded higher growth of 8.4%, with NIM at 2.03%.



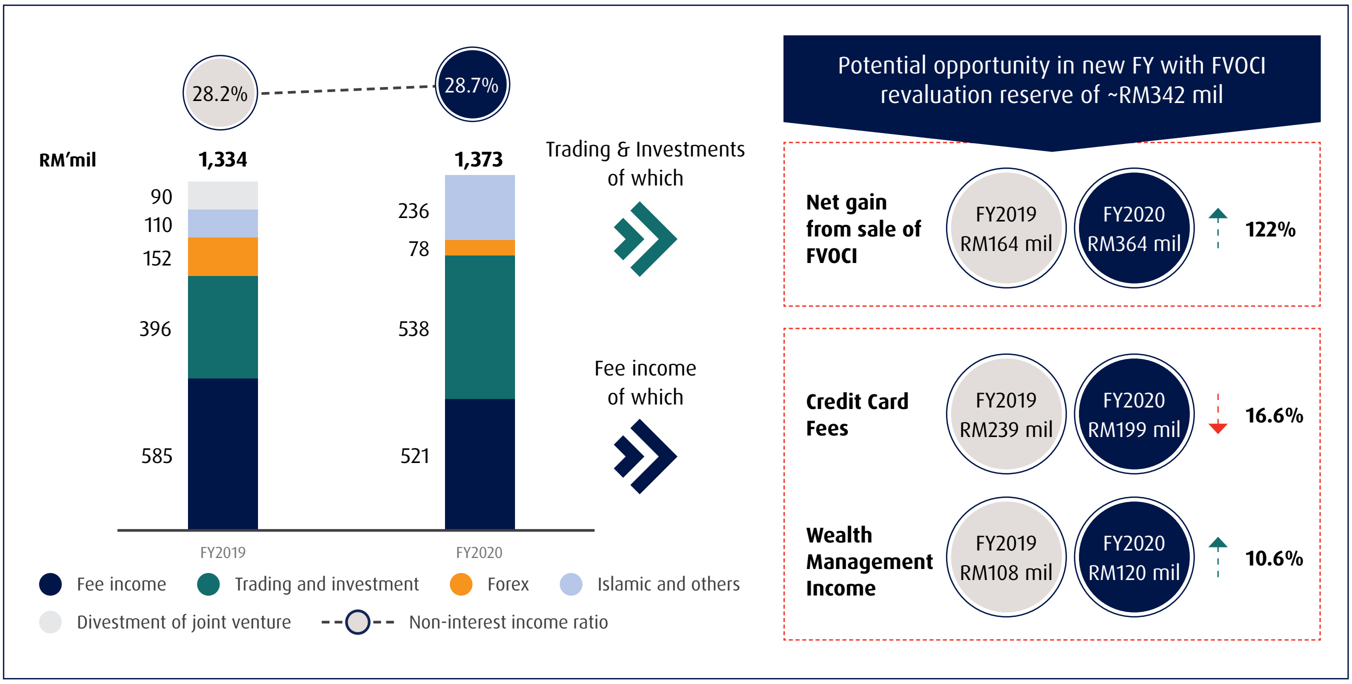
B) NON-INTEREST INCOME

Non-interest income for FY2020 increased by 2.9% to RM1,373 million, with the NII ratio higher at 28.7% due to strong performance in Markets/Treasury and wealth management business.

Trading and investment gain for the year increased by 36.0% y-o-y to RM538 million, mostly driven by higher realised gains from sales of FVOCI, partially offset by unrealised losses of financial instruments. We have approximately RM342 million of FVOCI revaluation reserve which provides potential opportunity in the new financial year.

Fee income dropped by 11.1% y-o-y, attributable to lower credit card fees mainly due to the downward adjustment of the interchange rate and the decline in retail spend during the MCO period. This was partly off-set by strong performance in the wealth management portfolio.

Foreign exchange ("FX") gain was 48.7% lower y-o-y at RM78 million on the back of higher FX trading losses and reduced FX franchise business as business activities reduced in the second half of the financial year due to the MCO and slow recovery thereafter to June 2020.



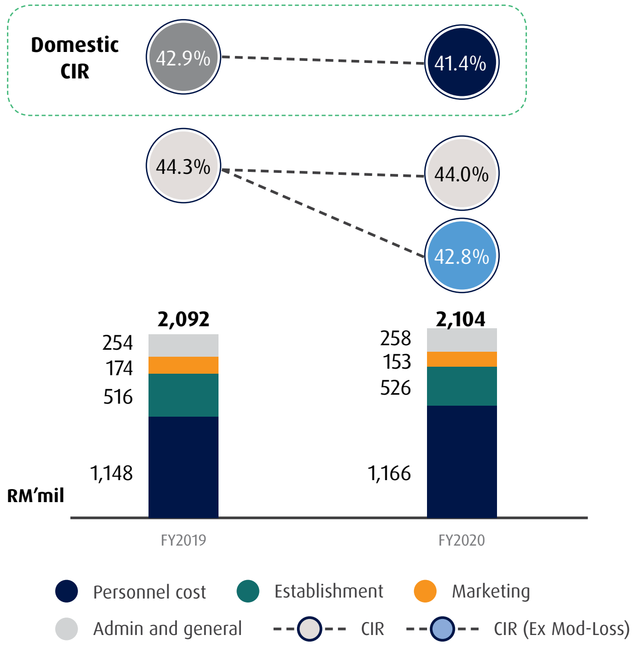
Management Discussion & Analysis
Financial Review

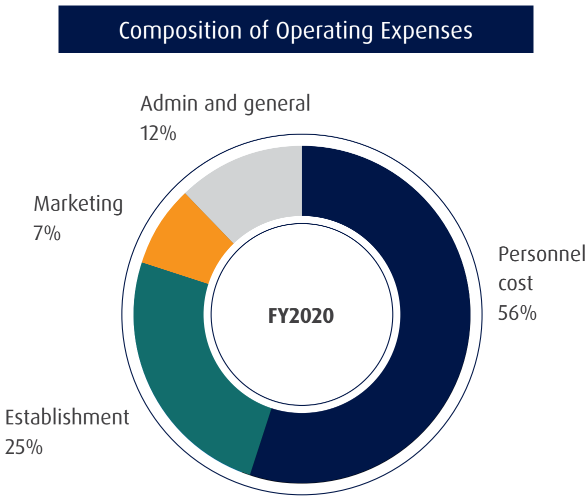
C) OPERATING EXPENSES

We continue to manage our expenses with discipline especially during these challenging times. Operating expenses for FY2020 were kept flattish at RM2,104 million, while CIR improved to 44.0% on positive JAWS. Without the modification loss, CIR would have been significantly better at 42.8%. Performance was even better on the domestic front, as CIR was enhanced to 41.4% for FY2020, as we continue to drive efficiency through our strategic cost management initiatives and digitisation efforts.

Personnel costs, which accounted for 56% of total operating expenses, increased only 1.6% y-o-y to RM1,166 million due to higher salaries and personnel related costs as we are focused on driving productivity to offset pressures on the income line.

Marketing expenses recorded a decrease of 12% y-o-y due to decrease in sales incentives from weakened sales momentum because of the MCO and lower credit card rewards. Establishment costs and administrative expenses were kept relatively flat y-o-y.





4. GROSS LOANS, ADVANCES AND FINANCING

MAINTAINED GROWTH MOMENTUM, GROWING DOMESTIC MARKET SHARE

	FY2019		FY2020		
Gross Loans, Advances and Financing by Domicile	**RM'million**	**% Contribution**	**RM'million**	**% Contribution**	**Growth %**
Total Domestic Operations	130,456	95%	**138,163**	**95%**	5.9%
International Operations	7,111	5%	**7,769**	**5%**	9.3%
of which					
Singapore	5,224	4%	**5,250**	**4%**	0.5%
Hong Kong	-	-	**-**	**-**	-
Vietnam	617	0.4%	**909**	**0.6%**	47.4%
Cambodia	1,270	0.9%	**1,609**	**1.1%**	26.8%
Total Gross Loans, Advances and Financing	**137,566**	**100%**	**145,932**	**100%**	**6.1%**

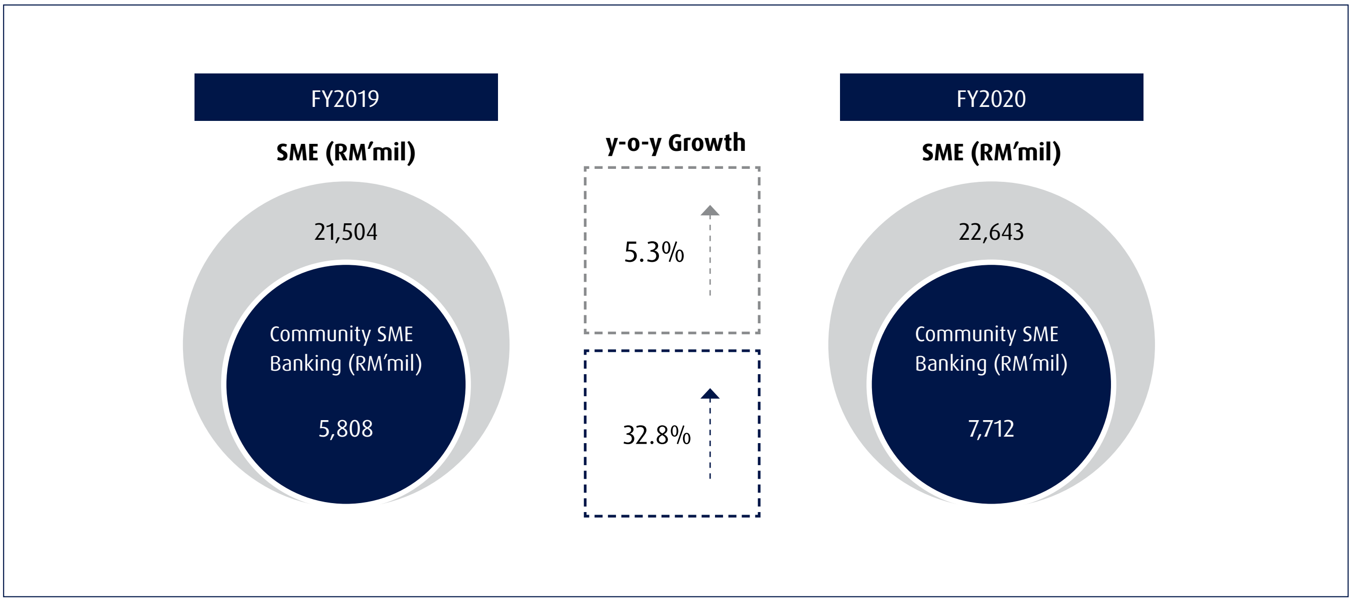
Management Discussion & Analysis
Financial Review

Growth of gross loans, advances and financing continued its upward trajectory, expanding 6.1% y-o-y to RM145.9 billion, a pleasing result considering such a cautious consumer and business environment. The Bank's key segments of mortgages, SME and commercial banking remain the main driver of loan growth, supplemented by a strong lending franchise expansion in Vietnam and Cambodia.

In terms of geographical breakdown; domestic loans/financing, which represents 95% of the Bank's total loan/financing book, grew faster than the industry average at 5.9% y-o-y to RM138.2 billion as at 30 June 2020. Overseas loans grew 9.3% y-o-y to RM7.8 billion, led by strong expansion in Vietnam and Cambodia which experienced a 47.4% y-o-y and 26.8% y-o-y growth to RM909 million and RM1.6 billion, respectively.

Gross Loans, Advances and Financing by Key Segments	FY2019		FY2020			Domestic
	RM'million	% Contribution	RM'million	% Contribution	Growth %	Market Share %
Residential Properties	67,438	49%	**73,336**	**50%**	8.7%	12%
Transport Vehicles	17,489	13%	**16,769**	**11%**	-4.1%	9%
SME	21,504	16%	**22,643**	**16%**	5.3%	8%

Our residential properties segment continued to grow at a healthy pace of 8.7% y-o-y to RM73.3 billion, backed by a solid loan pipeline while transport vehicle loans growth was muted on lower car sales during the MCO period to close at RM16.8 billion.

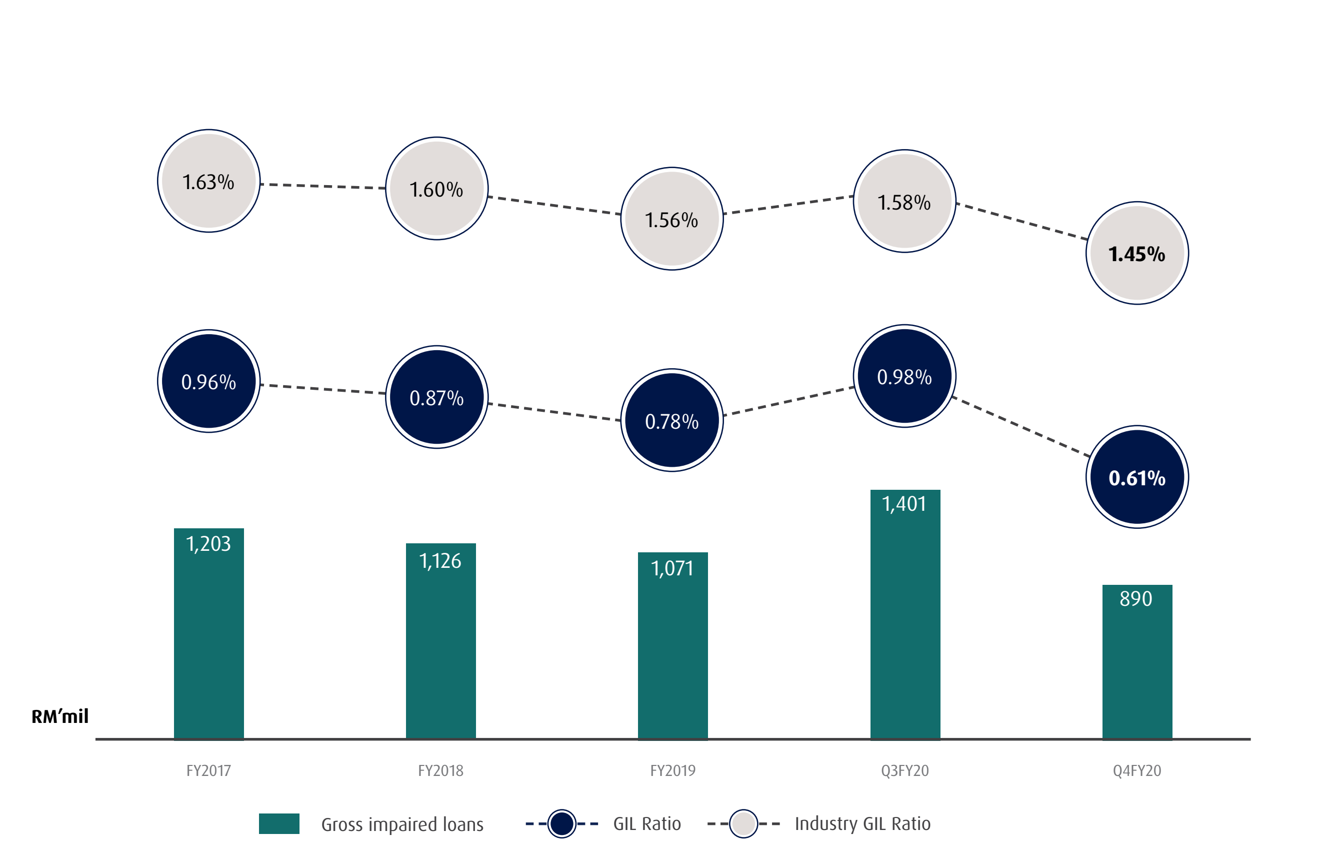


Reported SME loans growth was commendable with a 5.3% y-o-y increase to RM22.6 billion. This performance was boosted by BNM's SRF, which we were able to quickly roll out to SMEs that urgently needed liquidity post the start of the MCO. In addition, within this SME portfolio, the Bank's community banking initiative continues to grow from strength-to-strength with convincing growth of 32.8% y-o-y.

Management Discussion & Analysis
Financial Review

5. ASSET QUALITY

ASSET QUALITY - STRONGER FOOTING TO FACE THE UNCERTAIN TIMES AHEAD

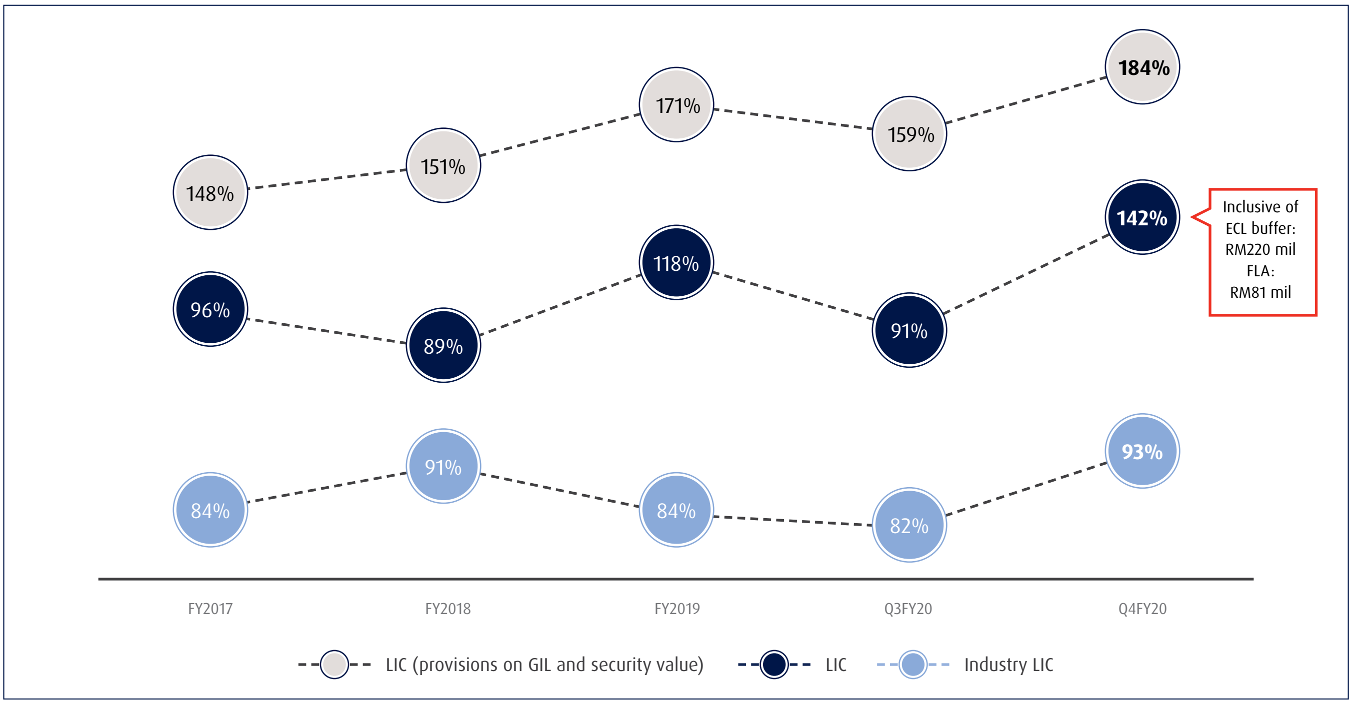


Asset quality remains a key concern during these times, and whilst we provide support to our stakeholders, we also tightly manage our portfolio to ensure that asset quality remains robust. The Bank's GIL ratio saw a good downward trend during the June 2020 quarter and ended at a record low 0.61% as at 30 June 2020, demonstrating that the Bank's initiatives to proactively engage customers and work with them on payment plans yielded desired results.

Asset Quality by Key Segments	FY2019	FY2020	Industry Average as at June 2020
Residential Properties	0.56%	**0.47%**	1.08%
Transport Vehicles	0.70%	**0.42%**	0.56%
SME	1.54%	**1.33%**	2.53%

Asset quality of our key segments continued to show improving GILs which are below the industry averages, with GIL ratios for residential properties, transport vehicles and SME at 0.47%, 0.42% and 1.33% respectively.

Loan Impairment Coverage (LIC)



With additional provision for forward looking adjustments ("FLA") of RM81 million and expected credit loss ("ECL") buffers of RM220 million pre-emptively built up against risks arising from the COVID-19 pandemic and the end of the auto-moratorium period, loan impairment coverage ("LIC") rebounded to a comfortable level of 142% as at 30 June 2020. It is worthy to note that the provisions on GIL coupled with the value of security that we hold on these GILs results in a combined LIC ratio of 184%.

6. CUSTOMER DEPOSITS

DEPOSIT GROWTH DRIVEN BY STRONG CASA EXPANSION

	FY2019		FY2020		
Customer Deposits by Domicile	**RM'million**	**% Contribution**	**RM'million**	**% Contribution**	**Growth %**
Total Domestic Operations	152,895	94%	**163,358**	**94%**	6.8%
International Operations	10,175	6%	**10,135**	**6%**	-0.4%
of which					
Singapore	7,921	5%	**7,771**	**4%**	-1.9%
Hong Kong	255	0.2%	**222**	**0.1%**	-13.1%
Vietnam	783	0.5%	**789**	**0.5%**	0.8%
Cambodia	1,217	0.7%	**1,353**	**0.8%**	11.2%
Total Customer Deposits	**163,070**	**100%**	**173,493**	**100%**	**6.4%**

Total customer deposits grew 6.4% y-o-y to RM173.5 billion, driven mainly by core customer deposits growth both in the domestic and regional markets. Leveraging on the Bank's cash management system, CASA expansion was robust at 15.9% y-o-y with an improved CASA mix of 27.9%.

Domestic customer deposits comprises 94% of the Bank's total deposit base and grew 6.8% y-o-y to RM163.4 billion. International operation customer deposits decreased marginally by 0.4% y-o-y.

Management Discussion & Analysis
Financial Review

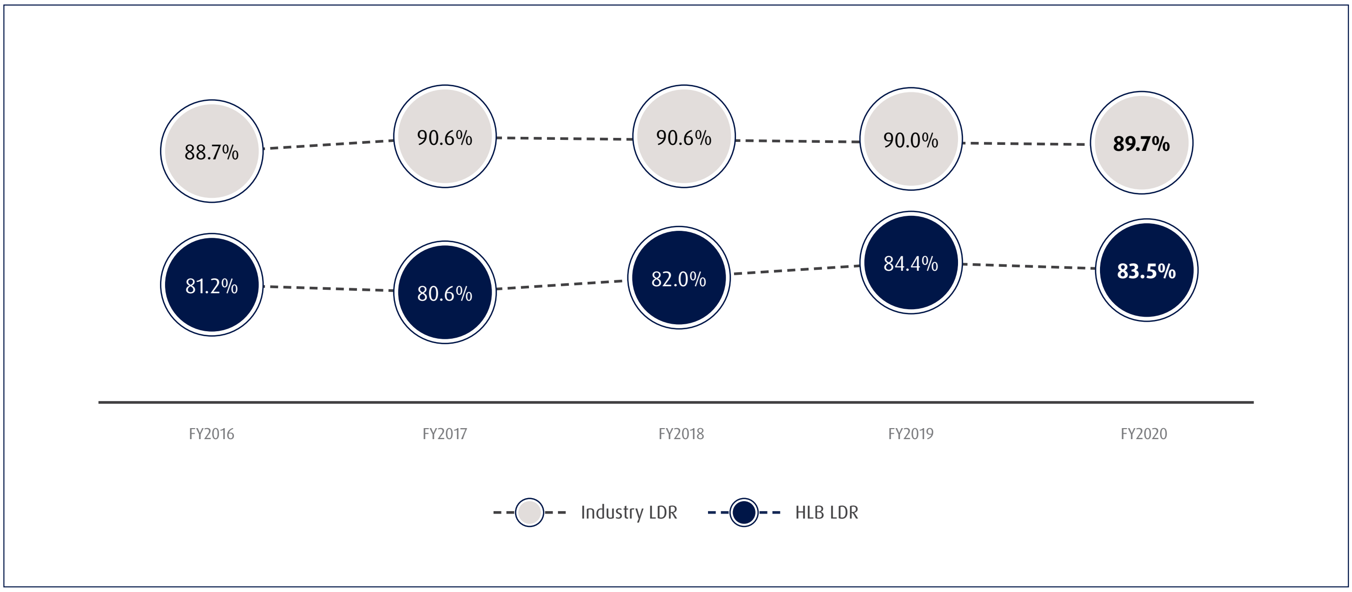
Customer Deposits by Key Product and Customer Type	FY2019		FY2020		Growth %	Domestic Market
	RM'million	% Contribution	RM'million	% Contribution		
By key product type of deposits						
Demand and Savings Deposits (CASA)	41,725	26%	**48,358**	**28%**	15.9%	7%
Fixed Deposits	91,064	56%	**94,503**	**54%**	3.8%	8%
Total Core Deposits	**132,789**	**81%**	**142,861**	**82%**	**7.6%**	**8%**
By key type of customers						
Individual	85,518	52%	**92,514**	**53%**	8.2%	11%
Business enterprises	67,039	41%	**69,640**	**40%**	3.9%	6%
Total Customer Deposits	**163,070**	**100%**	**173,493**	**100%**	**6.4%**	**8%**

Core customer deposits comprising demand deposits, savings deposits and fixed deposits represents 82% of our total customer deposits base. Our core deposits expanded 7.6% y-o-y for an 8% market share. CASA, which are low cost deposits, grew strongly by 15.9% y-o-y to RM48.4 billion and comprised 28% of our total customer deposits. Fixed deposits expanded 3.8% y-o-y to RM94.5 billion, representing a domestic market share of about 8%.

The Bank continues to maintain stable funding backed by a solid individual deposit base of RM92.5 billion, which expanded 8.2% y-o-y with a deposit mix of 53%, amongst the highest in the industry.

7. LIQUIDITY

LIQUIDITY POSITIONS REMAINED HEALTHY AND PRUDENT



Note: Industry data derived from banking system's commercial banks plus Islamic banks only.

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

Management Discussion & Analysis
Financial Review

	FY2019	FY2020
Liquidity Coverage Ratio (LCR)	134%	**137%**
Loan to Funds Ratio (LTF)	88%	**87%**
Loan to Funds & Equity Ratio (LTFE)	76%	**75%**

As at 30 June 2020, the Bank's LCR position remained comfortable at 137%, exceeding the regulatory requirement. Loan-to-funds ("LTF") and loan-to-funds & equity ("LTFE") ratios are 87% and 75% respectively, well in line with industry numbers.

8. CREDIT RATINGS

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

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

Rating Agency	Date Accorded	Rating Classification	Outlook
Rating Agency Malaysia Berhad	12-Dec-19	Long-Term Rating: AAA Short-Term Rating: P1 Subordinated Notes: AA1 Additional Tier 1 Capital Securities: A1	Stable
Moody's Investors Services Ltd	4-Feb-20	Long-Term Rating: A3 Short-Term Rating: P2	Stable

Management Discussion & Analysis Financial Review

9. CAPITAL MANAGEMENT

INTRODUCTION

HLB's capital management framework enables the efficient use of capital by the Bank and its principle subsidiaries, while also ensuring that regulatory thresholds are met or exceeded.

In the context of capital sufficiency, the framework outlines the respective risk profiles, management targets and applicable regulatory standards or guidelines that each entity should adhere to.

The capital management framework aims to:

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

CAPITAL MANAGEMENT FRAMEWORK

The Bank's capital management framework, is detailed out in the Internal Capital Adequacy Assessment Process ("ICAAP"), which is approved by the Senior Management, Board Risk Management Committee ("BRMC") and the Board. In addition, the Bank's capital levels in expected and stressed economic environments under ICAAP are further evaluated to determine the appropriate capital adequacy for the Bank.

I) COMPREHENSIVE RISK ASSESSMENT UNDER ICAAP

The ICAAP provides the platform to comprehensively assess all material risks that the Bank is exposed to and evaluates whether there is sufficient capital to support its business activities in relation to those risks, enabling the Group to meet its capital management objectives.

As part of this process, the Bank undertakes a variety of stress tests that examine if the level of capital, derived from the Bank's annual budget, is adequate to weather adverse economic situations or a rapid economic downturn.

Based on the results, the Bank will calibrate its internal capital targets accordingly and review these targets annually to ensure that capital levels are maintained above regulatory requirements and is able to accommodate the Bank's needs during times of difficult economic conditions.

II) BI-ANNUAL CAPITAL PLAN

The Bi-Annual Capital Plan is a three-year strategic capital plan for the Bank, which highlights capital projections, requirements, levels of capital and the composition of the capital and aligns it to the Bank's business and strategic objectives. The plan also considers the concerns originating from across the spectrum of regulatory, policy and stakeholder viewpoints, such as capital buffers, new accounting standards and expectations of investors, analysts and rating agencies.

CAPITAL INITIATIVES

The Bank pays considerable attention to ensuring its capital position meets the stringent Basel III capital requirements, expectations from stakeholders and to align with strategic business objectives.

Major initiatives undertaken over the years include:

I) EQUITY CAPITAL

As at June 2020, the Bank held 39.6 million treasury shares that had been bought back previously. These shares which are available for sale can further strengthen the Bank's CET 1.

II) DEBT CAPITAL

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

Over the year, there was a redemption of RM500 million Innovative Tier 1 Capital Securities in Sep 2019, as management felt that capital formation from business operations was sufficient to cover capital use and hence did not warrant re-issuing this.

III) HEALTHY DIVIDEND PAYOUT

The Bank does not have a fixed dividend pay-out policy but takes into consideration a balance between growth and proactive capital management to ensure the long-term sustainability of dividends to its shareholders. The Board has proposed a final dividend of 20 sen per share, bringing the total dividend to 36 sen for the FY2020, with dividend payout ratio of 30%.

CAPITAL ADEQUACY RATIO

I) MINIMUM CAPITAL ADEQUACY REQUIREMENTS

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

II) CAPITAL BUFFER REQUIREMENTS

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

- Capital Conservation Buffer ("CCB") of up to 2.5% to ensure banks build up capital buffers during normal times that can be drawn down during periods of stress. It is phased in from 1 January 2016 at 0.625% per year, to reach 2.5% on 1 January 2019.

  Due to the COVID-19 outbreak, with effect from 24 March 2020, BNM allowed FIs to drawdown the 2.5% CCB. Subsequently, FIs are required to restore the CCB by 30 September 2021.

- Counter-cyclical Capital Buffer ranging between 0% and 2.5% of total risk-weighted assets (excludes exposures to Sovereigns, Central Banks and Banking Institutions), which is intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive. This capital buffer is currently not required for credit exposures in Malaysia but may be enforced by BNM in the future.

- Higher Loss Absorbency ("HLA") requirement per Table 1 for FIs designated as Domestic Systemically Important Banking Institutions ("D-SIBs") by BNM:

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

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

- BNM will review the list of D-SIBs on an annual basis. However, they may also review the list as and when deemed necessary if there are major structural changes in the banking system, e.g. a merger or significant restructuring exercise by banks.

- D-SIBs are also required to maintain HLA and this shall apply to apex entities on a consolidated basis (this includes consolidation of all subsidiaries, except insurance and/or takaful subsidiaries). However, at its discretion, BNM may require financial institutions to additionally comply at the entity level.

- On 5 Feb 2020, BNM announced that three banking groups (MBB, CIMB and PBB) have been identified as D-SIBs based on 2018 data.

HEALTHY CAPITAL ADEQUACY RATIOS

The table below shows the capital adequacy ratios of the Bank, at both group and entity levels, presenting figures for financial years 2019 and 2020.

	HLB Group		HLB Entity		Regulatory Minimum with CCB*	
After proposed dividend	**FY2019**	**FY2020**	**FY2019**	**FY2020**	**2019**	**2020**
CET 1 Ratio	13.1%	**13.7%**	12.6%	**13.4%**	7.00%	**7.00%**
Tier 1 Ratio	14.1%	**14.2%**	13.4%	**13.8%**	8.50%	**8.50%**
Total Capital Ratio	16.3%	**16.5%**	15.6%	**15.9%**	10.50%	**10.50%**

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

Management Discussion & Analysis
Business Operation Review

1. PERSONAL FINANCIAL SERVICES ("PFS")

OVERVIEW

Over an unprecedented year marked by two vastly contrasting halves, the Bank's PFS business remained resilient, generating sustainable returns by contributing 52% and 38% of the Bank's revenue and pre-tax profits, respectively. In FY2020, PFS navigated through cautious consumer and business sentiment in the first half of the year as economic growth in later part of 2019 moderated, with this sentiment dipping further following the severe economic disruption caused by the COVID-19 pandemic.

Despite these challenges, the Bank was able to defend its market share across key categories, such as mortgages, unsecured loans, deposits and wealth management. Led by strong mortgage loan growth of 7.4% y-o-y, the PFS loan book recorded a 5% y-o-y growth against an industry growth of 3.6%. We continue to be disciplined with our underwriting standards, procuring quality through-the-door customers and ensuring that the portfolio continues to perform to expected internal benchmarks. Asset quality remained solid and stable, with a low GIL ratio of 0.47%.

BUILDING ON OUR DIGITAL JOURNEY

In a post-COVID-19 world, digital banking capabilities have perhaps never been more important. Having invested significantly in our digital transformation over the past couple of years, guided by our ethos of "Digital at the Core", the Bank is now well positioned to serve and grow with its customers. In FY2020, about 86% of the Bank's transactions were performed via HLB Connect Online or mobile banking, while 69% of Connect users having downloaded the Connect App. The encouraging 20% year-on-year increase in downloads of the app is a clear indication that customers are increasingly comfortable banking directly on their phones.

However, the most exciting development in the year under review was the launch of our all-new HLB Connect App. Built completely in-house to ensure agility and cost efficiency, it is the outcome of insights collected from user focus groups, usability tests, and customer feedback on the old app. Designed with a brand new look, the app introduces new features and services that demonstrates the Bank's "Built Around You" brand promise, bringing convenience and seamlessness with the removal of pain points from the customer journey. For example, customers now have more personalisation options, day/night mode display to make it easier to read, and option to show/hide account balances, to transaction limit settings that were previously available on Connect Online only.

Other enhancements to the Connect App include the new "Transaction without TAC" setting, which has proven popular with customers, as they can now set a daily limit ranging from zero to RM1,500 and choose to enter a TAC for every transaction performed or only upon reaching the daily limit. Quick Pay is another new feature designed to make banking easy as it proactively saves users' recent payments and transfers, so they can quickly repeat these transactions without adding recipients as favourites. This feature proved particularly useful during the MCO period when many customers transacted online for many of their daily purchases.

This year, we also took steps to simplify the Connect Online registration process to continue easing the on boarding experience. With new upfront ID verification, customers are auto routed to the relevant next steps based on the products they hold with the Bank. In addition, less registration information is required of customers who hold loans with the Bank and only need to access e-statements. We have also introduced a Mandarin language option which, in addition to the existing Bahasa Malaysia and English options, allows us to serve our customers in the three main languages used among Malaysians. Further improvements are in the pipeline for rollout in the next quarter, as we continue our march towards realising our vision of being a highly digital and innovative ASEAN financial services enterprise.

At the branch level, most operational staff are now equipped with the In-Branch Sales & Service tablet which further entrenches our digital transformation and the ongoing change in customer behaviour that is much more open to the various forms of digital banking. Integral to the Bank's vision of paperless branches, available services for our customers have continued to expand beyond day-to-day transactions to include applications for products like current or savings accounts, personal loans, credit cards, and credit card services like Balance Transfer, Call-For-Cash and Flexi Payment Plan.

Our comprehensive digital offerings continue to attract and retain users, and we have enhanced our services to allow Connect Online to withdraw funds that were deposited via the Certless Fixed Deposit services in the branch. In another move that helps transition branch customers to digital, the Online Telegraphic Transfer daily limit of RM45,000 was increased to allow transfers of up to RM200,000 in a single transaction.

As we move forward, end-to-end digital onboarding journeys will deliver scalable customer acquisition that is independent of physical location, making the customer journey even easier. To this end, we will leverage on the support of new technologies like e-KYC ("Electronic Know Your Customer") and an In-Branch tablet system that has now matured to support off-site sales as well.

DIGITAL DAY 2019

A mainstay in our calendar, our third HLB Digital Day on 7 July 2019 was a resounding success. The HLB Digital Day celebrates with our existing and new customers, where we reward customers for their strong support by giving them amazing offers for various retail and banking products through seamless online and offline mediums. It is also an ideal opportunity to further grow digital adoption amongst our customers, in the hope that the incentives will drive repeat behaviour going forward.

Over the two-week campaign period, the focus was on driving cashless transactions, of which transactions on Connect were a key pillar. The total number of financial transactions rose a significant 40% against the previous year, demonstrating the growing acceptance to digital banking. The number of e-FD placements grew almost 50%, and the corresponding transaction value jumped by over 70%. Personal Loans saw a major uplift during the period, where the number of applications doubled and the funded value grew by almost 150%, while e-CASA applications quadrupled.

PFS LOANS

The mortgage business recorded a strong loan growth of 7.4% y-o-y, ahead of industry growth of 5.3%, despite the challenging property market that has worsened because of the COVID-19 pandemic. We have continued to defined and grow out market positioning in the affordable segments, and we remain steadfast in our commitment to lending to and supporting homebuyers.

In this context, we have continued to defend and grow our market positioning in the affordable segments, with close to 40% of our total approvals being extended to customers purchasing residential properties priced between RM250,000 and RM500,000. This has largely been a result of our strong support for home ownership programmes, especially for first time homeowners, where more than 60% of total approvals were extended to customers who do not have a prior housing loan/financing. Our consistent efforts have led to the continued rise of our FY2020 market share to 10.7% from 10.5% in FY2019 and 10.3% in FY2018.

Connect total financial transactions rose

40%

against the previous year

Continued rise of FY2020 mortgage loan market share to

10.7%

from 10.5% in FY2019

Moving forward, the business will continue to innovate to better serve customers, developers and property market intermediaries, as we support market recovery efforts. In this context, collaborative ecosystem efforts are underway with several PropTech and FinTech players to improve the property buying and financing journey for consumers.

In a similar vein, the auto loan business forged strategic partnerships with key brands to better serve dealers through win-win opportunities. For consumers, we introduced exciting campaigns to engage and broaden the customer base by investing in above-the-line communications. As a result, we upheld our 10% market share of total auto loans disbursed in FY2020. The outlook is challenging, but there is room to innovate on service delivery, turnaround time, process simplification and customer experience to mitigate the pressures facing the sector.

Management Discussion & Analysis
Business Operation Review

The Bank's personal loans/financing base grew 12% y-o-y on the back of stable impairments, a faster pace of growth compared to FY2019. We believe our digital initiatives have been the differentiator in offering an easy and convenient way to our customers to apply for small personal loans/financing, which has resulted in sales from digital channels increasing during the year, and even more so during the MCO period when customers could not visit our branches. Further evidence of the value that has been delivered by our digital transformation was that our online Connect channel was one of the main growth contributors of loan/financing applications. Going forward, we will remain focused on targeting resilient segments even through times of economic uncertainty.

PFS DEPOSITS

Our individual deposit mix remains one of the highest in the industry, which positions the Bank strongly for balance sheet growth in the coming year. Deposits grew 9% y-o-y, capping a strong year for deposit portfolio acquisition and management initiatives, such as the strategic acquisition of salary and junior accounts. The addition of e-KYC will be a key feature to enhance the speed in which we onboard customers in the coming year.

PAYMENTS BUSINESS

We started the financial year focused on strong positioning on travel, with 2 co-brand cards in collaboration with AirAsia and Emirates airlines, and a major usage campaign which saw us hit a record RM1 billion retail credit card spending in December 2019. This was derailed due to the pandemic and it saw us quickly switch gears to key essential sectors and online purchases. In spite of that, our customer credit card retail spending was impacted, resulting in a marginal y-o-y decline of 5%.

It was a contrasting outcome for our merchants' business however, with merchant acquiring sales growing in excess of 10% y-o-y as our strategy of focusing on grocery and drugstore segment in the past 18 months placed us in an advantageous position during the uncertain environment brought about by the COVID-19 pandemic. The volume of cashless payments has accelerated during the pandemic which has augured well for this business, as customers opted for a quicker and safer option to conduct their daily transactions.

RETAIL WEALTH MANAGEMENT SERVICES

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

Our well-positioned customer portfolios, coupled with our customer-centric approach of staying close to customers and anticipating their needs, minimised and mitigated the impact of the volatility and ensuing market downturn. As a result, there was no material sell-down of AUM in March 2020, and by June 2020, AUM has recovered to its previous high.

During the MCO, we accelerated on delivering non-physical services by launching and expanding phone transaction services, covering all investment products and transaction types enabling us to reach out to customers and facilitate any transaction in five minutes. An additional trend that emerged during the MCO was the switch from traditional face to face customer events to digital webinars, and this has effectively become the new norm in engaging customers and increasing customer coverage.

We have also continued to bolster our digital solutions within this segment by introducing the Pay&Save Share Trading e-application, a first in the retail banking space, which allows customers to seamlessly trade shares directly through HLB Connect Online with an auto settlement capability that off-sets the share purchases from the Pay&Save current account balance.

As for our Priority Banking segment, the Bank's customer value proposition continues to evolve as we move beyond investments and look to providing total banking services. Our consistent engagement with high networth customers through frequent lifestyle events, weekend Brunch-Series, insightful seminars, and personalised wealth management advisory and solution has seen the Bank's Priority Banking customer base growing more than 6% y-o-y. To enhance our presence in the Southern region, our new Priority Banking Centre in Southkey Johor Bahru will be opening by the end of the year and promises to offer a better banking environment, increased efficiency and improved customer experience.

ONGOING BRANCH TRANSFORMATION

Moving into the new financial year, we will be reorganising our branch sales force into product specialists to deliver broad and deep expertise to customers. This structural change elevates staff skillsets and product expertise that will position us to be even more customer-centric in everything we do while building personalised experiences and solutions for our customers.

The ongoing branch amalgamation strategy envisions a streamlined branch network to strengthen our footprint and improve retail presence, and we will be relocating the Taman Sri Tebrau branch in Southkey, Johor and will transform it into our third digital branch nationwide, after Burmah House in Penang and Damansara City in Kuala Lumpur.

MOVING FORWARD

As we recover from the extraordinary economic realities caused by efforts to contain the pandemic, the Bank is committed to helping our customers through the hardship and steering them towards a more resilient, stable and positive experience in the management of their finances. As customers emerge from the loan moratorium, it is equally, if not even more crucial, to ensure the viability of their income, repayments and affordability for our products and services.

Internally, it is important to sustain our core products through this economic cycle and to step up the underlying profitability, and as the opportunities arise, undertake structural operating model changes to better place our capabilities to service clients effectively and efficiently. Our resolute focus during these times on the value drivers of the future remain unchanged – we will continue to invest in digital experiences, collaborate with ecosystem partners, and drive fee income business. With the Connect platform being key to engaging our customers, our priority is to enhance and expand our services and products on this platform, as we continue to equip our people with the right tools, knowledge and skills to enable the effective execution of our strategies.

Management Discussion & Analysis
Business Operation Review

2. BUSINESS & CORPORATE BANKING ("BCB")

OVERVIEW

BCB has continued to produce consistent and solid results in FY2020, driven by strong loans and deposits growth, underpinned by robust strategies that are fulfilling our clients' needs. BCB's revenue and PBT recorded RM1,171 million and RM755 million respectively for the year, representing a 24.5% and 25.2% contribution to the Bank's total income and PBT.

Extending our improvement on key business metrics, BCB loans/financing grew an industry-leading 10% y-o-y, outpacing last year's growth performance, as the commercial and strategic SME client segments continued to record strong numbers, expanding a respective 7% and 33% y-o-y. Impressive results were also seen in our current account balances as it out-performed the industry's demand deposit growth rate, registering a robust 24% y-o-y increase, which is significantly higher than last year's performance.

STRENGTHENING THE SME ECOSYSTEM

In FY2020, the SME segment recorded significant loans and deposits growth of 33% y-o-y and 18% y-o-y, respectively. Total income improved by 4% y-o-y, while operating profit increased by 5% y-o-y on the back of a 6bps improvement in NIM.

At HLB, we recognise that the SME segment is the main engine of the Malaysian economy. As such, we continue to strive to help SMEs overcome their challenges and enable them to achieve their objectives. Meeting our client's needs is an important part of what we do as a customer-centric bank and we are committed to making the customer journey seamless and convenient. Thus, in the year under review, we have made efforts to engage our SME customers via customer focus groups to better understand their pain points, so that we can effectively structure our products and services to meet their needs.

These initiatives are essentially part of our strategic objective to establish ourselves as the preferred financial solution provider for the SME segment. We leverage on our nationwide network of strategically located branches as well as a dedicated group of 155 Community Business Managers, to offer advice and financing solutions to this segment. Our focus has been to assist SMEs to grow their business with the support of government funding subsidies (where eligible), working capital, trade financing, hedging, and cash management solutions. The SME Banking team also actively participated in SME related events, roadshows, association events and launches to demonstrate our deep commitment to helping SMEs succeed and thrive.

In FY2020, the Bank launched the HLB Total SME Solutions branding initiatives to strengthen our presence in the local SME market. This has led to the onboarding of new partners in the form of Bixzee, AVANA and SnapTruck, which offer B2B & B2C e-commerce and logistic solutions to SMEs, further complementing our digital HR, payroll and accounting solutions that HLB previously offered.

The Bank also pays close attention to the underserved within the SME ecosystem. This year, we launched a pilot run of a microfinancing programme targeted at businesses who have been in operations for less than three years. This financing programme, which is secured with a guarantee from Credit Guarantee Corporation Malaysia Berhad ("CGC"), is offered digitally and processed straight through, only needing simplified financial documents. The pilot run, involving our existing borrowing and non-borrowing current account customers commenced in December 2019. The encouraging results of the pilot run convinced us to officially offer this product beginning July 2020.

TARGETED SECTORAL GROWTH STRATEGY

As BCB continues to grow its existing portfolios in the corporate and middle market segments, we are simultaneously surveying the market to identify new focus sectors that present good growth opportunities. This strategy is supported by the expansion of our industry specialist team, which allows us to provide structured financing solutions that better suit our customer's needs as well as provide advisory services to our clients. During the last financial year, we on-boarded an in-house renewable energy specialist and we have further expanded the team to cover identified growth sectors such as halal food manufacturing, logistics & warehousing and private healthcare.

IMPROVING THE BANKING EXPERIENCE

The Transaction Banking business has spent much of FY2020 implementing new ways to enhance the customer experience and journey. The resources invested in digitalising the customer journey and removing pain points have produced positive outcomes as more customers opt for digital channels for their day to day banking needs. For example, in FY2020, the Bank witnessed a large 30% y-o-y increase in Corporate Internet Banking users, which brought the penetration rate to 64% of all business customers, from 46% in FY2019. The amount transacted was also up by 10% y-o-y with a total of 37 million transactions taking place in FY2020.

To continue our journey of improvement and to increase as well as sustain digital adoption, the Bank launched the first-in-market eToken with biometric facial recognition for the HLB ConnectFirst platform. This enhancement refined the customer experience in terms of approvals or eliminating forgotten passwords issues. We are also on track to implement the opening of business current accounts and the application of merchant facilities via our online banking platform, with the target to have these services available before the end of 2020.

In addition to this, we introduced three major enhancements to our processes to further improve the customers' digital experience:

No	Service Name	Feature	Benefits
1.	**Foreign Telegraphic Transfer Tracker (FTT) via SWIFT gpi**	Track the status of inward & outward Cross Border Payments conveniently	• End-to-end Tracking – Track inward and outward telegraphic payment status • Reduced Costs - Reduced enquiry costs due to ability to track payments • Fee Transparency - View fees charged for each leg of the transaction • Unaltered Remittance Info. Ensure remittance data is unchanged when payment arrives
2.	**Pre-defined Beneficiary List**	Register a list of pre-defined favourite beneficiaries, allowing them to better control who the staff can transfer funds to	• Pre-defined beneficiary list by Payment type or Debiting account • Limit & Control ad hoc payments • Reduce risk of unauthorised payments • Time Saving - Faster for staff to initiate the payment
3.	**Cash Concentration (Sweep from Other Banks) via Direct Debit**	Automate cash sweeping from other banks to Hong Leong Bank	• Consolidates cash balances effectively from other banks account • Make payments or investments with readily available funds • Balances are automatically transferred to main operating account • Better overview & easier access to group-wide liquidity

MOVING FORWARD

Our strategy going forward will largely remain unchanged as we continue building on the momentum of our loans/financing growth, coupled with a prudent approach to asset quality. The cross-selling of the Bank's suite of products and solutions will be aided by enhanced contextual marketing as we leverage on the increasing number of digital tools and analytics to accurately identify our customers' needs.

Our online platform, HLB ConnectFirst will continue to be enhanced as we strive to be the preferred transaction banking partner for our middle market and SME client base. Our strategy is mainly underpinned by our cash management services and we aim to grow our CASA balances above the industry average growth rate. As with all of the Bank's digital efforts, we will also be consistently improving HLB ConnectFirst's functionalities and interface to enhance the user experience, such as the introduction of eTokens and a mobile version for a more frictionless engagement.

Management Discussion & Analysis
Business Operation Review

3. GLOBAL MARKETS ("GM")

OVERVIEW

The GM business serves as a key product partner for the Bank's clients in five countries – Malaysia, Singapore, Hong Kong, Vietnam and Cambodia. Our core products of Foreign Exchange, Fixed Income, Derivatives and Structured Products allow us to offer comprehensive solutions to our clients regionally.

Our capabilities are also extended into Shariah-compliant structures which supports Bank Negara Malaysia's aim to grow the Islamic Banking business in Malaysia. GM also manages the Bank's excess liquidity and capital through investments in Fixed Income and Money Market instruments.

PERFORMANCE REVIEW

The GM business delivered a record performance for the year with revenues and PBT at RM866 million and RM750 million respectively. This represents a 18.1% and 25.1% contribution to the Bank's total income and PBT, respectively, for FY2020.

Revenues

RM**866**

Million

PBT

RM**750**

Million

The first half of 2020 saw the business benefitting strongly from deep interest rate cuts globally which was triggered by the impact of COVID-19 on the world economy. Fixed Income sales and trading profit surged from higher volatility and lower interest rates, as investors veered away from equities to look for safer investments. Our continued strength in the Malaysia Fixed Income markets was once again recognised by leading publications such as The Asset, which awarded Hong Leong Bank the top position in MYR bond sales and trading in the Local Currency Bond space.

Although the business benefitted from rate cuts, unprecedented measures to contain the spread of COVID-19 dealt a heavy blow to the ASEAN region's economic activity, impacting trade flows and client investment activities for the second half of our financial year. This was seen through our Client Foreign Exchange volumes which dropped sharply, and higher risk aversion by our wealth clients.

However, this crisis has created a positive opportunity for Hong Leong Bank to accelerate our client's adoption of our online remittance capabilities. As leaving their homes was a health risk for our clients, the Bank's volume of online remittance transactions increased around 50% in April 2020, the month after MCO was implemented.

INITIATIVES FOR THE PAST YEAR

The GM business is continuing its journey to leverage on technology to enhance our digital offerings especially for FX execution. We spent most of FY2020 working on a remittance solution with one of the leading FinTech firms in the region, with the aim of allowing our Retail and SME customers to make small remittances at lower cost. Moving into FY2021, the team is planning to enhance our FX capabilities through our HLB Connect First online channel which would allow clients to hedge their foreign currency payment requirements.

In Cambodia, we have made significant headway with the successful launch of the first Khmer Riel Bond hedging product in the country and we expect to leverage this to expand our buy-side client base. This product is key, as it allows investors which predominantly have liabilities in

Management Discussion & Analysis
Business Operation Review

US Dollars to be able to invest in the Cambodia capital markets which is issued in Khmer Riel. We plan to be a major player in Cambodia's capital markets and financial markets in the years ahead through our onshore subsidiary.

MOVING FORWARD

Malaysia's economy remains vulnerable to the continued impact from COVID-19 which has caused global economic growth to contract and weakened labour markets. Households and businesses have become more cautious in their spending and investment activities to weather the storm. Over time however, we expect to see the gradual resumption of economic activities, accommodative monetary policies and fiscal policy stimulus providing relief and accelerating the pace of GDP recovery.

We believe the low global rates environment could lead to foreign funds potentially returning to Malaysia in the year ahead, seeking higher yields from emerging markets. We will continue to have a competitive advantage in intermediating these flows through our strong Ringgit fixed income and FX franchise, coupled with our experienced sales team in Singapore.

We also expect increased Ringgit Government Bond issuances to fund the government's economic stimulus packages that were implemented to kick-start the economy following the adverse impact of COVID-19. This could prove beneficial to HLB as the Ringgit bond yield curve could potentially steepen and provide increased gapping opportunities to the Bank.

For our SME, commercial and retail customers, we should see a recovery in FX activities in line with the reopening of the economy and the Bank's focus on these segments. Our complete Islamic banking product suite will also provide us added advantage in growing Shariah-compliant investments and customer hedging flows.

Management Discussion & Analysis
Business Operation Review

4. ISLAMIC BANKING

OVERVIEW

HLISB achieved a good set of results in FY2020 with Profit before Zakat and Taxation increasing by 8% y-o-y to RM475 million. The increase in earnings was mainly driven by steady asset growth, Non-Financing Income which expanded by 159% and stable operating expenditure. The financing business recorded a commendable 15% growth compared to last year led by strong business momentum of our retail and commercial business segments, further supported by stable asset quality. Our CIR also continued to strengthen despite the backdrop of a more muted economic prospects amid weaker consumer and business sentiment, improving to 27.9% compared to 30.0% in the last financial year.

Ramly Group goes digital with HLISB

EXPANDING THE DIMENSION OF ISLAMIC FINANCE

The unprecedented economic disruption has presented an opportune time for HLISB to further strengthen its business resilience, guided by our brand promise of ''Built Around You" and ethos of being "Digital at the Core", to achieve our goal of positioning HLISB as the Premier Islamic Financial Service Provider.

Management Discussion & Analysis
Business Operation Review

Thus, HLISB has worked hard this year to accelerate our digital efforts and to institutionalise the constant enhancement of the customer experience by making the customer journey easier, seamless and frictionless. For example, through our successful partnership with Pusat Pungutan Zakat Majlis Agama Islam Wilayah Persekutuan ("PPZ MAIWP"), this year we have on-boarded e-Zakat service into Hong Leong Connect in a move to simplify zakat payments for our retail customers. HLISB now offers payment for the full suite of zakat types with all the convenience of a digital platform to fulfil their religious and social obligations. Looking ahead, we plan to expand this service to include other state zakat authorities nationwide.

A complete refresh of the HLISB website was also carried out to demystify all things Islamic Banking. With clarity and transparency in mind for our customers, we removed jargons and emphasised key differentiators to improve the reach and adoption of Islamic Banking beyond the Muslim demographic. We plan to on-board e-ASNB and Multi Currency Feature ("MCF") deposits into our digital platform with both products having reached their final stage of development this financial year. These efforts have complemented our approach of projecting HLISB as the trusted companion in simplifying the customers' wealth journey and meeting each of their evolving financial needs, ranging from wealth accumulation, wealth protection, wealth distribution and wealth purification.

For our business and corporate banking segment, HLISB continues to support the Small Medium Enterprise ("SME") ecosystem, which is also an important customer segment for the Bank in general. This year, we have continued our close partnership with SME Corporation via the Shariah Compliant SME Financing Scheme ("SSFS") Programme, participated in a new guarantee Scheme with Syarikat Jaminan Pembiayaan Perniagaan ("SJPP") and extended our collaboration with Unit Peneraju Agenda Bumiputera ("TERAJU") to aid high-potential Bumiputera companies to improve their capital position.

As we continue to improve our SME on-boarding turnaround time, HLISB is set to explore digitalisation initiatives for Trade Finance, through online submission of documentation requirements, digital business solutions and straight-through financing applications. Our focus on the SME sector was further supported by specific campaigns, such as stamp duty rebates and a Trade Finance campaign to encourage utilisation.

HLISB has also seen significant growth in our Halal assets which expanded by more than 35% y-o-y, which was largely contributed by increased utilisation from the Food & Beverage segment. Our relationship managers have benefited from our development of a Halal Industry Handbook which has helped them to serve our customers more effectively, and we will be looking to increase our exposure in other halal segments, such as pharmaceuticals, chemicals and healthcare.

In nurturing the Bank's digital aspirations, HLISB is also looking into how we can inject digitalisation into the Shariah ecosystem, with a particular focus on identifying potential technologies that can be used in the Shariah compliance process. With the Shariah Governance Policy coming into effect during the year, it has been crucial for us to strengthen Shariah knowledge across the Bank, especially in the areas of compliance, business operations and operations technology, and we are looking into how digital technology can help accelerate this process.

Our continued success relies on our ability to attract and retain quality human capital, and we remain committed to growing the collective knowledge about Islamic Banking, which will help elevate standards across the industry. In FY2020, HLISB launched the Islamic Graduate Trainee Programme ("IGTP") with the aim to nurture and produce future Islamic Finance professionals through a structured rotation in various departments of HLISB, leveraging on each Graduate Trainee's academic background and strengths. We are also committed to sharing our expertise and insights through Shariah Thought Leadership and the "*Celik Muamalat*" programme.

EMBRACING VALUE BASED INTERMEDIATION CULTURE

Value-Based Intermediation ("VBI") is set to be a key differentiator for Islamic Financial Institutions moving forward where Islamic banking goes beyond mere Shariah compliance. We have started to embark on a journey of attaining status as an "Emerging Value Based Institution" where our business practices, products and services demonstrate the principles of VBI. 'The Attainment of Benefit and Prevention of Harm', 'Integration of Shariah', 'Fairness and Transparency' and 'Constructive and Inclusive Collaboration of Stakeholders' are at the core of our VBI agenda.

To foster the VBI culture, we will embed its elements into our governance processes through a comprehensive review of the existing business environment against the Value Based Intermediation Financing and Investment Impact Assessment Framework ("VBIAF") issued by BNM. This is to inculcate impact-based risk management into our business to innovate new policies and systems that can further deliver the value proposition of Shariah, done in a combined effort with Hong Leong Bank's Group Sustainability Drive.

Management Discussion & Analysis
Business Operation Review

5. INTERNATIONAL

Profit contribution from BOCD

RM631

Million

13.9% y-o-y increase

HLBVN loans growth of

47.4%

y-o-y

HLBCAM loans growth of

26.8%

y-o-y

A) BANK OF CHENGDU ("BOCD")

BOCD has delivered a strong profit contribution to the Bank once again, contributing 21.1% of the Bank's PBT or RM631 million, which is a 13.9% y-o-y improvement from previous year, almost double the pace of last year's growth as it was only minimally affected by the COVID-19 pandemic. Going forward, BOCD's strategy is to continue to grow cautiously in its current selected business segment while optimising asset quality and returns amidst a contracting net interest margin environment.

B) HONG LEONG BANK SINGAPORE ("HLBS")

HLBS recorded an operating profit of RM31.4 million in FY2020 against total income of RM130.1 million, while its loan book stood at RM5.3 billion.

HLBS's nature as a single branch operation has driven us to remain focused on identifying and building niche business segments, and over recent years, we have grown from our core business of Private Wealth Management ("PWM") to include BCB while expanding into very specific areas of Personal Financial Services.

For example, our PWM value proposition is to be a "one-stop" hub for Asian millionaires with high service quality and a robust digital platform, with a strategic client focus on second generation millennial wealth, wealthy entrepreneurs and businessmen in healthcare/tech sectors, and high net worth resident Chinese families.

In terms of PFS, HLBS has focused on gaining market share in auto finance, and our digital transformation has seen the implementation of on-line loan applications and approvals to further penetrate and widen our dealer distribution networks. We are working towards further enhancing our PFS value proposition to build our financing and services around the needs arising from the customers' various life stages, through debit cards and relevant consumer loans.

BCB is another growth area for HLBS as it targets to grow its loan book, focusing on Medium Enterprise businesses in construction, infrastructure and wholesale trade. Our value proposition is to support the growth of these businesses via simple and reliable solutions, while improving market connectivity by implementing a regional digital platform for cash management and trade financing to accelerate BCB's market outreach to MMEs.

C) HONG LEONG BANK VIETNAM ("HLBVN")

Vietnam's economy has shown a rapid recovery with the successful containment of COVID-19 and this has helped HLBVN sustain a strong performance throughout FY2020, with loans growing of 47.4% and deposits of 21.5% y-o-y (on a normalised basis). The GIL ratio continued to improve hitting 0.20% which represented a y-o-y reduction of 0.06%. Total income increased 12.0% and operating expenses went up 19.4% as the franchise continued investing in digital initiatives.

Management Discussion & Analysis
Business Operation Review

The franchise remained focused on executing its two-pronged strategy which continues to return meaningful results. The first prong to "Strengthen Existing Operations" enhances PFS sales activities, sharpens BCB focus and improves operational efficiency. Thus, in FY2020, HLBVN implemented the SME programme, further expanded its priority banking business and enlarged the mortgage and car loan sales team. These were the key factors behind the strong performance in FY2020.

In parallel, HLBVN continued investing in the second strategic prong to "Create a Retail Digital Bank", which sets out to capture future growth opportunities and achieve scale in the fast moving and growing Vietnamese market. This saw HLBVN releasing a new mobile app and introducing digital debit cards earlier in the financial year to further improve the customer experience. This Retail Digital Bank initiative will continue to be the key focus in the new financial year and will be introducing digital unsecured personal loans in Vietnam in late 2020. Work is also underway to add new features and benefits to the mobile app to enhance customer engagement and experience.

D) HONG LEONG BANK CAMBODIA ("HLBCAM")

HLBCAM continues to record solid profits, achieving RM20.4 million in PBT while growing revenue by 3.5% y-o-y to RM61.6 million despite the Cambodian economy slowing down significantly as a result of the COVID-19 pandemic.

After seven years in operation, we now have approximately 10,000 customers and make an important contribution towards the overall success of the Cambodian economy. HLBCAM's success is also important to the Bank and we are constantly looking for ways to drive rapid and continuous improvements in order to build competitive advantage and competitiveness.

In our aspiration to be a 'preferred' digital and innovative financial services provider, we remain ever committed to improving the customer experience in a market that has embraced the digital wave wholeheartedly. For example, we recently launched online-account opening for customers to open and operate their accounts anytime, anywhere. HLBCAM has also moved to better understand the business and financial needs of our Corporate and SME clients, and we expect our internet banking application for business customers to be available soon, further enhancing the convenience of their banking journey. Moving forward, we remain committed towards supporting our customers through the period of economic recovery, following the adverse impact of the COVID-19 outbreak.

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

It has been an unprecedented year for Hong Kong in FY2020 as it experienced multiple economic headwinds due to persistent social unrest and the outbreak of the COVID-19 pandemic. Since the second half of 2019, the Hong Kong economy experienced slow growth due to moderating economic growth in mainland China, US-China trade tensions and social unrest in the city. The business environment was further worsened by the COVID-19 outbreak in early 2020, severely affecting a wide range of industries including imports and exports, retail and tourism-related businesses. In response to the challenging operating environment, we continue to be vigilant in the expansion of our business and have maintained solid asset quality in both our treasury assets and loan book.

Amid this difficult business environment, we continue to expand our SME strategy with the recent approval from HKMC Insurance Limited ("HKMCI"), a company wholly owned by the Government of Hong Kong, to join their SME Financing Guarantee Scheme. Under this scheme, HKMCI provides guarantee coverage of up to 90% of the financing amount to eligible SMEs to help them secure loans from participating lenders, giving us more room to acquire more clients. This development builds on our FY2019 approval by the Trade and Industry Department of the Hong Kong Government to provide a similar guarantee scheme.

In 2020, HLBHK successfully implemented some digitisation initiatives which enhanced the efficiency of internal system processes in HR and procurement, further improving the alignment and collaboration with head office and other overseas operations. Moving ahead, HLBHK will be prudently expanding the SME business and will work to support our clients' networking requirements together with head office and overseas branches.

Management Discussion & Analysis
Business Operation Review

6. INFORMATION TECHNOLOGY

In FY2020, the technology unit faced one of its most challenging times as it dealt with a set of unique challenges that emerged as a result of the COVID-19 pandemic. As the custodian of all technology infrastructure, digital capabilities and cyber security for the Bank, the most pressing concern was to ensure that business operations remained normal, with customers being able to access products and services, while keeping them and our employees safe. The overriding aim was to maintain the same levels of services as customers have been accustomed to, whilst having employees worked from home or from split operations for extended periods of time throughout the various stages of the MCO.

Benefitting from the focus in recent years on digital transformation, we were able to maintain uninterrupted operations, continuing to support our stakeholders effectively. It was also very pleasing to see that even during the most disruptive period between March and June 2020, we were able to continue with projects that were underway. Our "Digital at the Core" ethos and "Built Around You" brand promise, have resulted in internal processes, products and services that are online, convenient and seamless, hugely benefitting employees and customers during this unprecedented times. The pandemic also presented a great opportunity for the faster adoption of available technologies as the situation forced people to change from traditional to newer, more dynamic ways of working.

Over the years, we have been digitising internal processes through automation, online working tools, remote access to enable people to work across multiple geographical locations. Some of these initiatives include the use of Robotic Process Automation, system schedulers and automation controls. For staff interaction, we have long enabled internal online collaboration technologies such as Facebook's Workplace and Workchat for secure and auditable internal and group collaborations, Workday for human resource interaction and approvals, virtual meeting collaboration tools and multi-faceted VPN enablement to improve remote connections. In terms of operations, we have Oracle ERP systems for electronic straight through procurement, approvals and payment requests, enabling effective remote working.

These efforts have positioned us well to manage the complexities of split geographical operations and work-from-home settings, with the infrastructure facilitating strong operational stability during the pandemic. Our experience also showed that working from home was not counterproductive and in fact complemented business continuity.

The Bank was also able to continue executing major IT projects and deployed 20 such projects during the period of March to June 2020. Some of the projects executed during the various stages of the MCO were:

1. The public release of the new retail mobile banking application in Malaysia.

2. Release of the Vietnamese mobile banking enhancements for e-KYC, API tie-ups with external parties providing greater functionality and product sets for customers.

3. Launch of a new collections system in Malaysia, released additions to our iOS enabled teller system for ease of Credit Card application and ASNB application at our branches, thus reducing human interaction and time taken to process customers' request.

4. CASA Linked which is a straight through online share trading account opening capability.

5. Launch of the SWIFT Global Payment Interface for corporate customers.

6. Upgrading the branch network to newer digital technologies to enhance throughput and reduce cost, resulting in RM5.7 million in annual savings.

7. Junior savings application to encourage younger people to gain an interest in saving money and practice good financial management from a young age.

8. Enrolment into the Paynet QR compliance requirement for an interoperable QR code via online banking.

9. Launched the new corporate internet banking application, for corporate customers to be able to transact online anywhere, anytime via their mobile phones.

BUILDING RESILIENCE

The focus on building our very own Center of Excellence ("COE") has allowed us to reduce our dependency on external vendors and to adopt newer and agile technologies, which is critical for the Bank to drive future business growth. With a staff strength of 60, the COE is making deep inroads into this vision and we have seen our development teams become a driving force in the continued delivery of new products and services for our customers.

Management Discussion & Analysis
Business Operation Review

One of the key deliveries from the COE for the year was the all new Malaysian and Vietnamese retail banking iOS and Android Apps. While these are not the first apps or online banking systems we built and delivered with the in-house development ops and digital teams, these apps are by far the most complicated, and feature rich so far. Based on customer feedback and insights, we designed and built these apps from the ground up on an open stack framework, and executed the entire process with only HLB employees. Testing was also carried out by staff through bug hunter sessions, obtaining feedback, insights and suggestions on how to improve it further whilst it was in Beta form.

As we continue to grow our internal capabilities, we have not only experienced the benefits of speed to market and the agility to quickly adjust designs and functions, but as importantly, we have seen considerable upside in terms of overall costs, seeing a reduction of RM18 million compared to traditional vendor engagements for the capabilities build in-house. In addition, we are also experiencing cost optimisation that is obtained by the shift to open stack development tooling and products, and where possible, leveraging on non-proprietary hardware stacks.

To ensure the sustainability of this approach, we are focused on building a young talent pool of college graduates, continuing to contribute in building and developing skills that will provide the required resources in the years ahead. In this endeavour, we have employed the first intake of 40 graduates, with the team completing their first training project under the mentorship of the existing development ops teams.

For all the improvements we are making, and new services we are creating, it is also imperative that the systems that support it are consistently stable and always-on. In this context, we are striving to improve system stability and availability, and in FY2020, we managed to reduce our unscheduled downtime by a further 30 hours and also reduced incident counts by 33% over the previous reporting period. This was made possible through the continual effort to enhance and expand our real time monitoring and alert capabilities, the use of more systems utilising active frameworks and ensuring that we remain resilient to outages. In the last reporting period, we also conducted our first site failover test, and we ran all systems from our alternate site for a week, indicating the robustness of our failsafe systems.

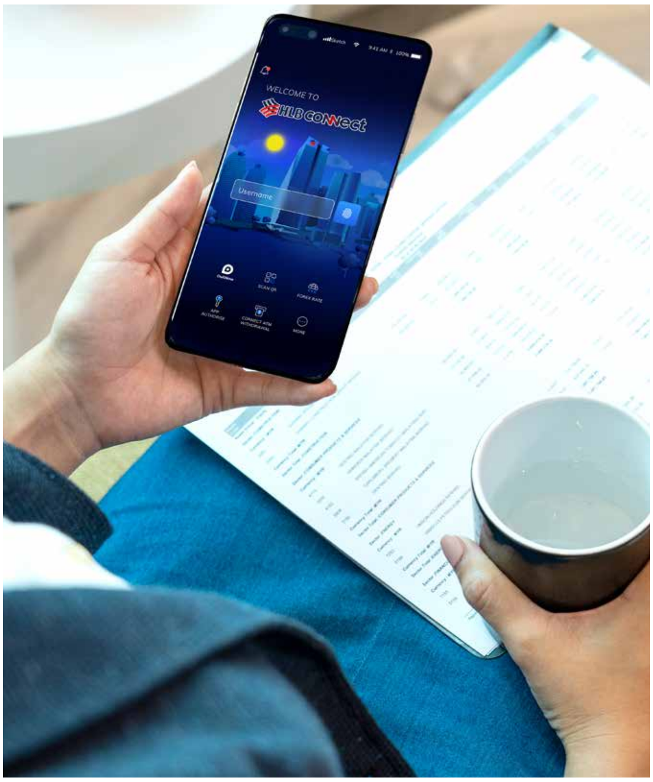
CYBER SECURITY & DATA PRIVACY

Cyber security and data privacy continue to be a top priority and an ongoing area of concern for the Bank. A breach could compromise our systems and customer data, leading to potential commercial losses and reputational damage to the Bank and its stakeholders. We recognise these potential threats and continue to enhance our mitigating actions to prevent disruptions to our operations.

We are proactive in ensuring that all forms of data is secure and protected from unauthorised use especially in the context of cyber threats which are constantly evolving. The Bank keeps itself well-informed of the latest cyber threats by collaborating with international organisations and security researchers to keep abreast of the latest threats and investments required to mitigate emerging threats. Comprehensive simulations are also carried out to ensure the Bank's readiness, and includes periodic exercises to test, validate and strengthen the controls that are in place. To ensure that customer data is protected, the Bank uses industry strength encryption capabilities to protect data-at-rest and data-in-transit.

Global threats to security are ever increasing and in line with this, the Bank has enhanced its cyber threat intelligence to work with industry and regulatory bodies both domestically and internationally. We have deployed newer monitoring capabilities throughout the year, such as technology stack vulnerability monitoring and threat/Advanced Persistent Threat ("APT") actor surveillance through the proactive implementation of Indicators of Compromise.

To improve the Bank's security posture, we conduct Red Team exercises based on current cyber threats that affect the Financial Service Industry worldwide. We consider the Tools, Techniques and Procedures used by threat actors to test the cyber defences of the Bank and ensure its resilience, while looking at areas to improve the cyber readiness of the organisation.



Management Discussion & Analysis
Business Operation Review

Supporting the Bank's defences is our Security Operations Centre that operates round-the-clock, providing the requisite defence against inbound attacks and mitigates them by using an antispam gateway and the APT mitigation platform. Security infrastructure will continue to be refreshed going forward, together with the periodic review of policies and procedures which govern day-to-day operations, to ensure they reflect the latest market intelligence.

In terms of data privacy and protection of personal data, the Bank remains committed to fulfilling the requirements under the Personal Data Protection Act 2010 ("PDPA"), Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("IFSA"). We will continue to invest to uphold the confidentiality and security of all the personal data we handle in addition to maintaining a Privacy Policy so that employees, customers and partners understand how we collect, use and manage personal data.

We make continuous efforts to enhance compliance programmes, which protects customer and employee data. Initiatives include:

i. New joiners are given an introductory session on the background, implications and applications of the PDPA and secrecy laws under FSA/IFSA.

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

iii. Staff are regularly reminded through our internal IT systems to be vigilant and on the lookout for possible threats. This is accomplished through the internal awareness platforms, SmartUp/Workday, with regularly refreshed content relevant to current threats.

iv. We have embarked on a year-long awareness campaign to ensure that our customers gain knowledge of activities around cyber security, data loss methods and compromised situations while providing suggestions on how to avoid such scenarios.

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

vi. We have enhanced physical security access to our premises and IT systems.

vii. Staff are being upskilled using current industry recognised certification (COMPTIA Security+) program as a baseline requirement.

viii. Strengthening areas of Data Leakage Protection by enhancing controls to ensure that Bank's data remains secure and confidential within the Bank's infrastructure.

ix. Improving the Bank's infrastructure resilience by ensuring a thorough and comprehensive process for infrastructure readiness such as infrastructure hardening exercises using industry benchmarks (CISA, NIST).

MOVING FORWARD

The Bank continues to invest to drive improvements across all segments and layers of the Bank's operations with the aim of creating a seamless, frictionless and pleasant customer experience. Going forward, this includes making enhancements to regional corporate internet banking infrastructure, e-KYC capabilities and improvements to both online and branch tablet services with a focus on developing these improvements using in-house capabilities.

The Bank will also continue to strengthen its security posture by looking into the following areas for the next financial year:

i. Network segmentation (both physical and logical) through platform and infrastructure modernisation, whilst maintaining availability and removing single point of failures.

ii. Identity Governance to ensure that the Bank's access and credentials remains well managed throughout its lifecycle.

iii. Security infrastructure modernisation, looking at introducing and implementing relevant technologies to best mitigate current and future cyber threats.

iv. Managing technology obsolescence timely and effectively by ensuring that a programme is in place to ensure migration of technology to newer stack.

v. Enhancement to physical security at branches and self-service machines. The Bank has worked with BNM to improve its security by implementing ink staining, shutters and bollards.

7. DIGITAL AND INNOVATION

At HLB, we are "Digital at the Core", and we continually innovate to deliver a compelling experience across all channels to our customers. The Bank is on a multi-year journey to instill a customer-obsessed mindset to deliver a Digital Human Experience using our "Built Around You" brand promise.

On top of delivering new digital capabilities and driving customer adoption, HLB continues to strengthen its foundation in creating a vibrant digital ecosystem to promote open innovation and deepen our 'digital & customer first' culture across the organisation – by bringing our staff, customers, value partners and ecosystem enablers together.

Some of the key foundational enablers include the design and development of new facilities to foster innovation (CX Lab & Jumpstart@65), introducing new ways of working (design thinking, customer co-creation, customer behavioral and ethnographic research) and running strategic programmes (HLB LaunchPad, employee and external hackathons). With these enablers now in place, we are able to execute our digital and innovation strategy faster than ever before.

Customer adoption, Customer Satisfaction Score ("CSAT") and Net Promoter Score ("NPS") are a testament to the success of the journey thus far. Over 1.9 million of the total retail customers have registered for Hong Leong Connect, which is an 8% increase y-o-y. Of that, 1.3 million are registered for the Hong Leong Connect mobile banking app, which is a 20% increase y-o-y. In terms of our business customers, there are now 91,000 users on our digital platforms, an 11% year-on-year increase.

Overall, nearly 2 out of 3 of our customers that are registered for online and mobile banking are active users, with some logging in multiple times a week to conduct their banking activities.

Our online and mobile banking channels are also well received by customers as evidenced by the customer satisfaction scores for the financial year. For our Internet banking platform, our customers have rated us 4.24 out of a 5-point scale and 85% Top-2-Box score (i.e. the percentage of customers who rated us 4 or 5); while our mobile banking garnered 4.28 and 85% Top-2-Box score. We have also seen a massive positive shift in customers' willingness to recommend our digital services as evidenced in the increase in our NPS scores over the last 2 years, +44 for mobile banking and +53 for online banking.

FOSTERING INNOVATION WITH THE RIGHT ENVIRONMENT

Having the right physical environment plays an important role in inspiring creative thinking, new idea generation and fostering collaboration between teams. Today, we have two primary locations to enable this – our CX Innovation Lab in Hong Leong Tower (launched in 2018) and our Jumpstart@65 Community Center (launched in 2020) on Jalan Tun H.S. Lee, Kuala Lumpur.

At our multi-purpose CX Lab, we have hosted various activities like design thinking, customer experience-design, customer co-creation, UX/UI design, rapid prototyping and usability testing sessions. One of the most important aspects, beyond innovation related activities, is the use of these facilities to get more intimate with our customers by understanding their ever-evolving behaviour, wants and needs. Over the last year, HLB has connected with over 15,000 customers and non-customers with the intent to identify opportunities to enable their life moments. We do this by conducting various sessions including: quantitative research, ethnographic and qualitative research, AB testing, gaze tracking, UX/UI usability tests, and more. Prototypes created during the co-creation sessions are independently evaluated by customers using tools like gaze (retina) tracking technologies. This captures the way customers interact with the prototype - from visual fixation to tap/click paths. These findings are then used to refine the experience to ensure the final outcome is aligned with the customers' expectation. Once live, we continue to measure customer interactions to enhance and evolve the experience.

Through this approach, we are able to iteratively ideate, design, prototype, and validate to deliver customer centric experiences. In FY2020, we ran over 66 customer research projects, 21 usability testing sessions and 10 customer co-creation sessions.

EMBEDDING DESIGN THINKING IN OUR WAY OF WORKING

Besides having the right environment, we also need the right mindset and approach to drive our innovation process; for this, we have picked Design Thinking, which is a human-centered approach in creative problem solving. It integrates customer needs, technology,

Management Discussion & Analysis
Business Operation Review

and business requirements by making customers the focal point throughout the design process, from ideating, designing, creating, testing to finally delivering new digital customer journeys and experiences. To do it at scale, the Bank now has 10 in-house Design Thinking facilitators and over 2,000 trained staff members. With this know-how, our ultimate goal is to create a culture of innovation that will set us apart from our peers.

Through Design Thinking, our staff are exposed to the creative process of how different tools can be utilised to break down complex problems, draw inspirations and generate ideas while creating the right environment for collaboration and co-creation with our colleagues, customers and partners. This approach also ensures we continuously challenge conventional methods and legacy beliefs to enable customer life moments.

Some of the recent successes include the Virtual Credit Card, HLB Connect mobile banking app for retail consumers, HLB ConnectFirst Mobile eToken for business customers, the all new customer intent focused HLB Islamic and conventional Banking website, and many more. We continue to adopt the use of design thinking in the way we enhance and create new digital and non-digital human experiences to make banking simply simple.

CROWDSOURCING INNOVATION THROUGH EMPLOYEE AND PUBLIC HACKATHONS

At HLB, we recognise that innovative ideas are abundant both within and outside the Bank.

Tapping into local young talented individuals to help shape the future transformation of the Bank continues to be a key component to our digital strategy.

The Hong Leong Bank Hackathons are designed to bring together developers, designers and disruptive thinkers from academia, big tech and startups to help create solutions to customer problems and also come up with newer business models. This is achieved through a combination of the participants using disruptive technologies and mentorship from the Bank's subject matter experts.

In 2019 we conducted two Hackathons – one external and the second one for staff. For the external Hackathon, we partnered with Google Cloud and Rakuten to enable participants to use cloud and API's to create their prototypes within 24 hours. A total of 47 prototypes were developed during this event, ranging from financial trackers to machine vision enabled ATMs for drive-through customers. From the event, we hired thirteen interns and two permanent staff.

The internal hackathon for employees generated 222 ideas that came from 171 teams across Malaysia. The event helped foster collaborative team-building, increased employee engagement and empowered front line staff to come up with creative solutions to real customer problems.

CREATING A CUSTOMER-OBSESSED CULTURE

The ability to measure and gauge the pulse of our customers throughout the banking journey is crucial to provide the necessary insights for continuous improvement and innovation.

We identify improvement opportunities for consumers and business customers using feedback we get from our real-time voice of customer ("VOC") platform. In the last 12 months, we have increased the VOC measures by 32%, spanning across various touchpoints including branches, contact centre, self-service terminals, online and mobile banking.

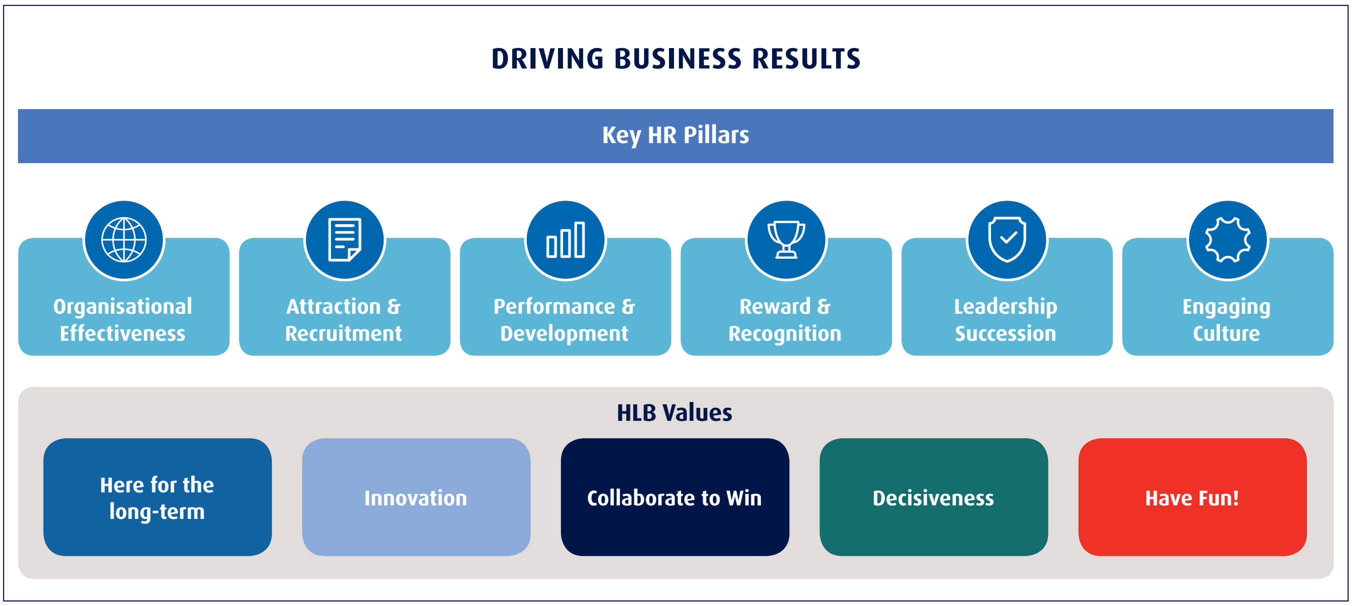
We have also implemented real-time alerts to proactively notify frontline staff on adverse customer feedback to ensure swift customer problem resolution and recovery.

To nurture an action oriented customer-obsessed culture, our goal is to provide our front liners (channel and product teams) with information on the performance of our CX delivery and customer sentiments. Using a combination of our VOC platform and visual analytics tool, we continue to develop and deploy a number of CX dashboards consisting of operational service levels, product application turnaround times, customer satisfaction scores and social media sentiments. The level of granularity of the information we obtain ranges from macro views (e.g. overall branch experience nationwide) to micro levels (e.g. the customer satisfaction score by individual contact centre agent).

Today, we have 27 live dashboards that are accessible anytime, anywhere by our front liners. With these in hand, our teams are equipped with timely insights on their CX performance, allowing them to identify opportunities while elevating their experience standards for our customers on an on-going basis.

Recognition of the progress that is being made in creating experiences that delight customers is seen through our Customer Satisfaction Index consistently achieving a score of 4.0 (over a 5-point scale). The Association of Banks Malaysia conducted a 'Malaysian Banking Industry 2019' Customer Satisfaction Survey from November 2019 to January 2020 and HLB was in the top quartile amongst the pool of 20 participating banks.

8. HUMAN RESOURCES ("HR")



HR Pillars to drive results, underpinned by our HLB values

The Bank continues to prioritise the time and effort invested in our people, the key enablers of our business success, while integrating our "Digital at the Core" ethos into all aspects of the employee journey. We have seen remarkable progress each year, as we use technology in meaningful and relevant ways across the HR spectrum of talent management, recruitment and learning & development. Beyond this, we are driving a culture that enables employees to openly engage with others regardless of division or reporting structure. In this section, we are pleased to share some of the key milestones that have been delivered this year.

HLB AS EMPLOYER OF CHOICE

This year we have made significant progress in our mission to strengthen our talent brand, making it more visible while communicating a clear value proposition that improves our chances of attracting the best talent. Our efforts are also not limited to external hires, but are translated internally to demonstrate to our own employees, the efforts put in to develop, motivate and provide opportunities to create a conducive and positive work environment at HLB.

While the Bank continues to evolve, the message is clear: we seek to hire and retain talent with the right qualities and attitude, which are - the agility to learn and unlearn, being resilient and agile to rise to challenges. It is also important to ensure that employees and new hires share HLB's values of Being Here For The Long Term, Collaborate To Win, Decisiveness, Innovation and Have Fun! as these values help to guide our employees towards a shared mission and vision. These consistent messages are reflected in all channels that we use for communication. For example, our LinkedIn page showcases our university outreach

Management Discussion & Analysis
Business Operation Review

activities, internship testimonials, employee engagement activities, as well as industry accolades, and we have seen this clearly resonating with people as subscribers to our page have almost doubled from 23,000 in FY2018 to 42,509 in FY2020.

Clockwise from top right: HLB project mentors with INTI Finance students, speaking engagements at Reading University Malaysia's Career Fair, the 11th Young Corporates Malaysia Summit and the Asia Pacific University of Technology & Innovation

Key activities in FY2020 included project mentorships between our Digital & Innovation Office and Inti International University and our Wealth team hosting TAR University College finance and accounting students at Hong Leong Tower. Our talent brand presence is also a mainstay at career fairs and speaking engagements, as we hone in on events that enable us to engage with candidates that possess the skills and qualities the Bank requires.

Management Discussion & Analysis
Business Operation Review

RECRUITING & BUILDING TALENT

Our value proposition goes beyond merely our branding, as we pay particular attention to engaging our employees and further refining our hiring practices to enhance the sustainability and retention of our workforce. We do this through the implementation of various talent programmes, internal transfers and more effective ways of hiring external talent.

In terms of internal talent, we encourage our people to explore and experience different career pathways within the vast number of opportunities available within the Bank. This method not only helps to fill vacancies with internal hires, but just as importantly provides career progression opportunities to fulfil career aspirations of our people. Internal movement of people, has the added benefit of reducing overall hiring costs while adding value to the employee engagement experience. In FY2020, we filled 37% of our vacancies through internal hiring as we continued to optimise the number of external hires year-on-year.

Much of the basis for our approach is the drive to eliminate poor hiring practices which are costly and creates inefficiency for the Bank. Therefore, in addition to driving the effective use of our existing talent, we are training our line managers in competence-based interviewing to reduce mismatches in hiring while also piloting the use of Artificial Intelligence and Machine Learning technologies to automate applicant screening which increases the efficiency of the hiring process. We have tested this through the HALI (Hong Leong Artificial Intelligence) chat bot by employing a customised recruitment algorithm to successfully increase the probability of screening high quality candidates for our graduate programmes. This deployment of technology has enabled us to meet our objective of fast-tracking talent into the Bank.

The HLB team proudly display the awards onstage at the HR Excellence Awards 2019 ceremony

In a similar vein, we know that hiring quality talent is costly, and losing good talent is just as expensive. Market statistics indicate that costs for employee turnover have doubled and have continued to rise since 2010 with 36% of employees leaving their current employer within their first year. At HLB, we make every effort to retain our talent in order to safeguard our institutional knowledge and our key human capital resource, namely our people. Over the past year, we have made efforts to coach our people managers to have meaningful retention conversations in order to retain key talent on their teams. These retention conversations centre around four main areas: the value-add of the line manager to the employee's experience (Leadership); available career growth and learning opportunities (Talent & Development); rewarding outcomes (Rewards & Recognition); and aligning the way we work (Organisation Culture).

Attrition data for FY2020 indicate early signs of success in this approach to retaining our people as the number of employees leaving in their first year saw a significant reduction from FY2019, while the Bank's overall year on year attrition rate also reduced substantially, both in percentage and absolute number of people. To further institutionalise this initiative, the outcomes of these retention conversations are followed through as part of the performance management and planning process of the Bank.

HLB's ongoing graduate programmes and the talent management processes that we have established remains key to build our future bench strength, and we are proud of our achievements in this area. Our Management Associate and Graduate Trainee programmes in particular have delivered strong results, with 124 of the 237 candidates that have passed through these programmes having graduated and are now serving in permanent roles across the Bank, with the remaining candidates still in the midst of completing their respective programmes.

Our efforts have continued to attract the attention of the industry and our peers at the HR Excellence Awards 2019, as we received awards in recognition of the effectiveness of our initiatives, garnering the Gold award for Workplace Culture and Bronze award for Workplace Wellbeing. In addition, our own HR colleagues were also recognised for their foresight and leadership and received the HR Leader of the Year and Young HR Talent of the Year awards.

Management Discussion & Analysis
Business Operation Review

PROFESSIONALISING OUR PEOPLE

We have a responsibility to our shareholders and customers to ensure that we uphold impeccable standards through a workforce that is competent and able to protect the reputation and integrity of our business. To achieve this, we have ensured that the policies and processes that we have put in place are robust and effective, in accordance with statutory and regulatory requirements, and are supported by a consistent effort to professionalise our people especially in the area of compliance and ethics.

Certifications and role-specific training continue to be key drivers in professionalising our people and is part of our long-term plan to improve the specialist knowledge of our employees in critical roles such as Audit, Compliance, Credit and Risk. As of FY2020, 60% of the 1,148 employees that have been identified are currently pursuing certifications. For our customer-facing staff, role-specific training such as 'No Training, No Sales' ensures that they are knowledgeable in product, compliance and customer service skills, enabling us to provide a superior level of customer experience in all their interactions.

As a further example of our commitment to nurturing a compliance culture, all employees have gone through compliance awareness learning and more than 1,500 customer-facing employees have completed specifically tailored role-based compliance training this year. Employees are then assessed on their knowledge a month after attending training to ensure that the knowledge from the training is retained. Besides the individual focus, the compliance culture is driven at the organisational level by "Tone from the Top" emails, Driving The People Agenda sessions with people managers and at the operational level through monthly compliance huddles at the divisional and branch levels.

Monthly Compliance Huddle in action

Beyond these initiatives, the Bank has robust talent management and learning and development policies that focus on developing and retaining talent, to build a talent pool from which a succession plan can be put in place to support and drive the execution of business strategy. In FY2020, the Bank's digital transformation efforts resulted in the launch of a game-changing platform which empowers our people to make accurate and real-time decisions on recruitment, on-boarding, performance management, learning and development, talent management and rewards and recognition. The launch of the cloud-based HLB@Workday to all six countries in which the Bank operates, also enables employees to access and self-serve their HR administrative tasks, through mobile first and web platforms anytime, anywhere.

T - B Workday Launch at Hong Leong Tower and in our Cambodia office

CELEBRATING OUR PEOPLE

As part of the employee journey in HLB, the Bank strives to create a conducive work environment that genuinely considers the needs of our employees. It is our belief that providing a nurturing and warm environment will promote higher productivity and greater retention. In that context, we continued to review and develop policies that create a conducive working environment that supports the Bank's mission and values by undertaking the third My Thoughts, Our Future ("MTOF") employee engagement survey in the second half of 2019.

To provide relevant, meaningful and positive employee experiences we refocused our employee engagement initiatives into the three pillars of Engagement, Appreciation and Wellness and organised events around these themes throughout the year.

Under the Engagement Pillar, we organised the HLB Games which saw more than 2,500 employees participating, fostering closer rapport, respect and collaboration with colleagues through sports activities, such as bowling, badminton and futsal. We also celebrated International Women's Day in recognition of our female employees which comprise 62% of our workforce by giving a thoughtful gift to each female employee. Meanwhile, year-on-year attendance for the Brown Bag Lunch and Learn Series continues to increase as we present a balanced set of topics covering employee wellness, compliance, information security and sustainability.

Clockwise from top left: HLB Games in Melaka, Northern, Central and East Malaysia throughout 2019

Management Discussion & Analysis
Business Operation Review

Through our Appreciation Pillar, we organise an annual appreciation day to express gratitude for employees' work and efforts throughout the year. In 2019, it was themed Appleciation Day and all employees received an apple attached with a note from the Group Managing Director. In conjunction with this event, we also launched an appreciation campaign through our internal digital platforms to share messages with colleagues who have gone above and beyond their duties to help one another. The top 5 receivers of eTouch (Trust, On Time, Understand, Connect and Happy) messages received a small gift.

As for our Wellness pillar which seeks to promote healthy lifestyles, the Bank organised a Breast Cancer Awareness Month in October 2019 which consisted of a series of Brown Bag Lunch & Learn talks on breast cancer awareness at our branches nationwide - Penang, Johor Baru, KL, Kuching and Kota Kinabalu conducted by medical practitioners. We also organised the Bank's third Virtual Run in February 2020, challenging our employees to run 30km over 11 days at their own pace and to receive a finishers' medal. A total of 547 employees participated in this event which has now become a source of pride as participants post pictures of their medals on Workplace, our internal employee engagement platform. In addition, the Bank frequently shares infographics under our theme of HLBCares which gives tips on topics such as stress management, maintaining a balanced diet and good body posture in the office.

Breast Cancer Awareness Month activities at PJ City

Participants of the HLBG Virtual Run 2020 pose proudly with their finisher medals

Sustainability **Statement**

The contents of this Sustainability Statement present an overview of our sustainability approach, describing how we identify and manage economic, environmental and social risks and opportunities as part of our business activities. Detailed disclosure of these practices are presented in HLB's standalone Sustainability Report 2020, which provides a more comprehensive overview of the progress we have made to integrate sustainability into our business practices, products and services.

Our Sustainability Report 2020 covers the operations of Hong Leong Bank ("HLB") and its subsidiaries (collectively, "the Bank"), including Hong Leong Islamic Bank ("HLISB") in Malaysia in the financial year from 1 July 2019 – 30 June 2020, unless otherwise stated. It has been prepared in accordance with the Global Reporting Initiative Standards ("GRI standards") Core option and Bursa Malaysia Sustainability Reporting Guide (2nd Edition). It has been further guided by the Recommendations of the Task Force of Climate-related Disclosure ("TCFD") and the United Nations Sustainable Development Goals ("UN SDGs").

The Report has been reviewed and approved by HLB's senior management and its Board of Directors. Its content has been externally assured by an independent body, Malaysia's leading certification, inspection and testing body, SIRIM QAS International Sdn. Bhd.

Sustainability Statement

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
	We have embraced digital transformation as a key future value driver, and are always innovating to enhance customer and employee experiences, accessibility and efficiency.	We nurture a high performing and inclusive workforce, empowering our people to constantly be at the forefront of change through acquiring strategic skills and capabilities.	We aim to be a value-based financial institution, committed in operating our business, as well as supporting our stakeholders through fair and responsible social and environmental practices. We provide fair banking to ensure that consumers understand their financial commitments, opportunities and the risks associated when entering into financial contracts with us.	We keep our environmental footprint low and promote responsible consumption to limit negative environmental and social externalities.	We empower the communities where we operate by providing relevant tools, knowledge and banking products and services, supporting the growth of Social Enterprises and promoting greater financial literacy amongst the public.
Our Material Topics	• Digital Banking • Cyber Security and Data Privacy • Simplifying Customer Experiences		• Climate-positive Financing • Responsible Financing • Fair Banking • Sustainable Supply Chain • Community Banking • Prevention of Financial Crime	• Managing Our Environmental Footprint • Responsible Consumption	• Building Communities • Financial Literacy

Sustainability Risk Management

In FY2020 we updated our Sustainability Themes to fit with current needs and growth opportunities of the Bank. Further emphasis has been placed on our commitment to embedding social and environmental considerations into the Bank's operations and the continued support for our SME customers under the Socially Responsible Business pillar. The Community Investment pillar drives our initiatives targeted at building communities and supporting financial literacy. We have also restructured our previous Fit-For-Future pillar to Workforce Readiness to match our human resource initiatives in nurturing competence and inclusivity today and as we move forward as the "future" is now.

OUR SUSTAINABILITY GOVERNANCE

Our approach to sustainability is overseen by our Board of Directors, who are responsible for providing oversight of the Bank's strategic measures to manage ESG risks and opportunities including climate change-related actions and policies. The Board of Directors, together with the Board Risk Management Committee, ensure that all sustainability initiatives and policies are aligned with business objectives and consistent with the Bank's values.

Governing Body	Roles/Responsibilities	Frequency of Sustainability Meetings in FY2020
BOARD OF DIRECTORS	Oversees the strategic direction for the company's approach to sustainability, progress updates on sustainability initiatives and sustainability reporting.	One meeting
BOARD RISK MANAGEMENT COMMITTEE (Conventional & Islamic)	Responsible for overseeing the management of ESG risks as well as the sustainability strategy and progress updates.	Three meetings
SUSTAINABILITY STEERING COMMITTEE	Custodians and main enablers of the organisation's sustainability strategy and initiatives.	Three meetings
SUSTAINABILITY WORKING COMMITTEE	Responsible for overseeing implementation of sustainability strategies at the working level.	Two physical meetings in addition to monthly progress updates with different working groups

Sustainability Statement

OUR SUSTAINABILITY APPROACH

The Bank's approach to integrating economic, environmental and social considerations into our business activities is best demonstrated by our core value 'Here for the long term'. In line with this value, we are committed to delivering long-lasting ESG and VBI solutions that contribute to a better future for all. This commitment forms a guiding principle for our business initiatives and was indeed vividly brought to life as a guiding value as we actioned various programmes during the COVID-19 pandemic.

To ensure that we are delivering results that matter to those who are impacted by our business, our strategy is guided by deep and meaningful engagements with stakeholders. This in turn provides guidance for the prioritisation of ESG issues and HLISB's VBI core principles, including the identification of our most material sustainability topics.

MATERIALITY

In FY2020 we performed a comprehensive review and restructuring of our material topics to better reflect the Bank's areas of impact and opportunity. As part of this process, we evaluated the topics identified by our FY2019 assessments against current industry and business focus areas and updated the topics so as to better capture current themes. The result was a revised list of 16 material topics organised into 5 sustainability themes, which will guide our strategic efforts towards managing ESG risks and opportunities.

HLB Sustainability Themes	Material Topic	Description
Digital at the Core	Digital Banking	Digitising products and services for greater accessibility therefore creating positive customer experiences through adaptation of relevant latest digital technologies, always taking into account the financial needs of consumers and clients.
	Cyber Security and Data Privacy	Protecting our organisation and customer data from unauthorised access, attacks or threats aimed at exploiting personal and confidential customer and proprietary data.
	Simplifying Customer Experiences	Enabling customer-focused experiences in all of our banking operations, including meeting customers' dynamic demands for seamless and efficient banking services.
Workforce Readiness	Nurturing Talent Growth	Encouraging a growth mindset in our employees by providing 'anytime, anywhere' learning and empowering our people to continuously develop skills that equip them for the fast-evolving employment landscape. Embracing the fundamental need to drive change so that we remain competitive and the business thrives.
	Ethics, Integrity and Compliance	Ensure that employees and related stakeholders commit to a high standard of professionalism and ethics in the conduct of our business and professional activities, we have established a Code of Conduct and Ethics ("CoCE") policy, encapsulating 6 principles, namely, Competence, Integrity, Fairness, Confidentiality, Objectivity and Environment.
	Employee Health and Well-being	Creating an optimum and positive work environment which supports employee well-being to ensure a healthy and engaged workforce.

Sustainability Statement

HLB Sustainability Themes	Material Topic	Description
Socially Responsible Business	Climate-positive Financing	Offering financial solutions to projects that have a climate-positive impact.
	Responsible Financing	Developing innovative products and services that sustain the advancement and growth of the communities we do business with, whilst ensuring compliance with relevant regulations, policies and principles. We will assess and screen for environmental and social risks as an integral part of our banking practices.
	Fair Banking	Offering products and services that meet customers' expectations, are fair and responsible and take into consideration the interests of both parties in terms of fairness in all aspects.
	Sustainable Supply Chain	Conducting due diligence reviews on suppliers to assess financial strength, performance, disaster recovery, business continuity plans, cyber security capabilities, and screen for unfair practices. Requiring suppliers to meet social and environmental assessment requirements before being on-boarded as business partners, and during annual reviews.
	Community Banking	Engaging and helping local communities to develop an inclusive economic ecosystem via products, services and programmes that have been designed to meet their specific needs.
	Prevention of Financial Crime	Taking measures to prevent being the channel for financial crimes and money laundering.
Environmental Management	Managing Our Environmental Footprint	Using the planet's resources and energy efficiently to reduce Greenhouse Gas ("GHG") emissions and carbon footprint at all levels of our operations.
	Responsible Consumption	Reducing reliance on material resources through the inculcation of responsible consumption throughout the organisation.
Community Investment	Building Communities	Conducting social outreach programmes for the community, whilst empowering them with knowledge, skills and tools needed to secure economic development and advance their quality of life.
	Financial Literacy	Improving understanding of financial services, including Islamic finance, through knowledge sharing and financial literacy programmes aimed at driving inclusiveness by assisting and empowering the community to achieve financial goals.

Sustainability Statement

1 NO POVERTY

TARGET 1·4

EQUAL RIGHTS TO OWNERSHIP, BASIC SERVICES, TECHNOLOGY AND ECONOMIC RESOURCES

4 QUALITY EDUCATION

TARGET 4·4

INCREASE THE NUMBER OF PEOPLE WITH RELEVANT SKILLS FOR FINANCIAL SUCCESS

7 AFFORDABLE AND CLEAN ENERGY

TARGET 7·1

UNIVERSAL ACCESS TO MODERN ENERGY

TARGET 7·2

INCREASE GLOBAL PERCENTAGE OF RENEWABLE ENERGY

TARGET 7·A

PROMOTE ACCESS TO RESEARCH, TECHNOLOGY AND INVESTMENTS IN CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

TARGET 8·1

SUSTAINABLE ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

TARGET 9·4

UPGRADE ALL INDUSTRIES AND INFRASTRUCTURES FOR SUSTAINABILITY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

TARGET 12·6

ENCOURAGE COMPANIES TO ADOPT SUSTAINABLE PRACTICES AND SUSTAINABILITY REPORTING

TARGET 12·7

PROMOTE SUSTAINABLE PUBLIC PROCUREMENT PRACTICES

TARGET 12·8

PROMOTE UNIVERSAL UNDERSTANDING OF SUSTAINABLE LIFESTYLES

13 CLIMATE ACTION

TARGET 13·2

INTEGRATE CLIMATE CHANGE MEASURES INTO POLICIES AND PLANNING

14 LIFE BELOW WATER

TARGET 14·7

INCREASE THE ECONOMIC BENEFITS FROM SUSTAINABLE USE OF MARINE RESOURCES

15 LIFE ON LAND

TARGET 15·A

INCREASE FINANCIAL RESOURCES TO CONSERVE AND SUSTAINABLY USE ECOSYSTEMS AND BIODIVERSITY

TARGET 15·B

FINANCE AND INCENTIVIZE SUSTAINABLE FOREST MANAGEMENT

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

TARGET 16·4

COMBAT ORGANIZED CRIME AND ILLICIT FINANCIAL AND ARMS FLOWS

Our commitment to the United Nations Sustainable Development Goals ("UN SDGs")

RISK MANAGEMENT AND RISK CULTURE

Our risk management strategies are governed by the Risk Management Structure as depicted below:

HLB and HLISB Risk Management Structure

Top Down

Set risk Appetite & Tolerance Limit

Set Policies and Capital Allocation

Board of Directors

Effective stewardship and control

HLB	HLISB
Board Risk Management Committee	Board Audit Risk Management Committee

Present single view of risks and to ensure adequate policies and controls within the Group

Group Risk Management & Group Compliance

Monitoring & Reporting

Bottom Up

Credit Risk	Market Risk	Operational Risk	Liquidity Risk	IT & Cyber Risk	Regulatory Compliance	Bribery and Corruption Risk	Environmental Risk	Pandemic Related Risk	Shariah Risk*

Daily management of risks, limits, policies, procedures and reports.

* Applicable only for HLISB

Environmental Risk, Sustainability and Climate Change

Environmental risks, including climate change, have been incorporated into our Risk Management Structure since FY2019. Environmental risks are defined as the actual or potential threat of adverse effects on living organisms and the environment by effluents, emissions, wastes, resource depletion and other impacts. Environmental risks are also associated with broader sustainability risks, including the effect of business actions and environmental impacts, such as climate change, on society and the well-being of the community.

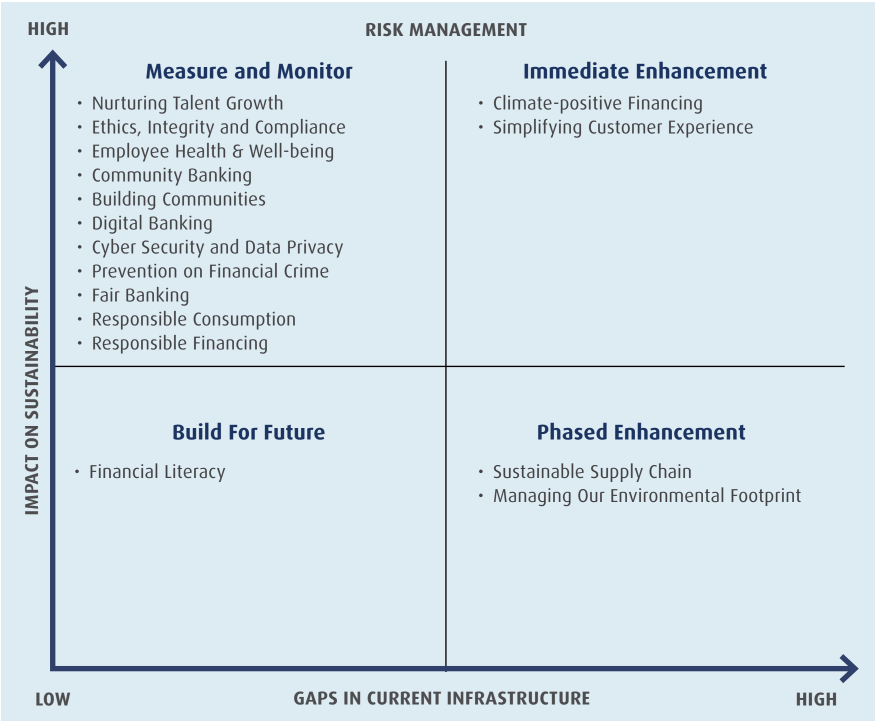
Given the Bank's role in the economy, we are cognisant that individuals and companies we do business with will directly or indirectly affect the environment. Therefore, the Bank has taken measures to ensure these risks are incorporated into our business activities and policies to reflect our commitment to build an environmentally friendly ecosystem where we operate. Our policies are in line with the discussion paper issued by BNM on Climate Change and Principle-based Taxonomy.

However, if the Bank is unable to achieve its sustainability goals, the impact can be classified into the categories stated below:

Impact Categories when Sustainability Goals are Not Achieved	Description
Sanctions	Failure to comply with sustainability regulations could result in sanction(s) imposed on the Bank.
Financial Performance	Failure of the Bank or the Bank's customers to comply with sustainability regulations and/or requirements could result in deteriorated financial performance of the Bank or its customers, which may adversely impact the asset quality of the Bank's portfolio.
Investor Preference	Research demonstrates that the equity price performance of companies that incorporate sustainability practices is better than other companies. Increasingly, institutional investors prefer to invest in companies that embrace sustainability goals. The inability of the Bank to achieve its sustainability goals could affect the Bank adversely in the equity market as investors choose companies that have successfully achieved their sustainability goals.

Sustainability Statement

As a part of HLB's and HLISB's risk management exercise, we map out our material topics onto a risk matrix that helps us assess the severity of these risks and the corresponding level of action needed. From our restructured sustainability themes and the revised list of 16 new material topics, we have updated our previous risk matrix to identify our high-priority action areas.



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

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

Build for Future
Quadrant indicates topics that have low gaps in current infrastructure and a low impact on sustainability. This means that the topics will be reviewed annually or as conditions evolve. It is important for the Bank to "build for the future".

Phased Enhancement
Quadrant indicates topics that have gaps in current infrastructure and a low impact on sustainability. Areas of improvement need to be identified for these topics.

Within the Immediate Enhancement quadrant, the Bank has established the following focus areas and improvement strategies.

Material Topic	Programmes/Initiatives
Climate-positive Financing	Supporting the development and adoption of green technologies through targeted financing and developing green investment products to help consumers align their financial choices with their sustainable values.
Simplifying Customer Experiences	Providing support for customers and SMEs and expanding our network of digital branches to offer an enhanced and more efficient customer experience. Assisting all customers to migrate to digital banking, helping those that might need more time to make the transition.

In line with our own initiatives and BNM's Climate Change and Principle-based Taxonomy document which was issued as a consultative document at the end of 2019. HLB has been in active discussion with various authorities and non-profit organisations such as WWF, to refine a corporate ESG Framework as part of our client selection and credit decisioning process. The Framework will guide us in better managing our portfolio and transitioning clients to climate change resilient business operations.

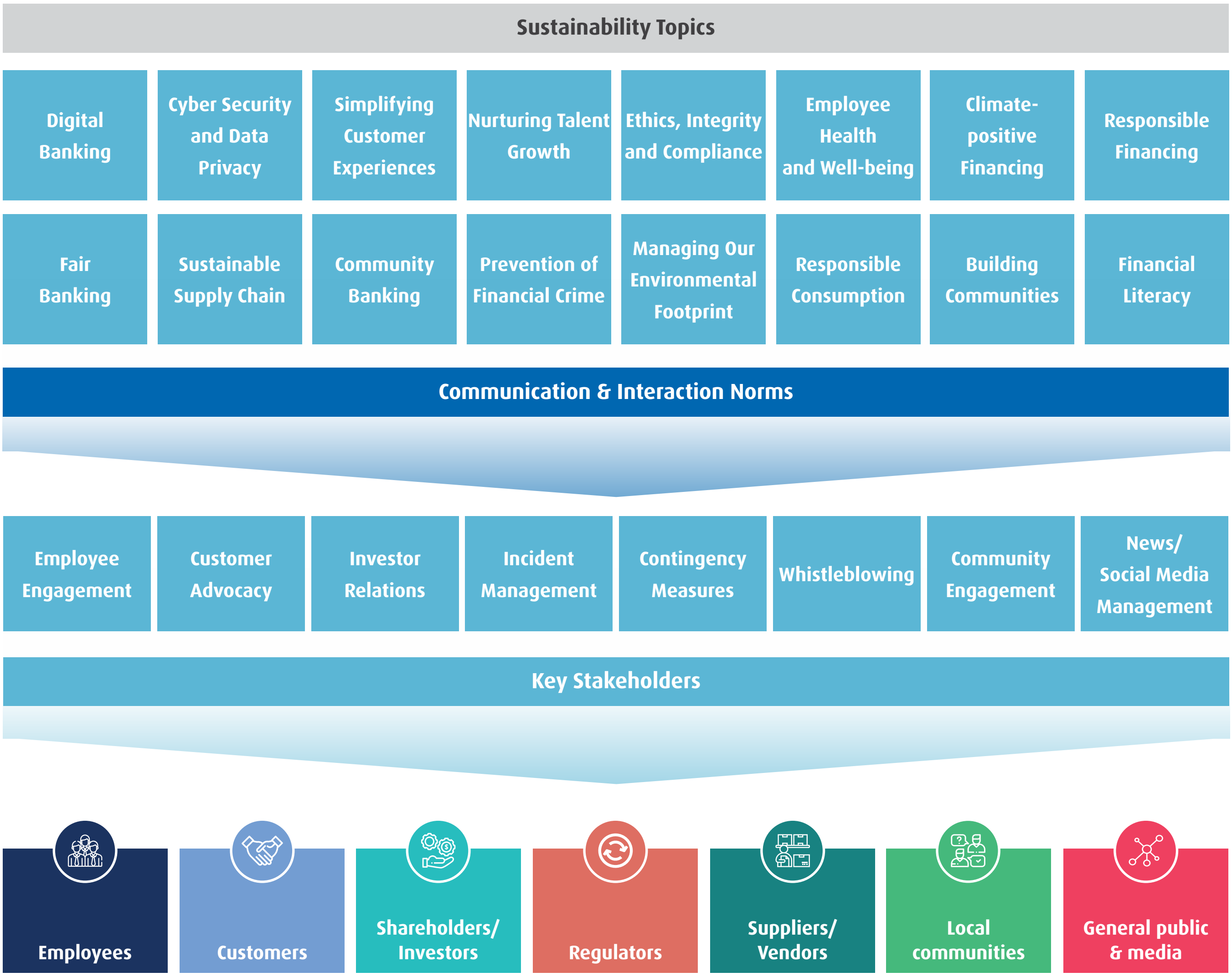
In addition, the Bank is committed to the guiding principles of fair, equitable and responsible lending, and seeks to ensure that customers are treated fairly, equally and do not encounter discriminatory processes when assessing financial services. In this regard, the Bank implemented, amongst other measures, two policies; namely the Board Policy on Products and Value Propositions and the Policy on Product Transparency and Disclosure, to ensure that we operationalise these strategic priorities. The oversight role discharged by the Products and Value Proposition Committee of the Bank further enhances internal governance on product and services offered.

An Independent Review was performed on the Bank's Sustainability Initiatives to facilitate the identification and rectification of sustainability weaknesses and to ensure the Bank's initiatives conforms to our sustainability objectives. Furthermore, this review included an independent assessment conducted on our corporate customers' credit evaluation process with the intention to validate whether our customers conform to the sustainability standards and certifications relating to ESG. The Bank will conduct periodic reviews to assess the implementation and progress of the sustainability initiatives and to ensure our objectives towards building a sustainable business community are met.

Sustainability Statement

Stakeholder Engagement

Engagement with our stakeholders provides essential feedback to ensure that we are identifying and addressing our most significant ESG impacts and opportunities. As our stakeholders' priorities are constantly shifting, we maintain regular channels of communication in order to capture input which is relevant and reflective of current trends.



Sustainability Statement

GOOD BUSINESS CONDUCT

Robust business ethics and governance set a clear structure and form the guiding principles that chart the Bank's growth pathway. The systems, processes, procedures and policies we have in place are designed to instill a culture that affirms good business conduct. This culture is reinforced from the very top, with our Board of Directors setting the tone for responsible conduct right across the Bank.

CORPORATE GOVERNANCE

Achieving alignment of sustainability and corporate governance requires sound leadership. Our Board of Directors take seriously our responsibility to operate according to governance best practices and, together with the Bank's senior management, oversee systemic compliance with responsible business conduct policies and practices. Established policies and procedures related to ethical conduct, anti-bribery and corruption, anti-money laundering and whistleblowing, among others, are in place. Policies and Standard Operating Procedures are reviewed annually to ensure that they remain relevant, promote and uphold standards of best practice.

ETHICS AND INTEGRITY

Our Code of Conduct and Ethics ("the Code") sets out the values, principles and standards of professional conduct that are expected to be upheld at the Bank. Applicable to all those who serve or employed by the Bank, including subsidiaries and affiliates, the Bank's business partners and vendors, the Code ensures that the highest standards of behaviour are enacted across our business activities.

Compliance with the Code is driven by a strong culture of ethical conduct fostered through multi-channel engagement with our employees. Efforts include both onboarding training for new employees and regular reinforcement training for existing employees. We work to ensure that the standards set out by the Code are embedded throughout the organisation. Our commitment to upholding these standards is reaffirmed each year by the Board of Directors' mandatory annual attestations to the Code.

Pillars of Hong Leong Bank Group's Code of Conduct and Ethics

COMPETENCE

The Banking Group is committed to ensuring that its employees develop and maintain the relevant knowledge, skills and behaviours such that our activities are conducted professionally and proficiently.

FAIRNESS

A core mission of the Banking 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.

OBJECTIVITY

Employees must not allow any conflict of interest, bias or undue influence of others to override their business and professional judgement. Employees must not be influenced by friendships or association in performing their role. Decisions must be made on a strictly arms-length business basis.

INTEGRITY

The Banking Group's values-based culture guides decisions, actions and interactions as a key enabler for the success of our business.

CONFIDENTIALITY

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

ENVIRONMENT

The Banking Group is committed to reducing the effect of our operations on the environment to build our franchise in a safe and healthy environment. We aim to do this by managing resources across the Banking Group and raising staff awareness about the importance of caring for the environment. The Banking 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.

To demonstrate the Bank's zero tolerance position on corruption and bribery, an Anti-Bribery and Corruption Framework was established. The Bank also appointed an Ethics and Integrity Officer who sets out a holistic approach in the implementation of adequate policies and procedures to safeguard the Bank from corrupt practices.

COMPLIANCE FRAMEWORK

The Bank operates across Malaysia, Singapore, Hong Kong, Cambodia, Vietnam and China. To drive compliance with all relevant laws, regulations and standards, a Compliance Framework is in place to guide compliance standards and requirements as well as roles, responsibilities, processes and practices governing the day-to-day operations of the Bank.

Under the Bank's Compliance Framework, Group Compliance partners with the business and support units to develop and update systems, policies, processes and procedures to manage compliance risk inherent in business activities. To further support the framework, Business Unit Compliance Officers ("BUCOs") and Business Unit Compliance Representatives ("BUCRs") are based in business and support units to help unit heads drive compliance initiatives. Group Compliance maintains oversight of these processes to additionally carry out a compliance assurance programme to independently assess the compliance status of the various business and support units across the Bank.

Group Compliance also disseminates any changes as well as new regulatory requirements to the Horizon Scanning Working Group ("HSWG") which was set up to identify timely applicable requirements and assess the impacts of these requirements on the affected divisions. Relevant staff are also kept up to date with any regulatory updates issued or published by the regulators via a weekly circular.

PREVENTION OF FINANCIAL CRIME

In FY2020 we took several measures to further strengthen our lines of defense against financial crime. The Anti-Money Laundering and Counter Financing of Terrorism and Targeted Financial Sanctions ("AML, CFT and TFS") Policy ("Policy") was updated in line with regulatory updates from Bank Negara Malaysia. The Policy sets out the Bank's AML, CFT and TFS Programme ("Programme") in managing money laundering, terrorist financing and targeted financial sanctions ("ML/TF/TFS") risks. Concurrently, the AML, CFT and TFS SOP is also updated to ensure effective implementation of the Programme.

To further manage financial crime risks, the Bank has established a dedicated Financial Crime Governance Committee ("FCGC") in January 2020 in addition to the existing Risk & Compliance Governance Committee, as we strive to safeguard the Bank from being a conduit for financial crime proceeds. The committee focuses on Financial Crime Compliance ("FCC") matters and further enhances senior management oversight of the ever-increasing FCC risk landscape. To bolster these efforts against Financial Crime Risk, the Bank is embarking on a project to replace its AML system which leverages on artificial intelligence and machine learning to improve the effectiveness of AML detection, monitoring and reporting.

PROMOTING A CULTURE OF COMPLIANCE

The Bank recognises that fostering and promoting a compliance culture requires regular and focused employee engagement and training. To achieve this, regular compliance training is delivered across the Bank together with role-based training targeted at specific risks associated with divisions and individual positions. Together these practices raise and reinforce awareness of compliance and keep employees updated on compliance related matters.

Employees are required to complete mandatory eLearning modules that consists of videos, reading materials and assessment delivered through HLB@Workday, the Bank's people and performance management platform. Topics covered include, Anti-Bribery and Corruption ("ABC"), AML/CFT/TFS, Banking Secrecy & Data Protection. These modules are accompanied with assessment questions to ensure retention of knowledge. Employees are also updated and reminded of necessary compliance practices through bank-wide communications. Since the start of 2019, themed compliance months have also been held where managers conduct weekly and monthly huddles to learn and discuss compliance topics as part of their team meetings.

WHISTLEBLOWING POLICY

The Bank has in place a Whistleblowing Policy to safeguard the integrity of our operations. All employees, customers and business associates are encouraged to report any concerns arising pertaining to improper conduct. The Whistleblowing Policy can be found on our Corporate website, and has clear instructions on how to raise such concerns. Reports of non-compliance including Shariah non-compliance or improper conduct behaviours can be made anonymously and are addressed through independent investigation. Whistleblowers who disclose or raise issues in good faith will be protected from retaliation, adverse employment action and from disclosure of their identity.

Sustainability Statement

DIGITAL AT THE CORE

MATERIAL TOPICS

Digital Banking

Cyber Security and Data Privacy

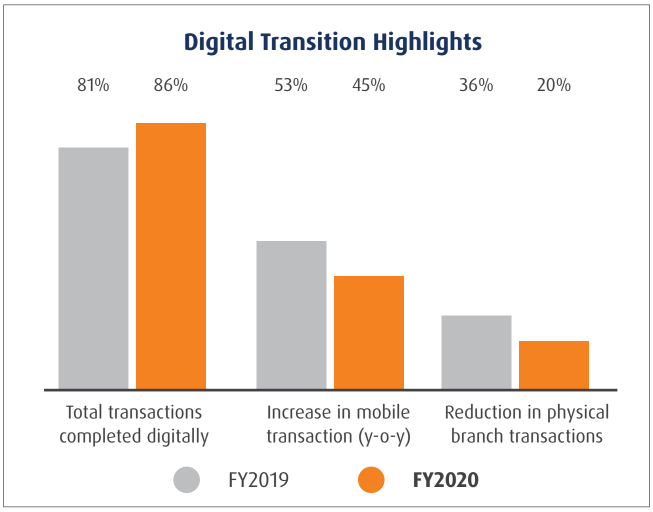
Simplifying Customer Experience

OUR DIGITAL JOURNEY

As digital technologies and financial services have converged, new opportunities for enhanced functionality, accessibility and affordability are emerging. At the Bank, our goal is to help customers realise these opportunities through ongoing digital enhancements to our products and services that will make them seamless for customers to consume. At its core, our digitisation strategy is about inclusiveness, simplicity and intuitiveness, so that financial services are delivered in a timely manner, without the traditional waiting times and cumbersome processes, driving more efficient business practices in the process.

Therefore, enhancing our range of digital products and services and improving our digital security is a key area of investment for the Bank. This includes efforts to make transactions easier and safer by investing in customer journey capabilities and automation, plus investments into cyber security capabilities, as well as initiatives to digitise internal processes so that we can have employees lead the transformation through immersion in the digital ecosystem. These digitisation efforts extend beyond our Malaysian operations to include the Bank's operations in overseas market.

FY2020 saw the continuation of the strategic priority to insource digital capabilities by expanding our Digital Centre of Excellence.



HLB CONNECT RETAIL

We provide mobile and web-based banking services to retail customers through our digital banking platform HL Connect. In line with our ambition to improve the customer experience through digitisation, HL Connect offers a convenient and multi-functional platform for customers to complete different banking functions with ease.

Enhancing Customer Experience Through HL Connect

e-Fixed Deposit

Set higher transaction limits to transfer funds from other banks all in one go

Credit Card Functions

Self-service functions including card activation, card replacement and travel notifications

Fixed Deposit Management

Manage, view and make withdrawals online for Fixed Deposits made in-branch

Instant Disbursement

Instantly receive funds in your HLB account following application approval for select borrowing products

Call-for-Cash

Borrow any amount within your credit limit and receive funds in HLB bank the next business day

HLISB Investment Account

The first digital investment account offered by an Islamic bank in Malaysia launched in FY2019

Customers uptake of digital services and the number of digital transactions we record are important metrics to assess whether our digital offerings are in line with customer needs. We saw an increase of about 9.3% in the total number of customers using our HLB Connect Retail platform. This increase places our current digital retail customer base at 54% as we continue to move towards our target of reaching over 60% by FY2021.

	FY2017	FY2018	FY2019	FY2020
HLB Connect Retail Customers (total)	1,225,466	1,489,036	1,715,001	**1,874,333**
HLB Connect Retail Customers (percentage)	35%	42%	49%	**54%**

One of our key focus areas for FY2020 was to provide even more digital offerings for our customers while simultaneously promoting their migration from traditional branch transactions to our HLB Connect platform. FY2020 witnessed the launch of our all-new HLB Connect app which offers an improved user interface and user exchange design to provide a more seamless user experience.

DIGITAL AT THE CORE (CONTINUED)

HLB CONNECTFIRST FOR BUSINESS

Our digital platform for corporate, commercial and SME customers, HLB ConnectFirst, offers a comprehensive suite of banking solutions to help businesses achieve enhanced efficiency. The platform, which includes a range of transaction banking services tailored to business needs, can be customised to meet each customer's specific requirements. Our Corporate Internet Banking users, inclusive of ConnectFirst and ConnectBiz users, have increased by 8.6% compared to FY2019.

	FY2018	FY2019	FY2020
Corporate Internet Banking Users	63,638	72,021	**78,230**
Percentage increase in Corporate Banking Users from previous FY	-	13.2%	**8.6%**
Number of transactions	7,087,993	8,803,884	**9,072,043**
Transaction Value (RM)	72,451,435,979	87,646,594,697	**81,778,965,258**

To provide added security for our corporate, commercial and SME customers, we introduced a revamped eToken platform. This digital token authentication solution that allows easy and secure access into the platform, which was first introduced in mid-2018, has been equipped with a first-in-market biometric facial-recognition technology for mobile devices. We were also one of the five banks in Malaysia to partner with SWIFT to onboard their Global Payment Initiative ("gpi") solutions onto our platform. This partnership will allow our customers to complete cross-border payments in a faster and more transparent manner. To further improve the digital banking experience for our SME customers, we integrated the FastCollect feature to our HLB ConnectFirst platform which allows customers to be onboarded as JomPAY billers 88% more efficiently than traditional channels. JomPAY, being one of Malaysia's biggest online bill payment services, will enable our SME customers to collect payments more efficiently providing them with the ease of mind to focus on other areas of their business.

FY2021 will mark an important milestone for our HLB ConnectFirst platform. We are planning to launch before the end of 2020, the second iteration of this platform which aims to simplify the current ConnectFirst platform by revamping the user interface according to the latest digital trends and personalised actions based on customers' preferences. To ensure the success of HLB ConnectFirst 2.0, we have undergone extensive engagement via awareness and training programmes with our staff and our customers throughout FY2020.

CYBER SECURITY AND DATA PRIVACY

As new opportunities to meet customers' needs are created through the digitisation of financial services, new digital risks are also emerging. To ensure that we can provide innovative and efficient products and services while protecting our customers from harm, we continue to invest in our cybersecurity infrastructure and our ability to counter evolving digital threats. In doing so, we attend closely to emerging Bank Negara Malaysia regulations in order to ensure compliance in this rapidly developing risk area.

The receipt, storage and protection of customers' private details is governed by our Group Data Protection and Customer Secrecy Policy, which has been developed in line with the Personal Data Protection Act (2010) ("PDPA"). The Group Data Protection and Customer Secrecy Policy outlines the necessary compliance-related roles, responsibilities, processes and practices to be observed within the Bank and helps to cultivate a culture of compliance among our employees. Customers are notified of the manner in which the Bank handles their personal information and what rights and protection they are entitled to as a data owner through the Bank's Privacy Notice, which also applies to the personal information of employees and business partners. Changes to the notice are communicated to stakeholders via the Bank's website or other appropriate communication means such as email.

Via our crisis management strategy, we are involved in national and international early warning systems to detect cyber security risks. In order to stay abreast of potential cyber-attacks, we subscribe to the Financial Services – Information Sharing and Analysis Centre ("FS-ISAC"). We have also enlisted threat intelligence solutions to provide real-time intel that allows us to prevent or mitigate cyber-attacks.

To further strengthen our defenses against cyber-attacks, including scams, improving customer and employee awareness of cyber security measures and practices is integral to our digital risk management strategy. Through various initiatives, including employee training and awareness programmes and information provided to customers via our website and other means of customer communication, we strive to build a culture where data security amongst our workforce is top-in-mind and simultaneously ensure that customers have the knowledge needed to protect themselves and the banking relationship from risk.

DIGITISATION OF CUSTOMER EXPERIENCES

For our digitisation efforts to be meaningful, it is essential that they are designed in a way that enhances the banking experience and creates value for our customers. Improving and evaluating digital customer experience is therefore a key priority under our digitisation agenda. Since FY2019, progress in this area has been driven by our Customer Experience ("CX") Lab, which brings together teams from across the Bank and external partners to accelerate the delivery of new products and services. The CX Lab serves as a platform to explore the applications for new technologies, such as Artificial Intelligence and machine learning, among others, and to work with customers to understand their banking needs.

DIGITAL BRANCHES

The launch of HLB's flagship Digital Branch in 2017 marked a key milestone in the Bank's efforts to re-imagine the banking experience in a digital era. Since then, our two Digital Branches, located in Kuala Lumpur and Penang, have stood as a model for the future of brick-and-mortar banking, leveraging new technology to improve efficiency and enhance the customer experience.

Our digital branches utilise a suite of solutions that guide our customers through a seamless journey. During consultation with branch Personal Financial Consultants, our paper-free approach of using app-enabled digital tablets with biometric capabilities help customers complete their banking transactions immediately. Data-entry and processing tasks have been automated, which allows our employees to be more engaging with customers. Our general digital branch space deployed with technologies such as wireless terminals and applications, allow customers to quickly perform banking transactions.

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

TOWARDS A CASHLESS SOCIETY

Within the Malaysian banking industry, we aim to champion seamless digital transactions in our drive to create a cashless society. Beyond the products and services through which we promote cashless transactions, including bank cards, mobile payment methods and online banking, we continue to focus on expanding our merchant network for cashless payments. In addition to offering an integrated Point-of-Sale terminal which accepts all card and mobile payments, we provide incentives such as low transaction rates, waived desktop terminal rental fees and complimentary set-up services to promote widespread adoption of digital payment methods.

In line with our commitment to help small business go cashless, in FY2020 we introduced HLB Tap On Phone, a new contactless mobile payment acceptance service for Android mobile devises that allows vendors to receive card payments using their mobile device. Made possible through a partnership with Payment Networks Malaysia, Tap On Phone is helping to bring down the costs of going cashless for businesses. In June 2020, we also launched the "Cashless Lagi Senang" campaign to onboard more vendors and traders in order to enable them to add cashless and contactless payment methods for the ease of their customers.

Our Cashfree Society programme, targeted at university students, was activated in FY2020 with the broader goal of building and equipping a society that conducts daily financial transactions digitally. To achieve this, we have already implemented Point-of-Sales terminals across university campuses, with plans to enable the other retail merchants on campus with similar cashless terminals in the year 2021.

WORKFORCE READINESS

MATERIAL TOPICS

Nurturing Talent Growth

Ethics, Integrity and Compliance

Employee Health & Wellbeing

NURTURING A SUSTAINABLE EMPLOYEE EXPERIENCE

Workplace Readiness

Launch of HLB@Workday

A singular, real-time and mobile-first platform for all entities to manage the employee lifecycle end-to-end – from on-boarding and performance management to compensation and learning & career development

Workforce Readiness

Data and insights-driven decision-making and learning on the go

With HLB@Workday our employees are now empowered to harness data to drive decision-making on managing their teams. Learning is no longer restricted to the classroom; it can and should happen anytime, anywhere

Talent Management

Building and retaining talent

We continue to refine our end-to-end talent management processes encompassing recruitment, performance management, learning and development and talent succession planning

Driving A Compliance Culture

Structured training

For bankwide effectiveness, the Bank utilises all available platforms to shape desired workforce behaviour – from huddles and tone from the top communications, to on-boarding, mandatory eLearning and role-based training

Employee Well-being, Health & Safety, Environment

Nurturing positive employee experiences

Providing relevant, meaningful and positive employee experiences at every stage of their professional lives, taking into account diversity and inclusivity

At the Bank, we believe our employees are our greatest asset. Our aim is to create a workforce that is primed to embrace the challenges of the digital age with resilience and agility. From this foundation, we strive to deliver the highest levels of customer service and work to achieve optimal outcomes for the Bank. To ensure our employees can meet these ambitious standards, we seek to continuously grow our own talent and offer opportunities that allow individuals to develop to their full potential. By creating an inclusive work environment where we demonstrate investment into our employees, we are supporting the success of our business and positioning ourselves to give back to the communities where we operate.

Through our union policies, we make known our commitment to the right to freedom of association and collective bargaining. We adhere to all regulations of labour standards, including those related to minimum wage, non-discrimination and merit-based rewards structures.

As the external operating environment shifts and evolves at pace, it is key that HLB has the right people in place to respond with agility to technological advances, customer expectation and even business challenges that present unexpectedly, such as COVID-19.

WORKPLACE READINESS

Mobile-first technology continues to drive the employee experience, both from a workplace and workforce perspective. Three years back, our workforce embraced interactions with our HALI chatbot for employee benefits queries, while our candidates for employment enjoyed interaction with HALI when engaging with us for employment opportunities. Our employees have also been primed to consume bite-sized learning content through our mobile and web-based micro learning app, SmartUp. We have since then made significant progress in enhancing the employee experience through digital means.

HLB@WORKDAY

The launch of HLB@Workday marks our next chapter in terms of workplace readiness. All employees are now able to have mobile-first access to a secure network for all Human Resources ("HR") related functions, such as leave application, salary statements and personal information updates to crucial professional development processes including performance management, learning and career development and compensation decisions.

In April 2020, our Learning and Development ("L&D") team launched a new series of curated external digital courses on HLB@Workday covering topics such as productivity, personal growth, leadership and well-being. Since its launch, 89% of our employees have adopted this platform on a regular basis and 1,660 employees have completed these non-mandatory external courses.

For the next phase of our eLearning strategy, we plan on integrating curated learning from cloud vendors with our HLB@ Workday platform with the purpose of utilising the platform to drive specific skillsets for selected employees such as customer etiquette and communication skills for our customer service staff.

RECRUITMENT

Recruitment actions are guided by our recruitment policy framework, which aim to promote equal opportunities through consistency, transparency and hiring the right people to fill the immediate needs of the role, as well as candidates that have potential for growth and have a working history of strong ethics and behaviour confirmed by the pre-employment checks that we carry out. Our recruitment positions are open to both internal and external candidates, with hiring decisions based on merits.

In the search to continually innovate and harness opportunities, we want to deploy advanced technologies to refine what we do and what we offer for the benefit of our customers, employees and the Bank.

HALI, HLB's AI chatbot, has gone from strength to strength since its introduction in FY2018. Initially conceived as a virtual assistant for the Bank's HR team to support operations by responding to employee queries on policies and procedures, HALI has since been deployed to perform enhanced duties along the HR value chain, including at the initial stages of the recruitment process by screening candidates upon application for roles within the Bank. Recognising the greater potential within our AI chatbot, in FY2019, HALI, was tasked to conduct digital recruitment for our Management Associate Programme, with HALI deployed to screen and evaluate applicants in the initial stages of the recruitment process.

Digital recruitment process:

- Send Email to Candidate Database
- Candidate Clicks on Linkin Email
- HALI Guides Candidate Through Screening Process
- Candidate Submits Video or Text
- Candidates Shortlisted
- Skype Interview

The seamless digital environment has also reduced our reliance on non-sustainable resources. For example we now use less paper in the recruitment or hiring process. Job applications are submitted through our HLB Careers website and offer letters are accepted with digital signatures via our HLB@Workday platform.

WORKFORCE READINESS (CONTINUED)

DIGITAL TRAINING

Through technology, we have sought to deliver a mobile first learning experience for employees. This began with our mission to enable employees to learn on a platform that would enable them to consume bite-sized learning content, anytime and anywhere. This was made available bankwide to all employees, accessible via mobile. The content comprised of a blend of digital-focused modules and modules from subject matter experts, segmented by division. In February 2020, we successfully launched HLB@Workday to all six countries in which Hong Leong Banking Group ("HLBG") operates.

On HLB@Workday, competencies or skills that we seek in employees can be linked to training modules, enabling us to assign courses to specific segments of our employee population, mirroring the intent of role-based training that is available to our frontline or customer-facing employees, specialist roles etc.

While we already had in place a plan to transition classroom learning to virtual classrooms as part of our workplace readiness strategy, the emergence of the COVID-19 pandemic and the resulting MCO enacted in Malaysia in March 2020 gave us renewed focus. We reviewed and reworked with our training partners on the most viable options to deliver training, shifting from face-to-face classroom courses to virtual platforms such as WebEx, MS teams, Google Meet and our internal employee engagement platform, Workplace.

At the same time, we began testing the response of curated learning during the MCO by sending out links to learning around the pillars of personal growth, productivity and well-being, selected by the Learning & Development team. The response to date has been encouraging enough for us to continue on a permanent basis, as employees understand that learning is no longer restricted to the classroom. Employees are able to participate in all the eLearning or a selection based on their preferences, enhancing engagement and knowledge retention. Our employees today are primed to learn from this blended training approach, utilising different media and channels for effectiveness and engagement.

The pilot is also a precursor to the next phase of eLearning – to integrate curated learning from cloud vendors within HLB@Workday so that we use the platform to drive not only basic learnings but also specific skillsets for selected employees. For example, customer service staff who may require refresher courses in customer etiquette and communication. Prior to the pandemic, structured training comprised 80% training within the classroom; this has now shifted to 65% learning in a virtual environment.

LEARNING AND DEVELOPMENT

Our Learning and Development team specialist remain at the forefront of technological innovation, adopting digital platforms and content to enhance employees' training experience. In parallel, emphasis is placed on the value of on-the-job learning, through experience and interaction with peers and senior managers. The 70:20:10 Learning Framework guides the way we learn: 70% on-the-job, 20% learning from others and 10% via structured training, such as digital and classroom learning. Whilst we believe that employees are able to learn and retain knowledge better by learning on the job, we have also sought to support this by fine-tuning our approach to structured or classroom-based training.

Bank-Wide Training

FY2020 Overall Employee Training (1 July 2019 - 30 June 2020)

Total number of employees

8,090

Total number of training hours provided

255,502 hours

Average training hours per employee

31.5 hours

AUTOMATION AND DATA DRIVEN WORKFORCE

We are embracing the fundamental need for automation and data driven insights, and recognise the key to empowering our people to make accurate, real-time decisions. This has cut across all HR processes including recruitment, on-boarding, performance management, learning and development, talent management and rewards and recognition.

Managers are empowered with real-time data and insights into the management and development of their team. Apart from being able to deepen their engagement with their teams using valuable information and insights, the HLB@Workday platform provides the agility for managers to respond to changes or requests from team members anytime, anywhere. As an indication that Digital at the Core is not just an ethos anymore but also our immediate reality.

Recruiting the right talent with the right skill sets, perspectives and abilities is central for business growth. And as we seek an increasingly multi-dimensional workforce, sourcing individuals from diverse industries and backgrounds, our hiring practices must evolve at speed to position ourselves as an employer of choice.

Growing our own talent within HLB and HLISB is a key strategy for continued competitiveness within the industry. Our Learning Framework details our approach towards enhancing our employees' knowledge, experience and skill-sets, through bank-wide training, role-specific learning and tailored programmes on an individual basis.

BUILDING A TALENT PIPELINE THROUGH GRADUATE PROGRAMMES

Over the last 4 years, we have hired 237 candidates through graduate programmes, and welcomed more than 300 interns into our business on a short-term basis. Many of these individuals are now in permanent roles across the Bank after graduation, and the programmes' outcomes are now very much ingrained as a key part of our workforce strength-building initiatives.

In FY2020 as the pandemic deepened, we began testing new ways to source for these candidates with no loss in terms of focus and quality. For example, instead of flying the senior management to the UK to interview potential programme candidates face-to-face, we began interviewing them through virtual means. Additionally, we hosted a live online engagement sessions on graduate opportunities at HLB with media partner Graduan, garnering an audience of 5,717 viewers and more than 386 applications in seven days. This response has given us cause to examine more sustainable methods of recruiting candidates for the Management Associate programme. Doing away with the need for physical visits to the UK and Australian universities and also has the added effect of reducing our carbon footprint.

	2016 – 2020 Hires	Permanently Placed	Retention Rate	2021 Target
Management Associates	54	27	81%	25
Graduate Trainees	183	97	63%	20
Internships	321	57	-	100

Sustainability Statement

WORKFORCE READINESS (CONTINUED)

TALENT MANAGEMENT

Our overarching talent management policy aims to strategically pair the right individuals with the right roles to drive employee growth and business performance, and also to assist us in identifying the key gaps between the talent in place and the talent required within the Bank.

The policy is supported by the following processes:

1 RECRUITMENT	2 PERFORMANCE MANAGEMENT & INDIVIDUAL DEVELOPMENT PLAN	3 LEARNING & DEVELOPMENT	4 TALENT REVIEW & SUCCESSION PLANNING
Promote consistency, transparency and hiring the right people to fill the immediate needs of the role, as well as candidates that have potential for growth and have a working history of strong ethics and sound behaviour.	Drive strong performance-oriented outcomes and develop internal talent pool, consistently aligned to business priorities and goals.	Drive L&D opportunities to continuously develop knowledge and skillsets, for a highly engaged workforce, focused on delivering strategic goals, and maintaining high standards of responsibility, professional conduct and behaviour.	Develop internal talent and identification of external talent, to form part of the succession planning slate for leadership and business critical roles of the Bank.

TALENT REVIEW AND SUCCESSION PLANNING

Our talent and succession planning framework is designed to develop internal talent and identify external talent as part of the succession planning process so that we have a slate of potential candidates for leadership and business critical roles. Key stakeholders within our framework are assigned specific roles throughout the talent and succession process.

HLB Talent Council	Senior Managers	Line Manager	Identified Talent
Comprising the Group Managing Director and senior executives who analyse past performance, employee aspirations, demonstrated drive and critical thinking in the process of identifying a pool of people that can progress to future senior leadership roles.	Develop internal talent and identification of external talent, to form part of the succession planning slate for leadership and business critical roles of the Bank.	Focus on retaining talent in a structured manner, place talent in roles identified as areas targeted for growth. Complete performance evaluation checklists so that high-potential individuals can be identified and a career path established.	Opportunity to learn and grow at an accelerated pace, greater access and exposure to senior management and opportunity to learn from other talent cohorts.

PERFORMANCE MANAGEMENT AND INDIVIDUAL DEVELOPMENT

Our performance management policy framework aims to drive strong performance-oriented outcomes and develop an internal talent pool in order to align with and support the delivery of business priorities and goals consistently.

The performance management framework consists of three cycles – Goal Setting, Mid-Year Review, and Year-End review – all of which require a discussion between employee and line manager to agree on the target deliverables, expected standards and corresponding outputs. Each cycle includes an Individual Development Plan ("IDP") discussion which aims to identify an employee's potential next role or opportunity for continues growth and development and to understand employees' mid- to long-term career aspirations so that HLB and HLISB can support their career progression.

Employee and Line manager agreement on targeted deliverables, expected standards and corresponding outputs.

Goal-Setting → **Mid-Year Review** → **Year-End Review**

IDP discussion at each cycle to:

- **Identify employee's potential next role and expansion for continuous growth and development**
- **Understand employees' career aspirations mid to long term**

At the heart of workforce engagement and productivity lies meaningful conversations. Over the past year we have coached our people managers to not only have meaningful retention conversations but to actively discover their team members' career aspirations. We have seen success with the attrition rate reduced by 26% compared to prior year and close to 40% of internal vacancies taken up by internal candidates, as a result of our people managers and employees responding positively to the processes and taking ownership of retaining and nurturing employees while employees take ownership of their own development and career aspirations.

REMUNERATION POLICY AND FRAMEWORK

Our Remuneration Policy Framework is designed to promote a high-performance culture that drives specific behaviours, with employees operating according to strong values, integrity, a clear sense of responsibility and high ethical standards. Underpinned by a rigorous performance management process, remuneration is determined by key performance indicators such as behaviours in accordance with our Code of Conduct and Ethics, risk and compliance, meritocracy in performance, prudent risk-taking, selected ESG performance and HLB values. 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.

Sustainability Statement

WORKFORCE READINESS (CONTINUED)

EMPLOYEE WELL-BEING, HEALTH & SAFETY

Employees who feel valued, appreciated and cared for are more likely to experience job satisfaction and, in turn, remain committed to a long-term career with the Bank. We take a broad approach to caring for our workforce and their families, offering support for individual well-being related to mental health, personal safety and financial security.

EMPLOYEE ENGAGEMENT

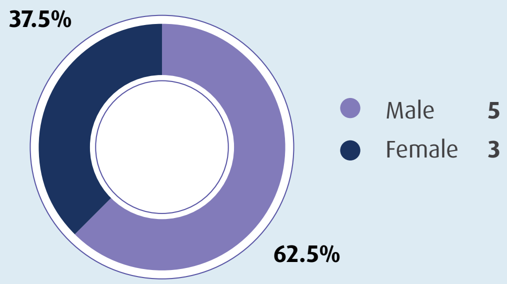
We believe that open and regular two-way communication with employees is a key driver towards workplace satisfaction. Various forums are used to communicate and listen to the voice of employees. Our HLB Workplace and HLB Workchat platforms also connect our employees and provide a space for communication and collaboration right across the Bank. Modelled on social media platforms, these channels facilitate group chat, voice and video calls as well as screen sharing while maintaining a high level of security of information.

Our employee engagement survey, "My Thoughts, Our Future" was launched in FY2017 and designed to seek feedback from employees on the Bank's position and progress made on workforce related perspectives. For FY2020, our three key survey theme areas were: Strategy, Goals & Objectives, Customer Focus and Organisational Culture. For our third iteration of the survey in FY2020, the response rate was 92% compared to 91% in FY2019 and 89% in FY2018. Data analysis of survey results have enabled us to refine our approach to employee engagement as well as initiate new engagement activities to drive greater employees engagement.

DIVERSE AND INCLUSIVE WORKFORCE

An inclusive workplace is central to the well-being of our employees. Our Code of Conduct sets out a framework to establish a safe and inclusive work environment that prohibits discrimination. Our focus is to create an environment where all our employees, regardless of demographic, age, background or other indicator of diversity, are encouraged to succeed. Equal opportunity is normalised, with leaders, managers and supervisors trained to contribute to a culture where people are respected and valued. As of FY2020, we have six full-time employees who identify as differently abled, as one of our previous differently abled staff have found another opportunity to explore within Hong Leong Financial Group.

Board of Directors in FY2020



SAFETY AND WELL-BEING

The health, safety and well-being of our employees remains a priority. Our Occupational Health and Safety Procedures ensure that we have in place processes and controls that adhere to all standards and regulations. Upon joining the Bank, new employees are introduced to our health and safety systems and processes and are trained to identify and mitigate health and safety risk. HLB's and HLISB's health and safety programme operates within a framework that recognises incidents directly related to factors under the Bank's control and aims to eliminate those. In FY2020, we had 5 accidents within the workplace and 799 workdays lost due to these accidents.

To ensure our workforce is operating at an optimum level, HLB and HLISB proactively work to support the health and well-being of all our employees. For FY2020 we held a series of wellness initiatives and events guided by three pillars of Engagement, Appreciation and Well-being, with activities supported by an overarching communications plan deploying the hashtag #HLBCares. Focus topics included Cardiovascular Disease, Maintaining a Balanced Diet, Ergonomics & Posture, and Diabetes & Obesity. Staffs were engaged with each topic via circulation of an infographic containing key information and advice, Brown Bag 'Lunch & Learn' sessions, curated L&D content available on HLB@Workday and a series of events designed to bring colleagues together to enjoy activities supporting healthy lifestyles. In FY2020, over 1,189 employees took part in our health and wellness programmes.

SOCIALLY RESPONSIBLE BUSINESS

MATERIAL TOPICS

Climate Positive Financing

Responsible Financing

Fair Banking

Sustainable Supply Chain

Community Banking

Prevention of Financial Crime

RESPONSIBLE BUSINESS PRACTICES

The products and services that we design and deliver are part of the broader responsibilities that we have as a financial service provider. Financial intermediation has widespread implications for the economy, the environment and society at large. At the Bank, we are committed to ensuring that the role we play within the system is one of responsibility and accountability, hence, we continue to strengthen the integration of fairness, and social and environmental considerations into our business practices.

RESPONSIBLE LENDING AND FINANCING

While the lending and financing that we provide is critical to economic development, it is essential that funds be disbursed in a manner that takes into consideration the potential social and environmental risks of the activities we finance.

Our corporate and commercial loans and financing activities are governed by our Business and Corporate Banking Credit Policy ("BCB Credit Policy"), which includes a set of policies designed to help us and our clients to manage environmental and social risks. Under the BCB Credit Policy, credit applications by businesses that present sustainability risks are assessed based on the business' ability to demonstrate full compliance to rules and regulatory requirements of that business sector. The policy is updated at least annually and serves to guide decisions about enhancing existing or future development of products and services as well as to improve engagement with our stakeholders. Due diligence activities that we practice include site visits, environmental assessments and third-party specialist reviews of proposals that might pose additional risks, such as exploitation of native land.

Our strategic objective is to conduct our lending and financing activities in strict compliance with our internal and local regulations, ensuring high ethical standards in decision making. We endeavor to evaluate and ensure that activities and businesses we finance do not harm the environment, human rights and labour rights which include the Child Act 2001 and Malaysian Anti-Corruption Commission Act 2009, among others.

ESG Framework and Policy

To further strengthen the Bank's oversight of ESG lending and financing risks, in FY2020 the Sustainability Steering Committee endorsed the development of an ESG Policy for corporate, commercial and SME clients. The policy will be used to guide our relationship managers and credit risk team to assess the environmental and social risks associated with our lending and financing activities. In developing the Bank's ESG Policy, we have adopted an inclusionary approach which will focus on supporting the sustainability progress of our customers, regardless of what point they may be at in their sustainability journey.

The key priority in developing the ESG Policy was to actively engage with stakeholders across a range of industries, including Bank Negara Malaysia, Malaysian Timber Certification Council, Forest Stewardship Council and Malaysia Palm Oil Board, among others, to better understand the unique environmental and social risks and relevant regulations in each sector before finalising our own policy document. As part of the policy development process, we also worked with World Wildlife Fund for Nature's Sustainable Finance Unit to review our corporate ESG Framework which will serve as the foundation for our ESG Policy. This includes a strategic engagement and discussion session with HLB's and HLISB's Board members and Senior Management on aspirations that the Bank could target as part of our sustainability roadmap and journey.

External frameworks that guided the development of our ESG Policy include:
- IFC Performance Standard
- First for Sustainability: E&S Risk
- Global Reporting Initiative (GRI)
- CDC Investment Works ESG toolkits
- Bursa Malaysia Sustainability Reporting Guide, 2nd Edition
- Task Force on Climate-related Financial Disclosures (TCFD)
- RSPO Principle
- Enviromental Quality (Industrial Effluent) Regulations 2009
- Environment Quality Act (Clean Air) Regulations 2014
- MSPO Standards

Sustainability Statement

SOCIALLY RESPONSIBLE BUSINESS (CONTINUED)

The policy will also take into account BNM's VBI Financing and Investment Impact Assessment Framework, ensuring that financing granted to the Bank's customers is not only assessed and screened for environmental and social risks but also in compliance with Shariah requirements or criteria. The policy will govern screening during annual client credit reviews for existing customers and at the outset for new to bank customers.

HLB ESG Framework Exclusion List[1]

- Involvement in money laundering, crime, terrorism or illegal activities (e.g. illegal waste management, illegal deforestation).
- Involvement in pornography, prostitution.
- Production or trade of 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.
- Fishing activities using drift nets or explosives.

1. *HLISB will also adhere to the exclusions in Shariah Compliance Policy, under which HLISB will be guided by such exclusions under the ESG Policy/HLB BCB Credit Board Policy endorsed by HLISB SC on 17th August 2020.*
2. *Primary forest; areas designated by law or relevant competent authority to serve the purpose of nature protection; areas for the protection of rare, threatened or endangered ecosystems/species.*

In addition to the general exclusions outlined above, as part of our sectoral risk rating module under the ESG Policy, we will conduct an assessment of the client's sector's specific environmental and social impacts to determine if it would be classified as a sensitive sector. This would include assessment of environmental considerations such as, air emissions, waste and effluents, biodiversity, water and energy efficiency, as well as social considerations such as, land acquisition and involuntary resettlement, labour and working conditions and risk to cultural heritage, or indigenous or local communities.

Our focus for FY2020 has been on raising awareness and knowledge levels of HLB's staff on climate change and sustainability related issues, risk and opportunities. For FY2021 we have plans in place for similar climate change and sustainability awareness and engagement programmes targeted at our stakeholders such as customers, vendors, service providers, business communities.

With the implementation of the ESG Policy and environmental and social risk assessment process, we have set our focus for FY2021 to be on data collection for us to assess the environmental and social risk profile of our corporate loans/financing portfolio. In the long term, the ESG Policy will also include sector-specific frameworks for financing and lending activities.

CLIMATE-POSITIVE FINANCING

Renewable Energy Financing

The global climate crisis is driving an urgent need for an economic system grounded in climate-friendly solutions. At the Bank, we recognise the role we have to play in mobilising capital to drive this transition and have committed to providing RM500 million worth of financing for renewable energy products from FY2018 to FY2022. As of FY2020 year-end, the Bank has approved a total of RM402 million to support the development of about 40 renewable energy projects namely solar, bioenergy and hydro. Beyond financing, the Bank has worked closely with clients to help new industry players navigate industry requirements and evaluate project feasibility.

In addition to large-scale project financing, the Bank is committed to helping smaller players enter the renewable energy space through a targeted SME Solar PV programme. The programme, which will be launched in FY2021 will provide financing for SMEs looking to install rooftop solar panels.

HLB being among the most active banks in supporting the government's Green Technology Financing Scheme ("GTFS"). At the end of FY2020, we have supported close to 20 projects from the inception of GTFS with government guarantees worth approximately RM140 million.

Green Car Financing

Vehicular emissions associated with the consumption of fossil fuels have a significant impact on the global climate crisis and on local air quality. In recognition of the need to decarbonise transportation in Malaysia, HLB commenced the development of a Green Car Financing Framework this year. The Framework, targeted at our employees and customers, aims to increase HLB's hybrid and electric car financing by a factor of five and will include efforts to build partnerships with hybrid car manufacturers and community engagements to promote changing consumer preferences towards green vehicles.

As of FY2020 year end, the framework was undergoing the drafting and approval stages, with further manufacturer engagements and marketing and communication initiatives to occur in FY2021. We have initiatives in the pipeline to provide potential retail customers with attractive interest rates and added value packages. As for our corporate customers, we have plans to support energy efficient dealerships.

Green Developer Framework

In FY2020 we initiated discussions on the creation of a Green Developer Framework to guide our financing activities for property development companies. Under the Framework, developers will be categorised based on their adherence to environmental practices, such as the design and construction of green buildings, the use of water and energy-efficient fixtures and sustainable construction practices. Developers deemed to be adopting the best practices will be eligible for better financing packages and be fast tracked for approval, while companies demonstrating poor performance will be provided support to improve their practices and be subject to monitoring.

Fair Banking

The Bank is committed to the guiding principles of fair, equitable and responsible lending/financing, and seeks to ensure that our customers are treated fairly, equally and have non-discriminatory access to financial services. In this regard, the Bank has implemented oversight accountabilities as well as policies and procedures to promote fair and responsible banking.

Fair Banking: Responding to Regulators

In August 2019, BNM issued a directive to all Islamic Banks requiring that banks ensure that late payment charges ("LPCs") that the banks were issuing were commensurate with the actual costs or losses incurred. To address BNM's concerns, in FY2020 HLISB outlined the methodology used for calculating LPCs for delinquent and defaulted financing. The calculations revealed that HLISB is indeed fair and is in accordance with BNM's Guidelines on Late Payment Charges for Islamic Financial Institutions.

Fair Treatment for Financial Consumers

In FY2020, to further strengthen our fair banking practices and promote high standards of responsible and professional conduct when dealing with customers, we expanded our internal policies to integrate the newly issued Bank Negara Malaysia's Fair Treatment of Financial Consumers ("FTFC") Policy into our operations and Customer Service Charter.

Consisting of six principles, namely Corporate Culture, Fair Terms, Disclosure, Fair Dealing, Advice & Recommendation and Redress, the FTFC Policy sets expectations for financial service providers ("FSPs") to effectively manage conduct risk and provide consumers with confidence in its dealings. Five out of the six principles were implemented in FY2020 with the second principle, Fair terms in contracts with financial consumers, to be activated in FY2021.

To help familiarise employees with the new FTFC Policy, a FTFC Compliance month was held prior to the Policy's enactment and employees were re-introduced to the updated Customer Service Charter. Moving forward, the Bank intends to roll out mandatory eLearning on the policy and establish onboarding training for new employees.

Sustainability Statement

SOCIALLY RESPONSIBLE BUSINESS (CONTINUED)

ACCESS TO FINANCIAL SERVICES

Serving the Underserved

Supporting the Visually Impaired

In FY2020, HLB became the first financial institution in Malaysia to offer Self-Service Terminals with speech functions for visually impaired customers. Including both a braille keypad and headphone jack, the HLB Talking ATMs enable visually impaired customers to be guided through transactions using personal headphones to receive instruction in one of three different languages used in Malaysia. HLB Talking ATMs have been strategically located in the Brickfields, Kuala Lumpur and Pulau Tikus, Penang communities where the Society of the Blind, Malaysia operate. The ATMs were developed with the assistance of visually impaired employees, reflecting the Bank's commitment to a customer-centric approach to designing and delivering products and services.

VALUE-BASED INTERMEDIATION INITIATIVE FOR ISLAMIC BANKING

In line with the VBI principles championed by Bank Negara Malaysia, HLISB is committed to contributing to the generation of positive and sustainable impacts through Islamic finance. Our aim is to position HLISB as an Emerging VBI Institution in three years. As part of our effort, we have set up a dedicated team to oversee and coordinate the implementation of VBI principles. These include the drafting of VBI framework, monthly updates on VBI initiatives, consistent creation of VBI-specific content for Workplace and enhancing access to knowledge and promoting Islamic banking and financial literacy. In FY2020 we also expanded our public education efforts through the "Program Celik Muamalat" speaking series, which aimed to create public awareness on Islamic finance and financial management. The programme, which was held in collaboration with two local universities, reached a total audience of 215 through two speaking programmes. Subsequently, we plan to raise public awareness on Shariah through research collaboration with local universities.

Moving forward, HLISB will also incorporate VBI principles at the product development and design stage, to ensure that we deliver solutions with greater awareness of sustainability considered from a Shariah perspective. In support of this goal and to promote stronger understanding of VBI principles across our workforce, in FY2020 we arranged two training sessions with a Shariah expert on VBI financing and investment as part of our staff capacity building in Islamic finance knowledge. A total of 35 employees from both HLB and HLISB attended the training.

SUSTAINABLE PROCUREMENT PRACTICES

Our commitment to responsible business practices extends to the suppliers and vendors that we work with across our value chain. Suppliers and vendors are required to self-declare their environmental and social responsibility strategy during the supplier screening process. Suppliers and vendors are also advised of the terms of our whistleblowing policy at several stages throughout the procurement and purchase process, so as to ensure their ability to report inappropriate behaviour. Policies related to our procurement activities, including our supplier Code of Conduct and Statement on Sustainable Practices for business partners, are available on our corporate website.

To further enhance the sustainability of our value chain, in FY2020 we initiated the development of a Sustainable Procurement Framework to guide the development of business relationships with suppliers who uphold the Bank's expectations for sustainable practices. The Sustainable Procurement Framework will include guidelines for the screening and assessment of suppliers as well as tools to assist suppliers enhance their mitigation and disclosure of ESG risks.

EMPOWERING SMES

SMEs are widely recognised for the role they play in economic growth and job creation. At HLB and HLISB, we are committed to supporting the development of the SME economy through the provision of targeted services, including financing, specially tailored products, payment collection solutions and mentorship programmes. In FY2020, we focused on developing and upgrading two of our key sustainability initiatives for the SMEs and social enterprises, namely HLB LaunchPad and iStart@HLB.

HLB LAUNCHPAD

Our support for SMEs goes beyond the provision of financial services to include guidance and exposure provided through our SME mentorship programme, HLB LaunchPad. Under this initiative, high-potential technology start-ups from ASEAN are selected to collaborate with HLB to develop and present solutions to real banking challenges. By participating in the programme, the start-ups, which are selected under the three pillars of Simplifying Banking Today, Digitising Customer Journey and Experience, and Reimagining Banking for Tomorrow, gain insights into business development, exposure from programme marketing and opportunities for market testing. At the end of the programme, start-ups are invited to pitch their solutions to our management team, after which winning companies and selected participants are invited to partner with the Bank for the implementation of their project.

Moving forward, HLB intends to expand the Launchpad programme to develop a more inclusive ecosystem that not only focuses on startups in the fintech space but also other partners, such as social enterprises and green technology companies.

iSTART@HLB

As part of our continuous effort to support and engage with the SMEs in Malaysia, we are taking the initiative to reach out to all SMEs – including the underserved entrepreneurs and start-ups – through strategic collaborations with partners such as Cradle and MaGIC, via our special program called iStart@HLB.

iStart@HLB is a platform that offers SMEs easy access to banking facilities, digital business tools and co-working spaces at low, if not zero, costs– starting with just our Business Current Account. From banking facilities to digital business tools that simplify SME business' needs on administration, market place and even logistics, iStart@HLB also accommodates unlimited access to creative and innovative spaces for ideation, product pitching and experimentation sessions at our community space, Jumpstart@65. With this personalised range of offers, we are able to provide solutions and most importantly bridge the scarcity gap of financial convenience for young businesses.

Through the strategic collaboration with our ecosystem partners such as Cradle and MaGIC, which have a large SME base under them, we are able to acquire these potential SME customers to on-board them for our Business Current Account and HLB ConnectFirst digital platform. By offering them holistic SME business solutions via our iStart@HLB platform, we stand to be their preferred partners.

JumpStart@65

JumpStart@65 is a new community space managed by HLB's Digital Innovation Office in Jalan Tun H.S. Lee, Kuala Lumpur. The space is currently refurbished as a platform to build networks of people, including both HLB employees and social enterprises, who can co-create innovative solutions to issues faced by communities. By doing so, we hope that Jumpstart@65 will inspire communities by showing purposeful life skills in action.

The space has been rolled out to secure the support of staff, reaching 600 HLB employees, and key partnerships have been inked with MaGIC, MDEC, Cradle and Fonterra. The first co-creative project in the pipeline is with PopTani, a social enterprise with a vision to create a self-sufficient farm in every house.

Workshops with organisations such as UNICEF and Chumbaka are in the pipeline, bringing together communities, HLB employees and key project partners to find ways to inspire households to become successful self-sufficient urban gardeners. The initiative is looking to engage with one social enterprise per month, with a total of 12 events hosted in the first year.

Sustainability Statement

ENVIRONMENTAL MANAGEMENT

MATERIAL TOPICS

Managing our Environmental Footprint

Responsible Consumption

OUR ENVIRONMENTAL FOOTPRINT

Our direct environmental impact encompasses the resources used and emissions generated across our business network. Aided by our digitisation strategy, we aim to reduce the influence of our business activities on the environment through more efficient patterns of consumption and disposal.

In FY2020 we launched our Responsible Consumption Activation Plan to guide our efforts in this area, with the aim of creating a cultural shift among our employees towards greater environmental responsibility. The plan consists of measuring the baseline of our consumption and employee educational and engagement programmes, which include the publication of online content promoting environmentally friendly behaviours as well as workshops and events to support a sustainable lifestyle. The development of these initiatives began in FY2020 with the establishment of the plan, with full rollout targeted for FY2021, including water, energy and waste reduction efforts.

GREEN BUILDING

In addition to encouraging behavioural changes to drive sustainable consumption, we are committed to investing in physical infrastructure that minimises the environmental impacts of our business operations. In FY2019, Menara Hong Leong was awarded a Green Building Index ("GBI") Silver rating and the internationally recognised LEED Gold rating. This has paved the way for the Bank to pursue further green certifications for its Bank-owned properties.

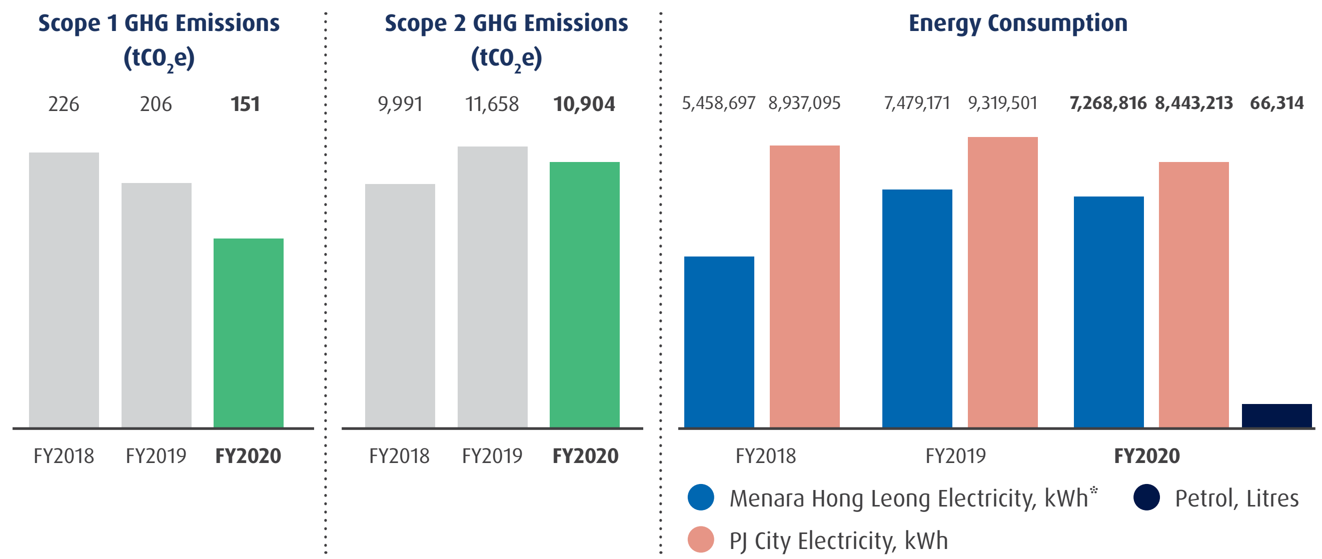
In FY2020 we set out the target to achieve Green Building Index certification for HLB's upcoming South Key Digital Branch in Johor, PJ City Tower A and our Penang branch located on Light Street by FY2025. Preparation for the GBI applications for South Key began in FY2020, with further design planning, assessment and registration to occur in FY2021. PJ City Tower A is one of our existing buildings and is currently fully-occupied by the Bank. We are currently assessing upgrades needed to obtain its green certification. In November 2019, we launched the use of automatic license-plate recognition and the use of camera technology to recognise and verify vehicles for parking access in order to reduce the dependency on plastic-based access cards. We have also retrofitted the fluorescent & PLCE light fittings to energy efficient LED fittings in July 2020.

ENERGY AND EMISSIONS

We calculate our Scope 1 and Scope 2 greenhouse gas emissions based on the fuel and energy consumed by our operations in Malaysia. In FY2020 we recorded a decrease in our carbon emissions of 800tCO_2e.

This year we recorded a decrease in the electricity consumed by both our towers compared to FY2019 levels. In addition, our electricity consumption for PJ City Tower showed an 8.8% decrease compared to 2017 baseline levels, marking the achievement of our goal to reduce electricity consumption in that facility by 5% by 2020 through the retrofitting and upgrading of aging equipment. Initiatives implemented in FY2020 to support this goal included increasing the efficiency of our heating, ventilation and air-conditioning system as well as replacing existing lighting with LED bulbs.

To further drive the efficient use of energy across our operations, in FY2020 we initiated the development of a Sustainable Energy Policy, as a guideline for building energy consumption and targets. The Policy is due for review and approval in FY2021.



FY2020 Achievements

Scope 1 GHG

27%

reduction from FY2019

Scope 2 GHG

6%

reduction from FY2019

Electricity Consumption

9%

reduction in PJ City Tower A from FY2019

Note: The building became fully operational in 2018

ENVIRONMENTAL MANAGEMENT (CONTINUED)

WATER CONSUMPTION

This year we recorded a decrease in the water consumed in both PJ City Tower A and Menara Hong Leong, amounting to a collective reduction of 12% compared to FY2019 levels.

Metric	Boundary	FY2018	FY2019	FY2020
Water consumption (cubic metres)	Menara Hong Leong*	57,357	61,823	**55,269**
	PJ City	39,550	39,223	**33,632**

* *Note: The building became fully operational in 2018*

WASTE MANAGEMENT

We monitor the amount of recyclable materials diverted from the waste disposal stream in both Menara Hong Leong and PJ City Tower. In FY2020 we recycled a total of 31,031.34kg of plastic, paper and aluminium.

Total plastic recycled (kg)

FY2020:

1,431

FY2019: 1,382

Total plastic recycled (kg)

FY2020:

29,401

FY2019: 24,625

Total cans recycled (kg)

FY2020:

199

FY2019: 1.55

COMMUNITY INVESTMENT

MATERIAL TOPICS

Building Communities

Financial Literacy

BUILDING COMMUNITIES

As a socially responsible financial institution, we are cognisant of the responsibility we bear to bring about positive change for the communities that we serve. Our targeted approach focuses on forming partnerships with promising social enterprises to drive community development. We aim to provide our expertise to further develop their platforms to spur greater socioeconomic developments in the groups of societies that they focus on empowering.

HLB JUMPSTART

HLB Jumpstart operates as HLB's flagship CSR programme, working to empower social enterprises with specialist support to grow sustainably and to succeed with impact. Social enterprises exist at a key intersection of society, not only driving economic development and social well-being, but also working towards development of the nation. Recognising the potential for HLB to convene the right experts and knowledge specialists to give social enterprises a fighting chance, HLB Jumpstart was launched in September 2018 to bring together a stable of specialists and partners in fields such as finance, branding and advertising and design and volunteerism. Far from helping just once and then walking away, HLB Jumpstart works to become part of the journey.

SURI, selected as our very first collaboration partner in September 2018, is an organisation that seeks to offer financial opportunities and skills development for single mothers in the Klang Valley via upcycling used denim into new items for resale. Green Hero, partnered in May 2019, is a social enterprise dedicated to reducing food waste across the nation.

Key Highlights from our Ongoing HLB Jumpstart Partners

SURI	Green Hero
6,271 upcycled denim bags sold, an increase of **215%** compared to sales prior to partnership	Increased average monthly sales by **113%** compared to pre-collaboration levels
Empowered **15** mothers, an increase of **50%**	**9,366** meals saved from landfill through Food Surplus Donation Drive
Collected **5,175** pieces of denim through Denim Donation Drive, saving this material from landfills	Collaborations with **85** merchants from the food and beverage industry in Penang and the Klang Valley
Collaborated with big brands, including **Tarik Jeans** and **VOIR Group**	**Green Hero Food App** in progress

COMMUNITY INVESTMENT (CONTINUED)

FY2020 saw us onboarding two more social enterprises onto our HLB Jumpstart platform.

Coffee For Good

Joining HLB Jumpstart in December 2019, as its third partnership, Coffee For Good was founded by Faridah Halani and Dalia A Aziz to give low-income youth a chance to upskill themselves for the workplace through an on-the-job training programme. Students are equipped with specialist coffee knowledge and skills whilst simultaneously given job placements as skilled baristas.

As a local cafe operator, Faridah recognised that the coffee culture was booming in Malaysia, yet the industry was facing a shortage of trained staff. Her solution was to bridge her business, coffee-making skills and empowering low-income youths to solve the on-going labour shortage faced by cafe-owners nationwide.

To support Coffee For Good in their efforts to offer employment opportunities to unskilled youth, HLB Jumpstart worked with Faridah and Dalia to energise their approach to recruitment through a branding and marketing campaign designed to recruit more trainees. To reduce costs and enable the business to thrive, valuable floor space was offered at no cost for pop-up cafes to be established in some HLB's locations and affiliated companies' offices for events and functions. Further, we worked with the duo to increase efficiency by introducing cashless payment facilities, as well as offering financial knowledge sessions with the Bank's SME specialists.

With HLB's support, in FY2020 Coffee for Good generated a total of RM17,800 in sales from HLB's events, provided 5 youths experience running a coffee pop-up business and initiated a new collaboration with a corporate company for catering business.

The Asli Co.

HLB Jumpstart's fourth, and most recent collaboration which was chosen from a batch of 9 shortlisted applicants, is with The Asli Co. who were selected to come on board in June 2020. Founded by Jason Wee and Lim Xin Yu, The Asli Co. is a social enterprise focusing on providing sustainable incomes for Orang Asli mothers from two villages via the commissioning of artisanal handicrafts and products that the women make from home.

The women are paid upfront for their creations and earn between 14% to 20% of sales. To ensure the mothers earn a fair and viable income, The Asli Co. pays up to four times the minimum hourly wage. Within the next two years, The Asli Co. aims to have a range of at least 20 handmade products to capture a wider audience and to provide income opportunities for more Orang Asli mothers.

In partnership with HLB Jumpstart, The Asli Co. will receive media and marketing assistance as well as mentorship to help strengthen their business, making it more profitable and scalable. In addition, HLB Jumpstart will help to build a more seamless payment gateway so that customers can make payments more simply. Financial literacy sessions for 10 women employed by The Asli Co. are also in the pipeline, to give the necessary financial skills required in planning for their futures.

As we continue to grow HLB Jumpstart's portfolio, FY2021 will see a fifth and sixth social enterprise come on board, with announcements due in late 2020.

ENHANCING FINANCIAL LITERACY

Financial literacy is a fundamental building block needed to secure financial well-being. Typically, those living in underserved or economically disadvantaged communities have extremely low levels of financial literacy and this lack of knowledge and insight risks creating long-term cycles of poverty that are difficult to break.

As a leading responsible financial institution in Malaysia, HLB is a sponsor and supporter of Bank Negara Malaysia's Karnival Kewangan roadshow events, designed as a platform to enhance financial literacy throughout the country. Held across Malaysia, these events work to bring together financial institutions and rural communities to connect, inform and educate.

To complement our work to disseminate knowledge on conventional financial matters, HLB and HLISB are supportive of the Malaysian government initiative to promote Islamic banking principles under the National Strategy for Financial Literacy (2019-2023). Members of the HLISB team regularly share knowledge and expertise to a range of audiences, from industry seminars and conferences, through to educational programmes for students at high school as well as those studying for undergraduate and postgraduate qualifications.

DUITSMART

In September 2019, HLB launched DuitSmart, a digital platform designed as a repository for content that would enhance financial literacy amongst Malaysians, helping them to achieve their financial goals. Established in response to a survey conducted in partnership with iMoney, DuitSmart was also intended to help HLB and HLISB better understand the financial health of the Malaysian population.

Containing topics such as the importance of a good credit score, adoption of good money habits, financial mistakes to avoid and other useful tips, HLB takes the view that by investing in useful and educational content, we are working to strengthen financial education nationwide and working to improve the overall financial health of the nation. The platform was created in partnership with Agensi Kaunseling dan Pengurusan Kredit (AKPK) and University of Malaya.

To ensure that as many people as possible from every walk of life are able to access the DuitSmart platform, work in FY2020 has focused on taking a strategic approach to reaching out to audiences through online and on-the-ground activities. These audiences include HLB employees, media houses, corporate companies, universities, customers at HLB branches and wider communities at Bank Negara Malaysia events. Engagement interactions with individuals both on and offline have focused on two main areas - 'Check Your Credit Score' and 'Understanding Basic Financial Jargon'.

To date on-the-ground activities have taken place at nine HLB branches, five media houses, two staff engagement sessions and through two Bank Negara events — Karnival Kewangan Perlis 2019 and LIFT Festival 2019. A total of 865 participants benefited from our on-the-ground engagement activities. To supplement these in-person engagements, we have also launched an online portal providing financial tips and scam awareness content, as well as information on the Malaysian government's COVID-19-related loan moratorium. As of September 2020, we had recorded a consumer reach of over 4.6 million for this digital content since its launch.

FINANCIAL LITERACY IN ISLAMIC BANKING

Spearheaded by HLISB, the Program Celik Muamalat is a series of public awareness talks and forums striving to provide financial literacy training regarding Islamic banking topics. Two events were conducted in FY2020, the first of which was held at Universiti Sains Islam Malaysia. Topics discussed revolved around product development in Islamic banking. The second event which focused on broader Islamic banking and finance subject matters was held in Universiti Tunku Abdul Rahman and was attended by almost 100 undergraduates.

To further improve our channels of engagement regarding Islamic finance, we focus on digitising our knowledge sharing initiatives. Our revamped HLISB website has an additional education page which provides information on Islamic banking topics such as Tawarruq, Mudarabah, and Tabarru'. In line with our digital efforts, we also have plans to conduct future Program Celik Muamalat sessions via a webinar format in future higher learning institutions that we collaborate with.

HONG LEONG FOUNDATION

Hong Leong Group's charitable entity, the Hong Leong Foundation ("HLF" or "the Foundation") operates to deliver philanthropic and social outreach programmes targeting underserved communities. Established in 1992 and funded through Hong Leong Group's companies, the Foundation works to create long-term sustainable impacts in communities with focus on projects related to Education and Community Development.

Working in partnership with established charitable organisations or with recognised community change agents, the Foundation seeks to implement projects by leveraging existing infrastructure, knowledge or connections in order to secure optimal outcomes. Furthermore, the programmes implemented by the Foundation offer Hong Leong Bank employees valuable opportunities to volunteer time and resources to make important contributions.

Hong Leong Foundation's Total expenditure in FY2020

RM3,446,963

RM1,417,171 for education programmes

RM2,029,763 for community development programmes

Corporate **Information**

DIRECTORS

YBHG TAN SRI QUEK LENG CHAN (Chairman)

MR TAN KONG KHOON

MR KWEK LENG HAI

MS CHOK KWEE BEE

YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

YBHG DATUK DR MD HAMZAH BIN MD KASSIM

MS CHONG CHYE NEO

MS LAU SOUK HUAN

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

Mr Domenic Fuda

GROUP COMPANY SECRETARY

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

AUDITORS

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

REGISTRAR

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

REGISTERED OFFICE

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

WEBSITE

www.hlb.com.my

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventy-Ninth Annual General Meeting ("AGM") of Hong Leong Bank Berhad ("Bank") will be held at Wau Bulan Ballroom, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Friday, 30 October 2020 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 2020.

2. To declare a final single-tier dividend of 20 sen per share for the financial year ended 30 June 2020 to be paid on 20 November 2020 to members registered in the Record of Depositors on 5 November 2020. **(Resolution 1)**

3. To approve the payment of Director Fees of RM1,221,415 for the financial year ended 30 June 2020 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM120,000 from the 79th AGM to the 80th AGM of the Bank. **(Resolution 2)**

4. To re-elect the following Directors pursuant to the Bank's Constitution:
   (a) YBhg Tan Sri Quek Leng Chan **(Resolution 3)**
   (b) Ms Chok Kwee Bee **(Resolution 4)**
   (c) YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah **(Resolution 5)**

5. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix their remuneration. **(Resolution 6)**

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as resolutions:

6. **Ordinary Resolution**
   Authority to Directors to Allot Shares
   "**THAT** subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Bank's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to allot shares in the Bank, grant rights to subscribe for shares in the Bank, convert any security into shares in the Bank, or allot shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Bank for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so allotted on Bursa Securities and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Bank." **(Resolution 7)**

Notice of Annual General Meeting

7. **Ordinary Resolution**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and Persons Connected with HLCM

"**THAT** approval be and is hereby given for the 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 1 October 2020 ("the Circular") with HLCM and persons connected with HLCM ("Hong Leong Group"), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to 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 8)**

8. To consider any other business of which due notice shall have been given.

Notice of Annual General Meeting

FURTHER NOTICE IS HEREBY GIVEN that a depositor shall qualify for entitlement to the final dividend only in respect of:

(a) shares transferred into the depositor's securities account before 4:30 p.m. on 5 November 2020 in respect of ordinary transfers; and

(b) shares bought on Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board

JACK LEE TIONG JIE
(MAICSA 7060133)
(SSM PC No. 202008001704)
Group Company Secretary

Kuala Lumpur
1 October 2020

NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 22 October 2020 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the 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 lodge 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 8.29 A (1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to vote by way of a poll.

Notice of Annual General Meeting

EXPLANATORY NOTES

1. Resolution 2 on Director Fees and Other Benefits

- Director Fees of RM1,221,415 are inclusive of Board Committee Fees of RM389,875 and Meeting Allowances of RM109,000.
- Directors' Other Benefits refer to Directors' & Officers' Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to RM120,000.

2. Resolution 7 on Authority to Directors to Allot Shares

The proposed Ordinary Resolution, if passed, will renew the general mandate given to the Directors of the 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 29 October 2019 and which will lapse at the conclusion of the 79th AGM. The Renewed General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issuance and allotment of new shares, grant of rights to subscribe for shares, conversion of any security into shares, or allotment of shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

3. Resolution 8 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 1 October 2020 which is available on the Bank's Corporate website (https://www.hlb.com.my/annualreport2020).

Statement Accompanying Notice of **Annual General Meeting**

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities)

- **Details of individuals who are standing for election as Directors**

  No individual is seeking election as a Director at the forthcoming Seventy-Ninth 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 Securities**

  Details of the general mandate to issue securities in the Bank pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 2 of the Notice of Seventy-Ninth Annual General Meeting.

Board of Directors' Profile

YBHG TAN SRI QUEK LENG CHAN

Position

Chairman/Non-Executive/Non-Independent

Nationality / Age / Gender

Malaysian / 77 / Male

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

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

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

MR TAN KONG KHOON

Position

Executive Director/Non-Independent

Nationality / Age / Gender

Singaporean / 63 / Male

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

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

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

From March 2007 to December 2009, Mr Tan was 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

MR KWEK LENG HAI

Position

Non-Executive Director/Non-Independent

Nationality / Age / Gender

Singaporean / 67 / Male

Mr Kwek Leng Hai is qualified as a Chartered Accountant and has extensive experience in financial services, manufacturing and property investment.

Mr Kwek was appointed to the Board of HLB on 3 January 1994. He is also a Director of Hong Leong Islamic Bank Berhad ("HLISB") and HLCM, both public companies.

Mr Kwek is the Executive Chairman of Guoco Group Limited ("GGL"). He was appointed as a Director of GGL in 1990 and assumed the position of President, Chief Executive Officer from 1995 to 1 September 2016. He is also the Chairman of Lam Soon (Hong Kong) Limited ("LSHK"). Both GGL and LSHK are listed on the Hong Kong Stock Exchange. Mr Kwek is also a Director of GGL's key subsidiaries, including his positions as the Non-Executive Chairman of GL Limited and a Director of GuocoLand Limited, both public listed companies in Singapore. He is also a Director of Bank of Chengdu Co., Ltd., a public company listed on the Shanghai Stock Exchange.

MS CHOK KWEE BEE

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 68 / 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 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. 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 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 is currently the Chairman of Aemulus Holdings Berhad, a company listed on the Main Market of Bursa Securities. She also sits on the board of several private companies.

Board of Directors' Profile

YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

Position

Non-Executive Director/Independent

Nationality / Age / Gender

British and Malaysian Permanent Resident / 68 / 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.

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

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

YBHG DATUK DR MD HAMZAH BIN MD KASSIM

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 71 / 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. YBhg Datuk Dr Md Hamzah was appointed to the Malaysian Anti-Corruption Commission (MACC) Advisory Board since 1 June 2020.

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

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

Board of Directors' Profile

MS CHONG CHYE NEO

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 57 / Female

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

Ms Chong has been part of the information technology industry for more than 30 years, having been with IBM Malaysia Sdn Bhd ("IBM Malaysia") since 1989 until her retirement in December 2018. In IBM, she held senior leadership roles that spanned across multiple disciplines of technical, sales, intellectual property development, business and strategy development; and roles which gave her in-depth experience working in multiple countries across ASEAN and Asia Pacific. She was appointed to the role of Managing Director/Chief Executive Officer ("MD/CEO") of IBM Malaysia in 2015, the first woman to helm the company in its 57-year history in Malaysia. As MD/CEO, she was responsible for the overall management of IBM Malaysia and Brunei, and was a Director of IBM Global Delivery Centre (M) Sdn Bhd and Kenexa Techologies Sdn Bhd.

In 2016, Ms Chong was recognised with the "CEO Champion Award" by Talentcorp. In November 2017, she was appointed to Talent Compact 4.0, a national advisory panel in response to the impact of Industry Revolution 4.0 and its implication to the future of work. In April 2018, she was recognised by the Malaysian Business publication as one of Malaysia's 25 Women of Influence. She was also appointed to the Board of Governors of American Malaysian Chamber of Commerce and served until her retirement. Ms Chong speaks regularly at national and international forums on topics ranging from Women in Leadership to Digital Disruptions and Impact of Industry Revolution 4.0.

Ms Chong was appointed to the Board of HLB on 21 February 2019 and is the Chairman of the BITC of HLB.

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

MS LAU SOUK HUAN

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 56 / 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. 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 Chief Financial Officer 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, BAC and BITC of HLB.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   YBhg Tan Sri Quek Leng Chan and Mr Kwek Leng Hai are brothers. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of HLB.
2. ***Conflict of Interest***
   None of the Directors has any conflict of interest with HLB.
3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2020.
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

MR DOMENIC FUDA

Position

Group Managing Director/Chief Executive Officer

Nationality / Age / Gender

Australian / 53 / Male

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

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

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

MR MALKIT SINGH MAAN

Position

Chief Financial Officer

Nationality / Age / Gender

Malaysian / 54 / Male

Mr Malkit Singh Maan is a Chartered Accountant with the Malaysian Institute of Accountants and a fellow member of the Australian Society of Certified Public Accountant. 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 29 years of banking, corporate 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 Malaysia Berhad ("Bank Islam"). He contributed considerably in the turnaround plan of Bank Islam and thereafter set the path for sustainable growth and value based business for Bank Islam. Prior to Bank Islam, Mr Malkit was the CFO of ABN AMRO Bank Berhad and Vice President-Finance at RHB Bank Berhad.

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

Key Senior Management of the Group

MR CHARLES SIK WAN KING

Position

Managing Director, Personal Financial Services

Nationality / Age / Gender

Malaysian / 58 / Male

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

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

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

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

MR YOW KUAN TUCK

Position

Managing Director, Business and Corporate Banking

Nationality / Age / Gender

Malaysian / 49 / Male

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

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

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

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

Key Senior Management of the Group

MR HOR KWOK WAI

Position

Managing Director, Global Markets

Nationality / Age / Gender

Malaysian / 46 / Male

Mr Hor Kwok Wai holds a Bachelor of Science in Actuarial Mathematics and Statistics from Heriot-Watt University, United Kingdom.

He joined HLB in January 2011 as Chief Operating Officer of Global Markets. He assumed his current position on 1 September 2016.

Prior to HLB, Mr Hor was Head of Global Markets for The Royal Bank of Scotland Malaysia where he spent 7 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.

ENCIK JASANI BIN ABDULLAH

Position

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

Nationality / Age / Gender

Malaysian / 60 / 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 20 years in Islamic finance.

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

Key Senior Management of the Group

MR AARON HO WAI CHOONG

Position

Managing Director, China Operations

Nationality / Age / Gender

Malaysian / 65 / Male

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

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

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

MS NG WEE LEE

Position

Managing Director & Chief Executive, HLB Singapore Branch

Nationality / Age / Gender

Singaporean / 52 / Female

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

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

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

Key Senior
Management of the Group

MR JOSEPH FARRUGIA

Position

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

Nationality / Age / Gender

Australian / 57 / Male

Mr Joseph Farrugia undertook and completed a course in Marketing Strategy at Melbourne Business School, Australia.

Mr Joseph Farrugia joined HLB on 30 July 2012 as Chief Executive Officer of HLBCAM.

Prior to HLB, he was the Head of Retail Banking and Wealth Management, ANZ Bank Vietnam & Greater Mekong Region, which incorporates Cambodia and Laos.

MR DUONG DUC HUNG

Position

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

Nationality / Age / Gender

Vietnamese / 44 / Male

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

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

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

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

Key Senior Management of the Group

MR PHILIP LUK KAI MAN

Position

Managing Director & Chief Executive, HLB Hong Kong Branch

Nationality / Age / Gender

Hong Kong Citizen / 50 / Male

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

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

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

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

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

Notes:

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

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

3. ***Conviction of Offences***
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2020.

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)
(Appointed as BAC member with effect from 6 September 2019)

SECRETARY

The Secretary(ies) to the BAC is/are 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 2020, 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 (1)	8/8

Notes:
(1) Appointed as BAC member with effect from 6 September 2019.

Board Audit Committee Report

HOW THE BAC DISCHARGES ITS RESPONSIBILITIES

FINANCIAL REPORTING

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

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

BAC had reviewed management's responses and the action plans taken to address the findings and recommendations highlighted by BNM during their review on the Bank's MFRS 9 implementation.

The legal and regulatory environment was monitored and consideration given to changes in law, regulation, accounting policies and practices including financial reporting standards in the pipeline as well as the revised disclosure requirements pursuant to the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

EXTERNAL AUDIT

The external auditors of the Group for the financial year ended 30 June 2020 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 2020 amounted to RM3,601,959 of which RM300,000 was payable in respect of non-audit services. Non-audit services accounted for 13% 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 2020 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 2020 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 reappointment of PwC PLT will be proposed to shareholders at the 2020 Annual General Meeting.

Board Audit Committee Report

RELATED PARTIES TRANSACTIONS

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

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

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

CREDIT TRANSACTIONS AND EXPOSURE WITH CONNECTED PARTIES

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

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

INTERNAL AUDIT

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

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

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

GROUP INTERNAL AUDIT DIVISION ("GIAD")

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 2020, 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, it also through a service agreement, provides internal audit services to Hong Leong Capital Berhad, Hong Leong Assurance Berhad, and Hong Leong MSIG Takaful Berhad. The cost incurred for the Internal Audit function of the Bank in respect of the financial year ended 30 June 2020 was RM14.1 million.

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

Board Risk Management Committee (BRMC) Report

CONSTITUTION

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

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

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

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

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

COMPOSITION

The BRMC shall:

(a) have at least three directors;

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

(c) be chaired by an independent director;

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

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

SECRETARY

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

TERMS OF REFERENCE

RISK MANAGEMENT

1. To review management's activities in managing principal risks such as credit, market, liquidity, interest rate risk in the banking book, operational, compliance and the risk management process.

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 on the capital stress test scenarios, parameters, key assumptions and results.

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

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

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

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

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

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

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

Board Risk Management Committee (BRMC) Report

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

15. To review management's implementation of the remuneration system and incentives provided by the remuneration system which take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Remuneration Committee.

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

COMPLIANCE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GROUP GOVERNANCE

1. Noted that:

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

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

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

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

Board Risk Management Committee (BRMC) Report

AUTHORITY

The BRMC is authorised by the Board to review any activities of the Group within its terms of reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the BRMC.

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

MEETINGS

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

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

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

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

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

REVISION OF THE TERMS OF REFERENCE

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

ACTIVITIES

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

For the financial year ended 30 June 2020, eight (8) BRMC meetings and five (5) special BRMC meetings were held and the attendance of the BRMC members is recorded as follows:

Member	Attendance
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	13/13
Ms Chok Kwee Bee	13/13
Ms. Lau Souk Huan	10/10

Ms. Lau Souk Huan was appointed as a member of the BRMC with effect from 6 September 2019. She attended the BRMC meetings from October 2019.

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, liquidity risk, and operational risk.

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

Specifically with regards to the Covid-19 pandemic, the BRMC reviewed reports of management's analysis and risk mitigation actions in relation to the Bank's credit exposures, market risk, operational risk, capital adequacy and liquidity. The BRMC reviewed revisions to policies for prudential operations of the Bank that addresses issues arising from the pandemic, the movement control orders instituted by the government and the loan repayment moratorium measures introduced for customers that may be adversely impacted by the economic interruptions caused by the pandemic. The BRMC also reviewed the Group's implementation of business continuity management plans and processes. Information on employees who were infected with Covid-19 or quarantined due to close contact with a positive or suspected Covid-19 case was promptly reported to the BRMC.

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

Board Information and Technology **Committee Report**

CONSTITUTION

The Board Information and Technology Committee ("BITC") was established on 1 January 2020 to jointly support the Boards of Hong Leong Bank Berhad and Hong Leong Islamic Bank Berhad (the "Bank") 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 the Bank Negara Malaysia policy document on Risk Management in Technology ("BNM RMiT Policy").

COMPOSITION

MS CHONG CHYE NEO
(Chairman, Independent Non-Executive Director)

YBHG DATUK DR MD HAMZAH BIN MD KASSIM
(Independent Non-Executive Director)

MS LAU SOUK HUAN
(Independent Non-Executive Director)

SECRETARY

The Secretary(ies) to the BITC is/are the Company Secretary(ies) of the Bank.

TERMS OF REFERENCE

The terms of reference of the BITC are published on the Bank's website, www.hlb.com.my.

AUTHORITY

The BITC is authorised by the Board to review any technology related activities of the Group within its terms of reference. It is authorised to seek any technology related information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the BITC.

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

MEETINGS

The BITC meets at least four (4) 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 Auditor, Chief Compliance Officer, Chief Information Security Officer, Head of Group Operations and Technology, Chief IT Officer, other senior management and external auditors may be invited to attend the BITC meetings, whenever required.

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

Two (2) members of the BITC shall constitute a quorum.

After each BITC meeting, the BITC shall report and update the Board on significant technology related issues and concerns discussed during the BITC meetings and where appropriate, make the necessary recommendations to the Board for its deliberation and approval.

Board Information and Technology Committee Report

ACTIVITIES

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

Member	Attendance
Ms Chong Chye Neo	2/2
YBhg Datuk Dr Md Hamzah bin Md Kassim	2/2
Ms Lau Souk Huan	2/2

The BITC carried out the following activities in discharge of its duties in accordance with its terms of reference during the financial year ended 30 June 2020:

- Reviewed the IT strategy and monitored the progress against management plan.
- Reviewed the cyber security strategy/framework.
- Reviewed the production incidents and trending.
- Reviewed the state of compliance and progress updates on action items in relation to the BNM RMiT Policy.
- Reviewed and assessed IT-related policies/guidelines.
- Reviewed the risk assessment on IT outsourcing 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 System Stability Risk Appetite Statement for the financial year 2019/2020, in line with the BNM RMiT Policy.
- Reviewed the audit findings identified by the Group Internal Audit Division and the External Auditors on IT-related matters and monitored the resolutions and action items in relation thereto.
- Reviewed the Business Continuity Management of the Group, including critical system downtime and disaster recovery plans.
- Reviewed the Data Centre Resiliency Assessment Report to evaluate the facilities and infrastructure of existing live/production data centre site based on concurrent maintainable requirement by BNM RMiT Policy.
- Reviewed the Group's adoption of emerging technologies, including the adoption status and corresponding capabilities.

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

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

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

Finance Committee on Corporate Governance

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

The CG Report 2020 of the 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.

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.

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

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

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

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

B. BOARD COMPOSITION

The Board currently comprises eight (8) Directors. The eight (8) Directors are made up of one (1) Executive Director and seven (7) Non-Executive Directors, of whom five (5) are independent. The profiles of the members of the Board are set out in this Annual Report.

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

The Bank has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate. The Board currently has eight (8) Directors, of whom three (3) are women Directors. The Board will continue to maintain women participation on the Board in line with the MCCG.

Based on the review of the Board composition in July 2020, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Bank.

C. BOARD COMMITTEES

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

(A) BAC

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

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

(B) BRMC

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

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

(C) BITC

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

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

C. BOARD COMMITTEES (CONTINUED)

(D) 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.

The Bank has in place a Fit and Proper ("F&P") Policy as a guide for the following process and procedure for assessment of (i) new appointments and re-appointments of Chairman, Directors and GMD/CEO, (ii) appointment of Board Committee members, and (iii) annual F&P assessment of Chairman, Directors and GMD/CEO, and the criteria and guidelines used for such assessments. Upon the approval of the Board, an application on the prescribed forms will be submitted to BNM for approval in respect of new appointments and re-appointments.

(i) New Appointments

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

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

In assessing the candidates for Board appointments, the NC will take into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired composition and the mix of expertise and experience of the Board as a whole and having regard to the candidates' attributes, qualifications, management, leadership, business experience and their F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines. The Bank will also conduct independent background checks to verify the information disclosed in the F&P Declarations. The Bank has taken steps to build and maintain a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases in its search for suitable Board candidates.

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

(ii) Re-Appointments

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

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

C. BOARD COMMITTEES (CONTINUED)

(D) NC (CONTINUED)

(ii) Re-Appointments (continued)

For re-appointments, the Chairman, Directors and GMD/CEO will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations and time commitment. The NC will also consider the results of the Annual Board Assessment (as defined below) results, their contributions during the term of office, attendance at Board meetings, F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines and for Independent Directors, their continued independence. Independent background checks will also be conducted to verify the information disclosed in their F&P Declarations.

(iii) Board Committee Appointments

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

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

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

(iv) Annual F&P Assessment

The annual F&P assessment process is as follows:

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

A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual Director on an annual basis ("Annual Board Assessment") in conjunction with the annual F&P assessment of Chairman, Directors and GMD/CEO per BNM Guidelines. Directors are required to complete the F&P Declaration in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines. Independent background checks will also be conducted to verify the information disclosed in their F&P Declarations.

The NC will deliberate the results of the Annual Board Assessment and submit its recommendation to the Board for consideration and approval. For newly appointed Chairman, Directors and GMD/CEO, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one year service.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (CONTINUED)

(D) NC (CONTINUED)

(iv) Annual F&P Assessment (continued)

Assessment criteria for Board as a whole include, inter alia, the effectiveness of the Board composition in terms of size and structure vis-à-vis the complexity, size, scope and operations of the Bank; the core skills, competencies and experience of the Directors; and the Board's integrity, competency, responsibilities and performance. The assessment criteria for Board Committees include the effectiveness of the respective Board Committees' composition in terms of mix of skills, knowledge and experience to carry out their respective roles and responsibilities in accordance with the Board Committees' TOR and the contribution of the Board Committees members. Each individual Director is assessed on, inter alia, the effectiveness of his/her competency, expertise and contributions. The skills, experience, soundness of judgment as well as contributions towards the development of business strategies and direction of the Bank and analytical skills to the decision-making process are also taken into consideration.

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

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

During the financial year ended 30 June 2020 ("FY 2020"), five (5) NC meetings were held and the attendance of the NC members were as follows:

Member	Attendance
Ms Chok Kwee Bee	5/5
Mr Tan Kong Khoon	5/5
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	5/5

The NC carried out the following activities in the discharge of its duties in accordance with its TOR during the FY 2020:

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

C. BOARD COMMITTEES (CONTINUED)

(D) NC (CONTINUED)

- Reviewed the establishment and composition of the BITC and recommended to the Board for consideration and approval;
- Reviewed the revision to the TOR of the NC and recommended to the Board for consideration and approval; and
- Reviewed the new Board Policy on Talent Management and recommended to the Board for consideration and approval.

(E) REMUNERATION COMMITTEE ("RC")

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

- YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah *(Chairman)*
- YBhg Tan Sri Quek Leng Chan
- YBhg Datuk Dr Md Hamzah bin Md Kassim

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

During the FY 2020, 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	3/3
YBhg Datuk Dr Md Hamzah bin Md Kassim	3/3

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

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

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

The detailed remuneration of each Director during the FY 2020 is as set out in Note 41 of the Audited Financial Statements in this Annual Report.

REMUNERATION PHILOSOPHY & FRAMEWORK

HLB Group's 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 the Bank's 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 the Bank's Code of Conduct and risk and compliance management as part of the key performance indicators for remuneration decisions.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (CONTINUED)

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

GUIDING PRINCIPLES

Principle 1 - Oversight by Remuneration Committee & Board of Directors

The RC's responsibilities are to recommend to the Board the framework and policies that govern the remuneration of the Directors, Shariah Committee, Chief Executive Officer, senior management officers and other material risk takers. The RC ensures that the remuneration system is in line with the business and risk strategies, corporate values and long-term interests of the Bank and that it has a strong link between rewards and individual performance and is periodically benchmarked to market/industry. The Board must ensure that the corporate governance disclosures on remuneration are accurate, clear, and presented in a manner that is easily understood by its shareholders, customers and other relevant stakeholders.

Principle 2 - Prudent Risk Taking

Remuneration for employees within the Bank must be aligned with prudent risk-taking. Hence, remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement.

Principle 3 - Governance Process for Bonus, Increment and Promotion ("BIP")

The Bank has established an end-to-end BIP process to ensure proper governance and sufficient control is in place. Provision for variable remuneration is tied to the performance of the Bank and the pool is allocated according to the performance of each business unit. To safeguard the independence and authority of individuals engaged in control functions, the Bank ensures that the remuneration of such individuals is based principally on the achievement of control functions objectives and determined in a manner that is independent from the business lines they oversee. No increment and bonus is accorded to an employee with performance rating 1 or 2 or if the employee has tendered his/her resignation.

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.

C. BOARD COMMITTEES (CONTINUED)

REMUNERATION PRACTICES (CONTINUED)

Measurement of Performance (continued)

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 the Bank's shareholders and multiple stakeholders. At the end of the year, performance of the employee is assessed through the performance management framework which is based on 70% of KRAs (with mandatory weightage for Compliance and Training) and 30% of HLB Values.

The Bank shall ensure the performance measure of the employee promotes the Bank's core values and desired conduct and behaviour to achieve Fair Treatment of Financial Consumers ("FTFC") and all relevant regulatory policies outcomes. Apart from quantitative targets, performance measures shall include qualitative criteria that closely reflect the delivery of FTFC and all relevant regulatory policies outcomes.

Every senior management officer has a responsibility to embed sustainability in all initiatives in their division. This is linked to performance considerations and in turn, total remuneration received.

Pay Mix Delivery and its Purpose

The overall Total Compensation for the GMD/CEO and members of the Senior Management team generally includes base pay, fixed cash allowances, performance-based variable pay, long term incentives, benefits and other employee programmes.

1. Fixed Pay (base pay and fixed cash allowances)

   Fixed pay is delivered at an appropriate level taking into account skills, experience, responsibilities, competencies and performance; ensuring its competitiveness vis-à-vis comparable institutions for attraction and retention purposes.

2. Performance-based variable pay

   Performance-linked variable pay in the form of bonuses is paid out at the end of the financial year subject to the Bank's performance and in recognition of individual performance and key achievements during the year. It focuses on the achievement of key objectives which are aligned to value creation for the Bank's shareholders and multiple stakeholders. A robust key performance indicators ("KPIs") setting process that incorporates risk management as part of the scorecards is also in place to ensure excessive risk taking behaviours of staff are minimised and sufficient control mechanism is 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.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (CONTINUED)

REMUNERATION PRACTICES (CONTINUED)

Pay Mix Delivery and its Purpose (continued)

4. Employee Benefits and Programmes

   Employee benefits (e.g. screening, health and medical, leave passage) are used to foster employee value proposition and wellness to ensure the overall well-being of the employees. These are being reviewed annually to ensure HLB remains competitive in the industry and that the employees are well taken care of.

Remuneration Disclosure

The following depicts the total value of remuneration awarded to the GMD/CEO, Senior Management team and Material Risk Takers of the Bank for the FY 2020:

	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2020 (RM)	Total amount of outstanding deferred remuneration paid out (vested) in FY2020 (RM)
Fixed Remuneration					
Cash-based	31	30,593,394	-	-	-
Shares and share-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Variable Remuneration					
Cash-based	28	22,717,999	3,618,511	-	-
Shares and share-linked instruments	23	-	3,379,760	6,129,763	7,089,939
Other	-	-	-	-	-

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

D. INDEPENDENCE

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

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

D. INDEPENDENCE (CONTINUED)

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

E. COMMITMENT

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointments. This ensures that their commitment, resources and time are focused on the affairs of the Bank to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG Policy.

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

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

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

The Board met seven (7) times for the FY 2020 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	7/7
Mr Tan Kong Khoon	7/7
Mr Kwek Leng Hai	7/7
Ms Chok Kwee Bee	7/7
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	7/7
YBhg Datuk Dr Md Hamzah bin Md Kassim	7/7
Ms Chong Chye Neo	7/7
Ms Lau Souk Huan[1]	6/6

[1] *Appointed as Director with effect from 6 September 2019.*

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.

Corporate Governance Overview, Risk Management & Internal Control Statement

E. COMMITMENT (CONTINUED)

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

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

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

During the FY 2020, the Directors received regular briefings and updates on the Bank's businesses, strategies, operations, risk management and compliance, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes were also organised for the Directors and senior management of the Bank.

The Directors of the Bank have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

During the FY 2020, the Directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Anti-Money Laundering Act Training 2019
- Asia School of Business – "9th Series: Creating Jobs In The Post-Covid World"
- Asset-Liability and Risk Management – Regulatory Principles and Market Best Practice
- BNM – Regional Conference on Climate Change
- BNM – FIDE Forum Dialogue on Key Aspects of Fintech and Regulation
- BNM – FIDE Forum Dialogue on Innovation and Fintech in the Financial Services Industry
- FIDE Elective Programme – Emerging Risks, the Future Board and Return on Compliance
- FIDE Forum – 2nd PIDM : FIDE Forum Annual Dialogue with the CEO of PIDM
- FIDE Forum – Artificial Intelligence and Its Role in Financial Institutions
- FIDE Forum – Challenging Times: What Role Must the Board Play?
- FIDE Forum – Covid-19 and Current Economic Reality: Implications for Financial Stability
- FIDE Forum – Digital Banking: Why Does It Matter?
- FIDE Forum – Digital To The Core
- FIDE Forum – Outthink The Competition: Excelling in a Post Covid-19 World
- IBFIM – Islamic Jurisprudence and Its Application in Islamic Finance
- ICLIF – Board & Executive Pay During and Post Covid-19
- ICLIF – Cybersecurity & Work-From-Home Security Challenges Amidst Covid-19 Pandemic
- ICLIF – Environmental, Social and Governance (ESG) Trends & Regulatory Developments
- ICLIF – FIDE Core Programme
- ICLIF – Force Majeure & Covid-19: How are Contractual Relationships Affected and Managed?
- ICLIF – Raising Defences: Section 17A, Malaysian Anti-Corruption Commission (Amendment) Act 2018
- ISRA Consultancy – Islamic Finance for Board of Directors Programme
- Khazanah Megatrends Forum 2019
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- MIBA – SIDC: The More Things Change, The More They Stay The Same
- MICG – Strengthening the Effectiveness of the Audit Committee: A Practical Approach
- MICG – Members' Breakfast Talk: Why Sustainability Matters?
- MICG – 2019 Forum on Corporate Governance in the Capital Market: Building and Sustaining A Robust Malaysian Capital Market
- Securities Commission Malaysia – Audit Oversight Board : Conversation with Audit Committees
- Update on Singapore Stock Exchange Listing Rules
- Update on Singapore Code of Corporate Governance 2018
- 14th International Shari'ah Scholars Forum
- Workshop on the Internal Capital Adequacy Assessment Process (ICAAP)

F. STRENGTHENING CORPORATE GOVERNANCE CULTURE

OUR APPROACH TO CORPORATE GOVERNANCE

Nurturing a strong corporate governance culture encompasses not only the policies or processes that we already have in place but also training that is practical and based on every day scenarios that can be applied in an employee's work. Our approach to corporate governance includes the following:

1 Code of Conduct & Ethics	2 Policies & Processes	3 Continuous Development
The HLBG Code of Conduct & Ethics ("CoCE") ensures that our employees commit to a high standard of professionalism and ethics in the conduct of our business and professional activities. The HLBG CoCE is fundamental to align employee behaviour, drive a high performance culture bankwide and achieve business results.	In addition to the HLBG CoCE, the Talent Management Board Policy, Remuneration Board Policy and the Learning & Development Management Policy aim to promote a culture of compliance underpinned by the Bank's values, whilst striking a balance between prudent risk-taking and reward.	Continuously strengthening corporate governance through cumulative learning across all touchpoints: key learnings from Risk and Compliance Governance Meetings, feedback from customer complaint management channels, BUCO and BUCR meetings and bankwide/ divisional learning for employees.

Code of Conduct & Ethics

Employees are guided by the Bank's values, which seek to ensure that everything we do is sustainable and adds value to the communities we operate in (Here For The Long Term); we treat people with respect and seek win-win solutions for all parties (Collaborate To Win); we take ownership and make things happen (Decisiveness). At the same time, employees are encouraged to embrace change and not be afraid to do things differently (Innovation) and celebrate new learning opportunities (Have Fun).

The Bank's values, together with the six principles stated in the HLBG CoCE, is fundamental to align employee behaviour, drive a high performance culture bankwide and achieve business results.

Specifically, in upholding the value of "Here for the Long Term", the HLB Group commits to a high standard of professionalism and ethics in the conduct of our business and professional activities as set out in the HLBG CoCE.

The Code 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 Code 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.

Corporate Governance Overview, Risk Management & Internal Control Statement

F. STRENGTHENING CORPORATE GOVERNANCE CULTURE (CONTINUED)

OUR APPROACH TO CORPORATE GOVERNANCE (CONTINUED)

Code of Conduct & Ethics (continued)

Principles

There are six key pillars to the HLB Group CoCE:

Principle 1 Competence	Principle 2 Integrity	Principle 3 Fairness
The HLB Group is committed to ensuring that its employees develop and maintain the relevant knowledge, skills and behaviour to ensure that our activities are conducted professionally and proficiently.	The HLB Group's Vision, Mission and Values identifies a strong values-based culture to guide decisions, actions and interactions with stakeholders as a key enabler for the success of the HLB Group.	A core mission of the HLB Group is to help our clients succeed through simple, relevant, personal and fair banking. We must act responsibly and be fair and transparent in our business practices, including treating our colleagues, customers and business partners with respect. We must consider the impact of our decisions and actions on all stakeholders.
Principle 4 Confidentiality	**Principle 5 Objectivity**	**Principle 6 Environment**
The HLB Group is committed to providing a safe, reliable and secured banking environment and experience for our customers.	Employees must not allow any conflict of interest, bias or undue influence of others to override their business and professional judgment. Employees must not be influenced by friendships or association in performing their role. Decisions must be made on a strictly arms-length business basis.	The HLB Group is committed to reduce the effect of our operations on the environment so that we are able to build our franchise in a safe and healthy environment. We aim to do this by managing the resources we use across the HLB Group and raising staff awareness about the importance of caring for the environment. The HLB Group will be mindful of its activities with employees, business partners and the community we operate within to ensure human rights are safeguarded. Where there are adverse impacts, we are committed to addressing these.

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.

F. STRENGTHENING CORPORATE GOVERNANCE CULTURE (CONTINUED)

OUR APPROACH TO CORPORATE GOVERNANCE (CONTINUED)

Policies & Processes (continued)

Policy Name	Purpose
HLBG Code of Conduct & Ethics	The HLBG CoCE ensures that our employees commit to a high standard of professionalism and ethics in the conduct of our business and professional activities. All employees are required to attest to the 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 organisation 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.

Corporate Governance Overview, Risk Management & Internal Control Statement

G. ACCOUNTABILITY AND AUDIT

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

I. FINANCIAL REPORTING

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

II. RISK MANAGEMENT AND INTERNAL CONTROL

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

The BRMC is delegated with the responsibility to provide oversight on the Bank's management of critical risks that the Group faces while the BAC is delegated with the responsibility to review the effectiveness of internal controls implemented in the Bank.

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

III. RELATIONSHIP WITH AUDITORS

The appointment of external auditors is recommended by the BAC, which 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.

H. DISCLOSURE

The Bank has in place a Corporate Disclosure Policy for compliance with the disclosure requirements set out in the MMLR, and to raise awareness and provide guidance to the Board and management on the Group's disclosure requirements and practices.

All timely disclosure and material information documents will be posted on the Bank's Website after release to Bursa.

I. SHAREHOLDERS

I. DIALOGUE BETWEEN COMPANIES AND INVESTORS

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Bank's Website, Bursa's website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate in general meetings either in person, by corporate representative, by proxy or by attorney.

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

The Board has identified Ms Chok Kwee Bee, the Chairman of the BAC, as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, and who would bring the same to the attention of the Board.

In addition, shareholders and investors can have a channel of communication with the following persons to direct queries and provide feedback to the Group:

GENERAL MANAGER, COMMUNICATION & CSR
Tel No. : 03-2081 8888 ext. 61914
Fax No. : 03-2081 7801
E-mail address : capr@hongleong.com.my

HEAD, CORPORATE FINANCE & INVESTOR RELATIONS
Tel No. : 03-2081 2972
Fax No. : 03-2081 8924
E-mail address : IR@hlbb.hongleong.com.my

II. AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM. All Directors and the GMD/CEO attended the last AGM held on 29 October 2019.

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

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

J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

I. INTRODUCTION

The Board recognises that practice of good governance is an important process and has established the BAC and BRMC to ensure maintenance of a sound system of internal controls and good risk management practices. The processes for risks and controls assessments and improvements are on-going and are regularly reviewed in accordance with the guidelines on the 'Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers'.

II. BOARD RESPONSIBILITIES

The Board acknowledges its overall responsibility for the risk management and internal control environment and its effectiveness in safeguarding shareholders' interests and the Group's assets. The risk management and internal control framework is designed to manage rather than to eliminate the risk of failure in the achievement of goals and objectives of the Group, and therefore only provide reasonable assurance and not absolute assurance, against material misstatement or loss.

The system of risk management and internal control instituted throughout the Group is updated from time to time to align with the dynamic changes in the business environment as well as any process improvement initiatives undertaken. The Board confirms that its Management team responsibly implements the Board policies, Management policies and standard operating procedures ("SOP") on risk management and internal control.

Corporate Governance Overview, Risk Management & Internal Control Statement

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The organisational structure of the Group clearly defines the lines of accountability and responsibility. Risk assessment and evaluation are integral part of the Group's strategic planning cycle and are responsive to business environment and opportunities. Management committees are appropriately set up to ensure proper utilisation and investment of the Group's assets for effective risk return rewards or to limit losses. The Group Risk Management ("GRM") and Group Compliance ("GC") divisions have implemented an enterprise-wide risk management framework to inculcate continuous risk and regulatory compliance awareness, understanding of procedures and controls thus improving the overall control environment.

Operationally, the Group operates multiple lines of defence to effect a robust control framework. At the first level, the operating business and support units are responsible for the day-to-day management of risks inherent in the various business activities. Regulatory compliance and operational risk units are set up in the various lines of businesses 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.

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management

Managing risks is an integral part of the Group's overall business strategy. It involves a process of identifying, assessing and managing risks and uncertainties that could inhibit the Group's ability to achieve its strategy and strategic objectives.

Risk governance oversight is underpinned by the core pillars of risk culture, appetite, policies, surveillance, escalation and capacity. Above all, the approaches need to be relevant, forward looking and sustainable.

The Group's risk management framework incorporates the components depicted in the diagram below:

RISK GOVERNANCE OVERSIGHT
Board and management to exercise oversight and set tone from the top

PILLARS Critical components to put in place	**Culture of risk ownership**	**Defined risk appetite and capital strategy**	**Clear framework, policies and process**	**Rigorous risk surveillance**	**Robust escalation structure**	**Functional capabilities and capacity**
	Risk management is part of the day-to-day job of all employees, driven through daily application of management decisions.	Clear articulation of Board's risk appetite in pursuit of its business objectives, supported by ICAAP, and ensuring strategy-risk-capital alignment.	Provide clear direction. Defined business rules and operating parameters. Gives clarity to various parties' accountabilities.	Facilitates early identification of emerging risks and opportunities.	Cultivation of proactive risk communication to support timely and informed decisions.	The right talent pool and infrastructure are key to effectively carry out risk surveillance activities.

APPROACH How we implement

Relevant
Focus on things that matter.

Forward looking
Be proactive, anticipate emerging risks and opportunities.

Sustainable
Strive to build for the long term.

Figure 1: Risk Management Framework

Corporate Governance Overview, Risk Management & Internal Control Statement

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

In addition, the risk management framework is effected through an organisational construct and escalation structure as depicted below:

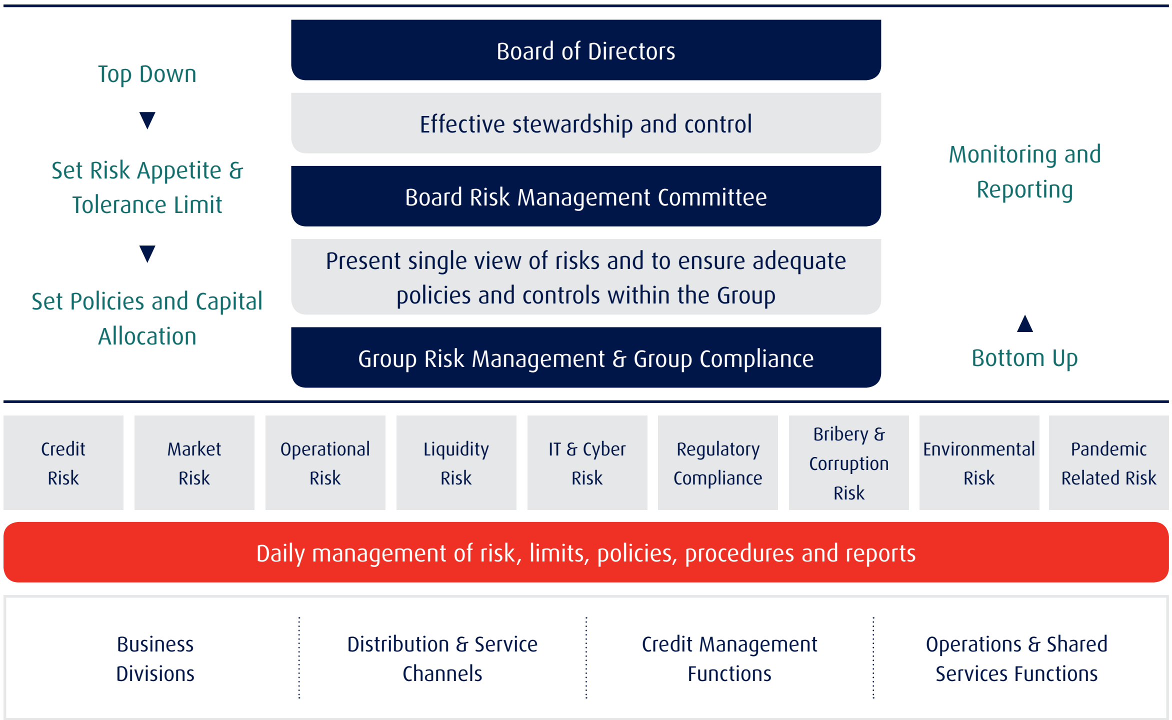


Figure 2: Risk Management Structure

The Board has the overall responsibility to ensure there is proper oversight of the management of risks in the Group. The Board sets the risk appetite and tolerance level, and allocates the Group's capital that is consistent with the Group's overall business objectives and desired risk profile. GRM monitors and reports the Group's Credit, Market, Liquidity, Operational and IT Risks. GC identifies, assesses, monitors and reports compliance issues in addition to advising, providing guidance and training on regulatory requirements. These risks are presented to BRMC regularly.

The BRMC deliberates and evaluates the reports prepared by GRM and GC, and provides updates to the Board, and where appropriate, make necessary recommendations to the Board.

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS	
Type of Risk	**Mitigating Actions Taken / Strategy**
CREDIT RISK Credit Risk is the risk of loss if a borrower or counterparty in a transaction fails to meet its obligations.	• The Group has established a credit risk management framework (via the Credit Risk Governance Board Policy) to ensure that exposure to credit risk is kept within the Group's financial capacity to withstand potential future losses. Financing activities are also guided by internal credit policies. The above policies are subject to reviews and enhancements, at least on an annual basis. • Credit portfolio strategies are developed to achieve a desired portfolio risk tolerance level and sector concentration distribution. • To assess the credit risk of retail customers, the Group employs risk scoring models and lending templates that are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts. • To assess the credit risk of small and medium enterprise ("SME"), commercial and corporate customers, they are evaluated based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered; and are assigned with a credit rating. • The Group has a comprehensive credit approving process. While the business units are responsible for credit origination, the credit decisioning function rests mainly with the Credit Evaluation Departments, the Management Credit Committee ("MCC") and the Credit Supervisory Committee. The Board delegates the approving and discretionary authority to the MCC and various personnel based on job function and designation. • For any new products, credit risk assessment also forms part of the new product sign-off process to ensure that the new product complies with the appropriate policies and guidelines, prior to their introduction. • Credit risk reports are presented to the relevant management and board level committees. Such reports identify adverse credit trends and asset quality to enable the Group to take prompt corrective actions and/or take appropriate risk-adjusted decisions. • GRM conducts independent credit reviews on a portfolio basis, which cover the Personal Financial Services, Business and Corporate Banking and Global Markets portfolios, 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.

Corporate Governance Overview, Risk Management & Internal Control Statement

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS	
Type of Risk	**Mitigating Actions Taken / Strategy**
OPERATIONAL RISK Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which also include outsourcing and business continuity risks.	• Management oversight on operational risk management ("ORM") matters are effected through the Risk and Compliance Governance Committee ("RCGC") whilst Board oversight is effected through the BRMC. • The Group's ORM strategy is based on a framework of continuous improvements, good governance structure, policies and procedures as well as the employment of risk mitigation strategies. The objective is to create a strong risk and internal control culture by ensuring awareness of the significance of operational risk, its methodology of identification, analysis, assessment, control and monitoring. • The Group adopts ORM tools such as loss event reporting, risk and control self assessment and key risk indicators to manage operational risks and are used to assess risk by taking into consideration key business conditions, strategies and internal controls.
MARKET RISK Market Risk is the risk of loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest and exchange rates, prices, spreads, volatilities, and/or correlations.	• Market risk is primarily managed through various risk limits and controls following an in-depth risk assessment and review. The types and level of market risk that the Group is able and willing to take in pursuit of its business objectives and risk-taking strategies are used as a basis for setting market risk appetite for the Group. • Market risk limits, the monitoring and escalation processes, delegation of authority, model validation and valuation methodologies are built into the Group's market risk policies, which are reviewed and concurred by the Group Asset and Liability Management Committee ("Group ALCO"), endorsed by the BRMC and approved by the Board. • Regular market risk stress tests are conducted on the trading book to measure the loss vulnerability under stressed market conditions.

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS	
Type of Risk	**Mitigating Actions Taken / Strategy**
LIQUIDITY RISK Liquidity Risk is the risk of loss resulting from the unavailability of sufficient funds to fulfill financial commitments, including customers' liquidity needs, as they fall due. Liquidity Risk also includes the risk of not being able to liquidate assets in a timely manner.	• The Group adopts a prudent liquidity management that includes establishing comprehensive policies and procedures, risk controls, reviews and monitoring. The liquidity risk policies and governance are reviewed by Group ALCO, endorsed by the BRMC and approved by the Board. • The Group seeks to manage the liquidity to ensure that our liquidity obligations will continue to be honored under normal as well as adverse circumstances. The key elements of liquidity risk management includes proactive monitoring and management of cashflow, maintenance of high quality liquid assets, diversification of funding sources and maintaining a liquidity compliance buffer to meet any unexpected cash outflow. • The Group strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. The funding strategy is anchored on the strength of our core deposit franchise. The Group also designs and conducts regular stress test programmes in accordance with the board-approved risk appetite and risk management policies. The appropriate management action plans would be developed and recommended to the Board if there is any potential vulnerabilities identified during the stress test exercise.
IT & CYBER RISK Information Technology Risk is the risk of technological failure which may disrupt business operations such as system defects or service outages. This also includes cyber security risk, which is the risk of possible threat that might exploit a vulnerability to breach system security and therefore cause possible harm.	• New technology initiatives are subjected to a rigorous evaluation process which assesses the potential risks and readiness of the initiative prior to its implementation. • The Group performs continuous monitoring on system performance to ensure minimal system disruption, while ensuring that redundancies in IT infrastructure and Disaster Recovery Plans are regularly tested. • In addition to continuously improving the Group's cyber resilience by upgrading technology capabilities to mitigate cyber threats, cyber risks are also managed by closely monitoring key risk metrics and progressively enhancing its cyber threat intelligence gathering capabilities to improve the Group's situational awareness. • Management oversight on IT and cyber risk management matters are effected through the IT Steering Committee and Information Security Governance Council whilst Board oversight is effected through the BITC.

Corporate Governance Overview, Risk Management & Internal Control Statement

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS	
Type of Risk	**Mitigating Actions Taken / Strategy**
REGULATORY COMPLIANCE RISK Regulatory Compliance Risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation as a result of failure to comply with laws and regulations.	• The Group undertakes robust monitoring of developments in laws and regulations and assesses its impact to its processes, where applicable. The assessments are undertaken to identify gaps in existing processes so that actions are taken within defined timeframes to ensure that the Group is in compliance.
FINANCIAL CRIME RISK Financial Crime Risk is the risk of legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to Anti-Money Laundering, Counter Financing of Terrorism and Targeted Financial Sanctions requirements.	• In mitigating the risk of financial crime, The Group undertakes monitoring of developments of laws and regulations and assesses its impact to internal policies, processes and procedures. In addition, the Group is building our digital transformation by leveraging on technological solutions to enhance our capabilities in detection, monitoring and reporting of potential suspicious activities. The Group continuously maintains robust controls as a gatekeeper to the financial system against Money Laundering, Terrorist Financing and Proliferation Financing risks. Management oversight on financial crime matters are effected through the Management level Financial Crime Governance Committee, whilst Board oversight is effected through the BRMC.
BRIBERY AND CORRUPTION RISK Bribery and Corruption Risk is the risk of offering, paying or receiving a bribe through an officer, employee, subsidiary, intermediary or any third party (individual or corporate) acting on the Group's behalf.	• The Group ensures that the management team conducts bribery and corruption risk assessment of the overall Group's operations periodically to identify, analyse, assess and prioritise actions needed to mitigate internal and external bribery and corruption risks. Management also reviews risk assessment reports, consider improvements to the Group's policies and procedures, and provides training to internal and external stakeholders in combating corruption and bribery. The Anti-Bribery and Corruption ("ABC") policies and procedures are communicated to all our employees, who are required to undergo mandatory training and assessment on completion of training in the subject matter. Clauses relating to ABC have also been incorporated in written agreements to ensure that suppliers to the Group understand their obligations and abide by the relevant laws and regulations. Continuous reinforcement of communications to our suppliers on our expectations in relation to ABC are in progress. Board oversight of bribery and corruption risk is effected through the BRMC and BAC. The Group has a whistleblowing policy and accompanying procedures in place, where whistleblowing reports can be addressed directly to the Chairman of the BAC.

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS

Type of Risk	Mitigating Actions Taken / Strategy
ENVIRONMENTAL RISK Environmental risk is actual or potential threat of adverse effects on living organisms and environment by effluents, emissions, wastes, resource depletion, etc., arising out of an organisation's activities. In our particular case, given our role in the economy, in addition to our own activities, we are cognisant of the fact that people and companies we do business with also have an impact on the environment, and hence, ensure that our lending and procurement policies, for example, take this risk into account.	• The Group has policies, principles and codes of conduct to ensure the interests of the Bank are aligned with the interests of stakeholders on responsible lending/ financing. These include assessments to screen for and review environmental and social risks, financial evaluation of existing and potential customers, and the provision of basic banking products to those who cannot afford to pay for fees so that they can participate in the financial system. • We have credit policies that require sales and credit staff to review the borrowers' compliance with applicable environmental and social laws and review of the same at annual reviews of loan/financing facilities to ensure ongoing compliance. • The Group manages environmental footprint through reduction of waste (such as paper and water) and efficient usage of energy. • The Group has an Independent Tender Review Committee that assesses diligence reviews of suppliers' across a number of risks, not just financial strength and operational performance. We take into account considerations on environment and social track record and policies, business continuity plans and cyber security capabilities. Suppliers have to satisfy our zero tolerance for corruption and unfair practices.
PANDEMIC RELATED RISK Pandemic related risk is the risk of loss arising from infectious diseases spreading locally, regionally or globally at an epidemic level, usually at an undetermined scale and duration. Financial risks may be caused by such disruptions on the Group's customers, on financial markets and on the Group's operations.	• The Group has put in place a strategic plan to ensure that its operations and services are maintained fully functional in the event of a pandemic. In the continuing Covid-19 pandemic, businesses of the Group which are classified under the essential services sector, operates under specific operating conditions with heightened public health safety and business continuity requirements, as mandated in countries that the Group operates in. In demonstrating preparedness under crisis conditions, the Group has implemented enhanced Business Continuity Management plans and processes to ensure the continuity of its businesses and operations. • In managing credit risk exposures, the Group has implemented changes arising from central banks and governments' supportive action, to introduce loan repayment moratorium or other forms of financial assistance for its customers that may be adversely impacted by the pandemic. • As an additional measure to safeguard the health and safety of its employees, the Group established enhanced standard operating procedures that provides detail guidance to its employees on disease containment measures, work safety arrangements as well as reporting and incident escalation requirements.

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

b) Basel II and III

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

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

For Basel III, the Group is in compliance with the regulatory requirements and will continuously strengthen its capital and liquidity profile in all the countries that the Bank operates in, to ensure sufficient capital and liquidity is maintained to allow for business growth and sound capital/liquidity buffer management.

c) Internal Audit

The Bank's Group Internal Audit Division ("GIAD") performs the internal auditing function for the various entities in the Group. GIAD regularly reviews the critical operations (as defined in BNM Guidelines on Internal Audit Function of Licensed Institutions) and critical controls in the Information Technology environment (as outlined in the BNM Risk Management in Technology Policy Document) of the Group to ensure that the internal controls are in place and working effectively.

The results of the audits conducted by GIAD are reported to the BAC. Follow-up actions and the review of the status of corrective action plans are carried out by Management via the RCGC chaired by the Group Managing Director/Chief Executive Officer, whose members comprise senior management. The minutes of meetings of RCGC are tabled to the BRMC and BAC for notation.

Implementation of corrective action plans are followed up on a monthly basis and reported to the BAC. Highlights of the BAC meetings are submitted to the Board for review and further deliberation.

In addition, internal controls are also effected through the following processes:

- The Board receives and reviews regular reports from Management on the key operating statistics, business dynamics, legal matters and regulatory issues that would have implications on internal control measures.

- The BAC regularly reviews and holds discussions with Management on the actions taken on internal control issues identified in reports prepared by GIAD, external auditors and regulatory authorities.

- Policies on delegation and authority limits are strictly implemented to ensure a culture that respects integrity and honesty, and thereby reinforce internal controls.

- Policies and procedures are set out in operation manuals and disseminated throughout the organisation in support of a learning culture, so as to reinforce an environment of internal controls discipline.

- Policies for recruitment, promotion and termination of staff are in place to ensure the Group's human resources comply with internal controls.

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

IV. ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance from the Group Managing Director/Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor and Chief Compliance Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Based on the assurance it has received from Management, the Board is of the view that the Group's risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this report.

V. REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

K. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR require the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Bank as at the end of the financial year and of its financial results and cash flows of the Group and of the Bank for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Bank for the FY 2020, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

Directors' Report

for the financial year ended 30 June 2020

The Directors 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 2020.

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

Tracking weaker global growth prospect, the Malaysian economy has followed trend succumbing to the double whammy of a global fallout triggered by the Covid-19 pandemic, as well as weaknesses in the commodity sectors. Growth in the Malaysian economy has moderated considerably to 0.7% YOY in 1Q 2020, and is poised for a steep double-digit contraction in 2Q as economic activities almost grinded to a standstill amid the Movement Control Order (MCO). The economic condition is expected to improve in the second half of 2020 but growth will remain sub-potential on the back of cautious shift in consumer spending patterns and adjustments by businesses to reflect the new normal.

In order to successfully operate in this dynamic environment and living up to our brand promise of "Built Around You", we continuously innovate so that we deliver products and services that meet customers' changing needs, while internally build a high performing culture that can sustain the Bank in challenging times like those we are experiencing now. Execution of our strategic priorities over the past 4 years has enabled us to achieve resilient performance during this past year, continue to make meaningful contributions to our communities within which we operate and deliver sustainable returns to our shareholders.

OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR

The world economy is expected to recover moving on to 2021, as supply chain disruption normalizes and economic activities adjust to the new normal and households feel more confident about employment and job prospects. Indeed, there are encouraging signs that economic activities are bouncing back from the April 2020 and May 2020 trough.

Rebuilding from the slump in 2020, the Malaysian economy is also expected to recover in line with the world economy in 2021, amidst a brighter export outlook and resumption in domestic consumption, with consumer spending expected to improve in tandem with improving job prospects and sentiments while business investments are expected to make a return. This shall pave the way for the Malaysian economy to return to potential growth level.

In line with that, we are well positioned to assist the local community weather through this very difficult period and bounce back stronger as the situation improves. We continue to focus on delivering products and services that meet customers evolving financial needs, while providing our people with the best opportunities to realise their full potential. We strive to continue leading the digital and innovation space by providing best-in-class experiences and becoming a highly digital and innovative ASEAN financial services institution.

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.

Directors' Report

for the financial year ended 30 June 2020

CREDIT INFORMATION RATING

On 12 December 2019, Rating Agency Malaysia Berhad has reaffirmed the Bank's long-term rating to AAA and short-term rating at P1, 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	12 December 2019	Long-Term Rating: AAA Short-Term Rating: P1 Subordinated Notes: AA1 Additional Tier 1 Capital Securities: A1
Moody's Investors Services Ltd	4 February 2020	Long-Term Rating: A3 Short-Term Rating: P2

FINANCIAL RESULTS

	The Group RM'000	The Bank RM'000
Profit before taxation	2,989,397	2,075,475
Taxation	(494,800)	(421,460)
Net profit for the financial year	2,494,597	1,654,015

DIVIDENDS

Since the last financial year ended 30 June 2019, a final single tier dividend of 34.0 sen per share amounting to RM695,812,560 in respect of the financial year ended 30 June 2019, was paid on 19 November 2019.

An interim single tier dividend for the financial year ended 30 June 2020 of 16.0 sen per share amounting to RM327,526,638 was paid on 26 March 2020.

The Directors now propose a final single tier dividend of 20.0 sen per share on the Bank's adjusted total number of issued shares (excluding 81,101,700 treasury shares held pursuant to Section 127 of the Companies Act 2016 and Executive Share Scheme of 39,575,096 shares) amounting to RM409,408,298 for the financial year ended 30 June 2020.

Directors' Report

for the financial year ended 30 June 2020

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Subsequent events after the financial year are disclosed in Note 56 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

There were no new ordinary shares or debentures issued during the financial year.

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who have held office during the financial year and during the period from the end of the financial year to the date of this report are:

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Executive Non-Independent)
Mr Tan Kong Khoon	(Non-Independent Executive Director)
Mr Kwek Leng Hai	(Non-Independent Non-Executive Director)
Ms Chok Kwee Bee	(Independent Non-Executive Director)
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	(Independent Non-Executive Director)
YBhg Datuk Dr Md Hamzah bin Md Kassim	(Independent Non-Executive Director)
Ms Chong Chye Neo	(Independent Non-Executive Director)
Ms Lau Souk Huan	(Independent Non-Executive Director) (Appointed with effect from 6 September 2019)

The names of Directors of subsidiaries are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 41 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****				
	Nominal value per share	As at 01.07.2019	Acquired	Sold	As at 30.06.2020
	RM (unless indicated)				
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	(1)	390,000	-	-	390,000
Hong Leong Financial Group Berhad	(1)	5,438,664	-	-	5,438,664
Guoco Group Limited	USD0.50	1,056,325	-	-	1,056,325
GuocoLand Limited	(2)	13,333,333	-	-	13,333,333
GuocoLand (Malaysia) Berhad	(1)	19,506,780	-	-	19,506,780
GL Limited	USD0.20	735,000	-	-	735,000
The Rank Group Plc	GBP13 8/9p	285,207	-	-	285,207
Interests of Tan Kong Khoon in:					
Hong Leong Financial Group Berhad		8,000,000*	-	-	8,000,000*
Interests of Mr Kwek Leng Hai in:					
Hong Leong Company (Malaysia) Berhad	(1)	420,500	-	-	420,500
Hong Leong Industries Berhad	(1)	190,000	-	-	190,000
Hong Leong Financial Group Berhad	(1)	2,526,000	-	-	2,526,000
Hong Leong Bank Berhad	(1)	5,510,000	-	-	5,510,000
Hume Industries Berhad	(1)	205,200	-	-	205,200
		105,571(11)	-	-	105,571(11)
Guoco Group Limited	USD0.50	3,800,775	-	-	3,800,775
GuocoLand Limited	(2)	35,290,914	-	-	35,290,914
Lam Soon (Hong Kong) Limited	(5)	2,300,000	-	-	2,300,000
GuocoLand (Malaysia) Berhad	(1)	226,800	-	-	226,800
Malaysian Pacific Industries Berhad	(1)	71,250	-	-	71,250
The Rank Group Plc	GBP13 8/9p	1,026,209	-	-	1,026,209
GL Limited	USD0.20	300,000	-	-	300,000
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 2020

DIRECTORS' INTERESTS (CONTINUED)

	Directors' deemed interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes/subordinated sukuk murabahah****				
	Nominal value per share	**As at 01.07.2019**	**Acquired**	**Sold**	**As at 30.06.2020**
	RM (unless indicated)				
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	(1)	7,651,455(6)	-	-	7,651,455(6)
Hong Leong Financial Group Berhad	(1)	894,718,726(6)	-	-	894,718,726(6)
Hong Leong Capital Berhad	(1)	200,805,058	-	-	200,805,058
Hong Leong Bank Berhad	(1)	1,346,237,169	-	(209,960)	1,346,027,209
		800,000,000***	-	-	800,000,000***
		1,500,000,000****	-	-	1,500,000,000****
Hong Leong MSIG Takaful Berhad	(1)	130,000,000	-	-	130,000,000
Hong Leong Assurance Berhad	(1)	140,000,000	-	-	140,000,000
Hong Leong Islamic Bank Berhad		400,000,000***	-	-	400,000,000***
		400,000,000****	-	-	400,000,000****
Hong Leong Industries Berhad	(1)	242,700,470(6)	132,500	(44,167)	242,788,803(6)
Hong Leong Yamaha Motor Sdn Bhd	(1)	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	(1)	19,600,000	-	-	19,600,000
Malaysian Pacific Industries Berhad	(1)	108,853,457	175,500	(74,167)	108,954,790
Carter Resources Sdn Bhd	(1)	5,640,607	-	-	5,640,607
Carsem (M) Sdn Bhd	(1)	84,000,000	-	-	84,000,000
	(1)	22,400(7)	-	-	22,400(7)
Hume Industries Berhad	(1)	350,231,658(6)	-	-	350,231,658(6)
		195,510,374**(6)	-	(3,571,428)**(6)	191,938,946**(6)
		3,830,000*(6)	-	-	3,830,000*(6)
Guoco Group Limited	USD0.50	237,124,930	-	-	237,124,930
GuocoLand Limited	(2)	818,093,030(6)	18,475,308	-	836,568,338(6)
		238,000*(6)	-	-	238,000*(6)
Southern Steel Berhad	(1)	292,169,709	140,076,337(10)	(15,000,000)	417,246,046
	(1)	140,076,337**	-	(140,076,337)**(10)	-
Southern Pipe Industry (Malaysia) Sdn Bhd	(1)	124,964,153	-	-	124,964,153
TPC Commercial Pte. Ltd.	(2)	189,600,000	200,000,000	-	389,600,000
TPC Hotel Pte. Ltd.	(2)	62,400,000	-	-	62,400,000
Wallich Residence Pte. Ltd.	(2)	24,000,000	-	-	24,000,000
GLL A Pte. Ltd.	(2)	10	-	-	10

DIRECTORS' INTERESTS (CONTINUED)

		Directors' deemed interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes/subordinated sukuk murabahah****			
	Nominal value per share	As at 01.07.2019	Acquired	Sold	As at 30.06.2020
	RM (unless indicated)				
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
GLL Chongqing 18 Steps Pte. Ltd.	(2)	149,597,307	49,060,065	-	198,657,372
Guoco Midtown Pte. Ltd.	(2)	184,000,000	-	-	184,000,000
Midtown Bay Pte. Ltd.	(2)	32,000,000	-	-	32,000,000
MTG Apartments Pte. Ltd.	(2)	-	69,180,000(9)	-	69,180,000
MTG Retail Pte. Ltd.	(2)	-	3,000,000(9)	-	3,000,000
GGL Asset Management (Singapore) Pte Ltd	(2)	1,700,000	-	(1,700,000)(8)	-
Hillcrest Hives Limited		700	-	-	700
Beijing Ming Hua Property Co., Ltd	(3)	3,750,000	-	-	3,750,000
Shanghai Xinhaojia Property Development Co., Ltd	(3)	315,000,000	-	-	315,000,000
Shanghai Xinhaozhong Holding Co., Ltd	(3)	490,000	-	-	490,000
JB Parade Sdn Bhd	(1)	28,000,000	-	-	28,000,000
	(1)	97,390,000(7)	-	-	97,390,000(7)
Lam Soon (Hong Kong) Limited	(5)	140,008,659	-	-	140,008,659
Guangzhou Lam Soon Food Products Limited	(4)	6,570,000	-	(6,570,000)(8)	-
GuocoLand (Malaysia) Berhad	(1)	455,574,796	-	-	455,574,796
Guoman Hotel & Resort Holdings Sdn Bhd	(1)	277,000,000	-	-	277,000,000
GLM Emerald Industrial Park (Jasin) Sdn Bhd	(1)	34,408,000	-	-	34,408,000
	(1)	123,502,605(7)	-	-	123,502,605(7)
GL Limited	USD0.20	955,011,334(6)	24,125,900	-	979,137,234(6)
		930,000*(6)	-	-	930,000*(6)
The Rank Group Plc	GBP13 8/9p	219,282,221	-	-	219,282,221

Notes:
(1) Concept of par value was abolished with effect from 31 January 2017 pursuant to the Companies Act, 2016
(2) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
(3) Capital contribution in RMB
(4) Capital contribution in HKD
(5) Concept of par value was abolished with effect from 3 March 2014 pursuant to the New Companies Ordinance (Chapter 622), Hong Kong
(6) Inclusive of interest pursuant to Section 59(11)(c) of the Companies Act, 2016 in shares held by family member
(7) Redeemable Preference Shares/Cumulative Redeemable Preference Shares
(8) Dissolved/struck off during the financial year
(9) Incorporated during the financial year
(10) Mandatory conversion of 5-Year 5% Redeemable Unsecured Loan Stocks upon maturity
(11) 5-Year 5% Redeemable Convertible Unsecured Loan Stocks

Directors' Report

for the financial year ended 30 June 2020

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 2020 and of the financial results and cash flows of the Group and of the Bank for the financial year ended 30 June 2020.

The financial statements are prepared on the going concern basis and the Directors have ensured that proper accounting records are kept, applied the appropriate accounting policies on a consistent basis and made accounting estimates that are reasonable and fair so as to enable the preparation of the financial statements of the Group and of the Bank with reasonable accuracy.

EXECUTIVE SHARE SCHEME

The Bank has established and implemented an Executive Share Scheme ("ESS").

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

(i) ESOS

The ESOS which was approved by the shareholders of the Bank on 25 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

On 18 September 2012, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the ESOS.

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

EXECUTIVE SHARE SCHEME (CONTINUED)

(ii) ESGS

The ESGS which was approved by the shareholders of the Bank on 23 October 2013, was established on 28 February 2014 and would end on 11 March 2023.

On 10 September 2013, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Bank to be issued pursuant to the ESGS.

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

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

(i) ESOS

There were 37,550,000 share options granted at an exercise price of RM14.24 under the ESOS 2013/2023 of the Bank on 2 April 2015.

Arising from the completion of the Bank's Rights Issue on 28 December 2015, the exercise price for the share options granted on 2 April 2015 under the ESOS was adjusted from RM14.24 to RM13.77 and additional share options of 782,657 were allotted to the option holders, in accordance with the provisions of the bye-laws governing the ESOS.

On 15 December 2017, the Bank has granted up to 22,750,000 share options at an exercise price of RM16.46.

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

As at the financial year ended 30 June 2020, a total of 46,945,153 share options lapsed primarily arising from the resignation of some option holders.

As at 30 June 2020, a total of 61,082,657 share options had been granted under the ESOS, out of which 13,702,915 share options (adjusted following the completion of the Bank's Rights Issue) remain outstanding. 172,946 share options were exercised during the financial year ended 30 June 2020. The aggregate share options granted to Directors and chief executives of the HLB Group under the ESOS amounted to 19,326,399, out of which 5,600,000 share options remain outstanding.

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

As at 30 June 2020, the actual percentage of options granted to Directors and senior management of the HLB Group under the ESOS was 2.33% of the total number of issued shares (excluding treasury shares) of the Bank. During the financial year ended 30 June 2020, there is no option granted to the Directors and senior management of the HLB Group.

(ii) ESGS

The Bank had granted 250,514 ordinary shares under the ESGS amounting to 0.01% of the total number of issued shares (excluding treasury shares) of the Bank to eligible executives of the Bank during the financial year ended 30 June 2020.

As at 30 June 2020, a total of 1,537,419 ordinary shares had been granted under the ESGS amounting to 0.07% of the total number of issued shares (excluding treasury shares) to the chief executive and eligible executives of the Bank, out of which 1,153,215 ordinary shares had been vested and a total of 9,746 ordinary shares lapsed, with 374,458 ordinary shares remain outstanding.

Save for the above, there were no other shares granted under the ESGS.

Directors' Report
for the financial year ended 30 June 2020

EXECUTIVE SHARE SCHEME (CONTINUED)

A trust has been set up for the ESS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the 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 57 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 2020 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.

STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK (CONTINUED)

(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.

DISCLOSURE OF SHARIAH COMMITTEE

The Group's Islamic banking activity is subject to the Shariah compliance and confirmation by the Shariah Committee consisting of 3 scholars, at all times, appointed by the Board of Directors of Hong Leong Islamic Bank Berhad and approved by BNM.

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

HOLDING AND ULTIMATE HOLDING COMPANIES

The holding and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively. Both companies are incorporated in Malaysia.

SUBSIDIARIES

Details of subsidiaries are set out in Note 13 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 37 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 11 September 2020. Signed on behalf of the Board of Directors:

Tan Kong Khoon

Chok Kwee Bee

Kuala Lumpur
11 September 2020

Statements of Financial Position

as at 30 June 2020

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Bank 2020 RM'000	The Bank 2019 RM'000
Assets					
Cash and short-term funds	3	**8,562,169**	4,855,456	**5,543,800**	4,383,074
Deposits and placements with banks and other financial institutions	4	**1,052,379**	1,291,416	**1,818,174**	1,465,940
Financial assets at fair value through profit or loss	5	**8,069,396**	12,131,033	**8,047,727**	11,615,738
Financial investments at fair value through other comprehensive income	6	**27,282,544**	23,854,510	**24,737,905**	20,745,998
Financial investments at amortised cost	7	**20,101,432**	15,153,199	**15,079,081**	10,894,505
Loans, advances and financing	8	**144,694,950**	136,308,217	**112,823,975**	108,934,970
Other assets	9	**1,682,516**	1,196,981	**1,606,849**	1,146,282
Derivative financial instruments	10	**1,111,469**	528,256	**1,057,621**	522,995
Amount due from subsidiaries	11	**-**	-	**106,363**	13,095
Statutory deposits with Central Banks	12	**418,120**	4,588,833	**254,181**	3,564,423
Subsidiary companies	13	**-**	-	**2,558,901**	2,558,337
Investment in associated companies	14	**4,644,527**	4,106,375	**971,182**	971,182
Property and equipment	15	**1,299,902**	1,382,572	**685,169**	761,639
Intangible assets	16	**187,505**	125,225	**168,060**	110,895
Right-of-use assets	17	**253,118**	-	**420,653**	-
Goodwill	18	**1,831,312**	1,831,312	**1,771,547**	1,771,547
Deferred tax assets	19	**86,578**	16,030	**55,984**	-
Total assets		**221,277,917**	207,369,415	**177,707,172**	169,460,620
Liabilities					
Deposits from customers	20	**173,492,661**	163,070,294	**137,633,362**	131,396,525
Investment accounts of customers	21	**356,475**	2,235	**-**	-
Deposits and placements of banks and other financial institutions	22	**6,501,080**	7,358,424	**6,651,241**	7,204,934
Obligations on securities sold under repurchase agreements		**3,124,132**	2,333,916	**3,124,132**	2,333,916
Bills and acceptances payable		**134,053**	393,023	**120,216**	362,578
Lease liabilities	23	**241,177**	-	**407,838**	-
Other liabilities	24	**5,348,210**	4,881,745	**4,773,705**	4,290,076
Derivative financial instruments	10	**1,298,513**	678,637	**1,251,096**	675,042
Recourse obligation on loans/financing sold to Cagamas Berhad ("Cagamas")	25	**1,049,005**	253,591	**300,567**	202,954
Tier 2 subordinated bonds	26	**1,502,224**	1,502,340	**1,502,224**	1,502,340
Multi-currency Additional Tier 1 capital securities	27	**806,320**	806,185	**806,320**	806,185
Innovative Tier 1 capital securities	28	**-**	512,268	**-**	512,268
Provision for taxation		**189,768**	95,864	**150,979**	42,152
Deferred tax liabilities	19	**-**	6,506	**-**	6,506
Total liabilities		**194,043,618**	181,895,028	**156,721,680**	149,335,476
Equity					
Share capital	29	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Reserves	30	**20,218,580**	18,463,141	**13,969,773**	13,113,898
Less: Treasury shares	31	**(723,344)**	(727,817)	**(723,344)**	(727,817)
Total equity		**27,234,299**	25,474,387	**20,985,492**	20,125,144
Total equity and liabilities		**221,277,917**	207,369,415	**177,707,172**	169,460,620
Commitments and contingencies	46	**147,233,168**	162,168,169	**131,969,797**	152,997,021

The accompanying notes form an integral part of the financial statements

Statements of Income

for the financial year ended 30 June 2020

		The Group		The Bank	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest income	32a	**5,912,043**	6,284,861	**5,782,292**	6,165,814
Interest income for financial assets at fair value through profit or loss	32b	**268,718**	397,201	**268,718**	397,201
Interest expense	33	**(3,416,377)**	(3,917,897)	**(3,382,940)**	(3,877,566)
Net interest income		**2,764,384**	2,764,165	**2,668,070**	2,685,449
Income from Islamic Banking business	34	**846,540**	707,269	**-**	-
		3,610,924	3,471,434	**2,668,070**	2,685,449
Non-interest income	36	**1,167,432**	1,254,401	**1,389,660**	1,479,658
Net income		**4,778,356**	4,725,835	**4,057,730**	4,165,107
Overhead expenses	37	**(2,103,804)**	(2,091,575)	**(1,792,455)**	(1,822,227)
Operating profit before allowances		**2,674,552**	2,634,260	**2,265,275**	2,342,880
(Allowance for)/written back of impairment losses on loans, advances and financing	38	**(327,655)**	(12,323)	**(188,333)**	43,711
Written back of/(allowance for) impairment losses on financial investments and other financial assets	39	**167**	972	**(1,467)**	(684)
		2,347,064	2,622,909	**2,075,475**	2,385,907
Share of results of associated companies	14	**642,333**	563,111	**-**	-
Profit before taxation		**2,989,397**	3,186,020	**2,075,475**	2,385,907
Taxation	42	**(494,800)**	(521,513)	**(421,460)**	(458,996)
Net profit for the financial year		**2,494,597**	2,664,507	**1,654,015**	1,926,911
Attributable to:					
Owners of the parent		**2,494,597**	2,664,507	**1,654,015**	1,926,911
Earnings per share for profit attributable to owners of the parent (sen):					
- basic	43	**121.9**	130.2	**80.8**	94.2
- diluted	43	**121.9**	130.0	**80.8**	94.0

The accompanying notes form an integral part of the financial statements

Statements of Comprehensive Income

for the financial year ended 30 June 2020

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Bank 2020 RM'000	The Bank 2019 RM'000
Net profit for the financial year		**2,494,597**	2,664,507	**1,654,015**	1,926,911
Other comprehensive 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		**15,763**	11,796	**15,763**	11,796
- Net gain on disposal		**-**	108	**-**	108
(ii) Items that may be reclassified subsequently to profit or loss:					
(a) Share of other comprehensive income of associated companies		**15,976**	13,940	**-**	-
(b) Currency translation differences		**78,085**	(25,307)	**13,621**	33,745
(c) Debt instruments at fair value through other comprehensive income					
- Net fair value changes	44	**203,515**	322,192	**231,676**	275,892
- Changes in expected credit losses	44	**502**	(862)	**601**	(931)
(d) Net fair value changes in cash flow hedge	44	**(7,633)**	(4,531)	**(7,631)**	(4,531)
Income tax relating to components of other comprehensive income	44	**(43,019)**	(70,629)	**(49,823)**	(59,008)
Other comprehensive income for the financial year, net of tax		**263,189**	246,707	**204,207**	257,071
Total comprehensive income for the financial year		**2,757,786**	2,911,214	**1,858,222**	2,183,982
Attributable to:					
Owners of the parent		**2,757,786**	2,911,214	**1,858,222**	2,183,982

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2020

		Attributable to owners of the parent					
The Group	Note	Share capital RM'000	Treasury shares* RM'000	Regulatory reserves^ RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
At 1 July 2019		7,739,063	(727,817)	858,315	918,414	16,686,412	25,474,387
Comprehensive income							
Net profit for the financial year		-	-	-	-	2,494,597	2,494,597
Share of other comprehensive income of associated company		-	-	-	15,976	-	15,976
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	15,763	-	15,763
- Debt instruments	44						
- Net fair value changes		-	-	-	158,626	-	158,626
- Changes in expected credit losses		-	-	-	502	-	502
Net fair value changes in cash flow hedge	44	-	-	-	(5,763)	-	(5,763)
Currency translation differences		-	-	-	78,085	-	78,085
Total comprehensive income		-	-	-	263,189	2,494,597	2,757,786
Transactions with owners							
Transfer from regulatory reserve		-	-	(9,887)	-	9,887	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2019	45	-	-	-	-	(695,813)	(695,813)
- interim dividend for the financial year ended 30 June 2020	45	-	-	-	-	(327,527)	(327,527)
ESS exercised		-	4,473	-	(7,342)	5,250	2,381
Option charge arising from ESS granted		-	-	-	23,085	-	23,085
Total transactions with owners		-	4,473	(9,887)	15,743	(1,008,203)	(997,874)
At 30 June 2020		7,739,063	(723,344)	848,428	1,197,346	18,172,806	27,234,299

* Treasury shares consist of two categories which are detailed in Note 31.

^ Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM837,183,000 (30 June 2019: RM847,070,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June 2019: RM11,245,000).

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2020

		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 2018		7,739,063	(732,267)	752,939	947,991	15,184,533	23,892,259
- effect of adopting MFRS 9		-	-	(4,280)	(288,588)	(75,481)	(368,349)
As restated		7,739,063	(732,267)	748,659	659,403	15,109,052	23,523,910
Comprehensive income							
Net profit for the financial year		-	-	-	-	2,664,507	2,664,507
Share of other comprehensive income of associated company		-	-	-	13,940	-	13,940
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	11,796	-	11,796
- Net gain on disposal		-	-	-	(51)	159	108
- Debt instruments	44						
- Net fair value changes		-	-	-	250,590	-	250,590
- Changes in expected credit losses		-	-	-	(862)	-	(862)
Net fair value changes in cash flow hedge	44	-	-	-	(3,558)	-	(3,558)
Currency translation differences		-	-	-	(25,307)	-	(25,307)
Total comprehensive income		-	-	-	246,548	2,664,666	2,911,214
Transactions with owners							
Transfer to regulatory reserve		-	-	109,656	-	(109,656)	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2018	45	-	-	-	-	(654,666)	(654,666)
- interim dividend for the financial year ended 30 June 2019	45	-	-	-	-	(327,390)	(327,390)
ESS exercised		-	4,450	-	(5,253)	4,406	3,603
Option charge arising from ESS granted		-	-	-	17,716	-	17,716
Total transactions with owners		-	4,450	109,656	12,463	(1,087,306)	(960,737)
At 30 June 2019		7,739,063	(727,817)	858,315	918,414	16,686,412	25,474,387

* Treasury shares consist of two categories which are detailed in Note 31.

^ Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM847,070,000 (30 June 2018: RM741,694,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June 2018: RM11,245,000).

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2020

		Non-distributable				Distributable	
The Bank	**Note**	**Share capital RM'000**	**Treasury shares* RM'000**	**Regulatory reserves RM'000**	**Other reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 July 2019		7,739,063	(727,817)	695,197	384,364	12,034,337	20,125,144
Comprehensive income							
Net profit for the financial year		-	-	-	-	1,654,015	1,654,015
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	15,763	-	15,763
- Debt instruments	44						
- Net fair value changes		-	-	-	179,983	-	179,983
- Changes in expected credit losses		-	-	-	601	-	601
Net fair value changes in cash flow hedge	44	-	-	-	(5,761)	-	(5,761)
Currency translation differences		-	-	-	13,621	-	13,621
Total comprehensive income		-	-	-	204,207	1,654,015	1,858,222
Transactions with owners							
Transfer to regulatory reserve		-	-	8,790	-	(8,790)	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2019	45	-	-	-	-	(695,813)	(695,813)
- interim dividend for the financial year ended 30 June 2020	45	-	-	-	-	(327,527)	(327,527)
ESS exercised		-	4,473	-	(7,342)	5,250	2,381
Option charge arising from ESS granted		-	-	-	23,085	-	23,085
Total transactions with owners		-	4,473	8,790	15,743	(1,026,880)	(997,874)
At 30 June 2020		7,739,063	(723,344)	703,987	604,314	12,661,472	20,985,492

* Treasury shares consist of two categories which are detailed in Note 31.

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2020

The Bank	Note	Non-distributable Share capital RM'000	Non-distributable Treasury shares* RM'000	Non-distributable Regulatory reserves RM'000	Non-distributable Other reserves RM'000	Distributable Retained profits RM'000	Total equity RM'000
At 1 July 2018		7,739,063	(732,267)	637,098	406,668	11,212,525	19,263,087
- effect of adopting MFRS 9		-	-	(32,008)	(291,679)	(37,501)	(361,188)
As restated		7,739,063	(732,267)	605,090	114,989	11,175,024	18,901,899
Comprehensive income							
Net profit for the financial year		-	-	-	-	1,926,911	1,926,911
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	11,796	-	11,796
- Net gain on disposal		-	-	-	(51)	159	108
- Debt instruments	44						
- Net fair value changes		-	-	-	215,911	-	215,911
- Changes in expected credit losses		-	-	-	(931)	-	(931)
Net fair value changes in cash flow hedge	44	-	-	-	(3,558)	-	(3,558)
Currency translation differences		-	-	-	33,745	-	33,745
Total comprehensive income		-	-	-	256,912	1,927,070	2,183,982
Transactions with owners							
Transfer to regulatory reserve		-	-	90,107	-	(90,107)	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2018	45	-	-	-	-	(654,666)	(654,666)
- interim dividend for the financial year ended 30 June 2019	45	-	-	-	-	(327,390)	(327,390)
ESS exercised		-	4,450	-	(5,253)	4,406	3,603
Option charge arising from ESS granted		-	-	-	17,716	-	17,716
Total transactions with owners		-	4,450	90,107	12,463	(1,067,757)	(960,737)
At 30 June 2019		7,739,063	(727,817)	695,197	384,364	12,034,337	20,125,144

* Treasury shares consist of two categories which are detailed in Note 31.

The accompanying notes form an integral part of the financial statements

Statements of Cash Flows

for the financial year ended 30 June 2020

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities				
Profit before taxation	**2,989,397**	3,186,020	**2,075,475**	2,385,907
Adjustments for:				
Depreciation of property and equipment	**134,390**	132,296	**115,957**	115,934
Depreciation of right-of-use assets	**55,174**	-	**77,643**	-
Amortisation of intangible assets	**59,025**	54,189	**53,909**	49,818
Net gain on disposal of property and equipment	**(3,996)**	(1,417)	**(3,997)**	(1,535)
Share of results of associated companies	**(642,333)**	(563,111)	**-**	-
Property and equipment written off	**26,399**	7,902	**26,156**	7,460
Intangible assets written off	**8,357**	37	**8,352**	35
Amortisation of upfront fees	**632**	2,272	**632**	2,218
Net realised gain on financial instruments:				
- financial assets at fair value through profit or loss	**(133,481)**	(104,539)	**(133,481)**	(104,539)
- derivatives financial instruments	**67,285**	221,202	**67,285**	221,202
- financial investments at fair value through other comprehensive income	**(364,324)**	(164,261)	**(364,033)**	(164,261)
- financial investments at amortised cost	**-**	(15,902)	**-**	(15,902)
Allowances for impairment losses on loans, advances and financing	**501,804**	221,296	**339,746**	144,291
Impaired loans and financing written off	**17,976**	17,679	**12,877**	14,337
Modification loss on contractual cash flows arising from financial assets	**142,467**	-	**90,751**	-
Net unrealised gain on revaluation of financial instruments:				
- financial assets at fair value through profit or loss	**(13,199)**	(51,544)	**(13,199)**	(51,544)
- derivatives financial instruments	**131,991**	(1,754)	**131,991**	(1,754)
Net realised loss on fair value changes arising from fair value hedges	**2,643**	504	**2,643**	504
Net gain on divestment of joint venture	**-**	(90,106)	**-**	(138,101)
Net loss arising from fair value hedges	**1,051**	305	**1,051**	305
(Written back of)/allowance for impairment losses on financial investments and other financial assets	**(167)**	(972)	**1,467**	684
Interest expense on:				
- Recourse obligation on loans/financing sold to Cagamas	**26,783**	8,239	**6,588**	7,602
- Tier 2 subordinated bonds	**66,752**	116,165	**66,782**	116,135
- Multi-currency Additional Tier 1 capital securities	**39,473**	25,347	**39,639**	25,513
- Innovative Tier 1 capital securities	**8,413**	41,053	**8,413**	41,053
- Lease liabilities	**11,307**	-	**19,147**	-

Statements of Cash Flows

for the financial year ended 30 June 2020

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest income from:				
- financial investments at fair value through other comprehensive income	**(687,729)**	(816,881)	**(692,225)**	(815,988)
- financial investments at amortised cost	**(416,058)**	(427,136)	**(415,255)**	(423,467)
- Multi-currency Additional Tier 1 subordinated sukuk wakalah	**-**	-	**(56)**	(20,520)
- Tier 2 subordinated sukuk murabahah	**-**	-	**46**	(788)
Dividend income from:				
- subsidiary company	**-**	-	**(19,000)**	(20,020)
- associated companies	**-**	-	**(205,332)**	(174,604)
- financial assets at fair value through profit or loss	**(226,380)**	(279,533)	**(226,380)**	(279,533)
- financial investments at fair value through other comprehensive income	**(3,683)**	(203)	**(3,683)**	(203)
Share option expenses	**23,085**	17,716	**23,085**	17,716
Operating profit before working capital changes	**1,823,054**	1,534,863	**1,092,994**	937,955
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	**(804,192)**	3,682,441	**(766,697)**	3,382,971
Financial assets at fair value through profit or loss	**4,208,317**	(651,053)	**3,714,691**	(286,784)
Loans, advances and financing	**(9,033,498)**	(8,811,344)	**(4,316,897)**	(5,128,811)
Derivative financial instruments	**(818,542)**	85,772	**(768,148)**	118,455
Other assets	**(335,664)**	(293,700)	**(310,696)**	(459,346)
Amount due from subsidiaries	**-**	-	**(93,268)**	30,468
Statutory deposits with Central Banks	**4,170,713**	(276,351)	**3,310,242**	(111,406)
Increase/(Decrease) in operating liabilities				
Deposits from customers	**10,424,791**	5,711,052	**6,239,472**	1,867,611
Investment accounts of customers	**354,240**	2,235	**-**	-
Deposits and placements of banks and other financial institutions	**(857,344)**	120,990	**(553,693)**	(40,920)
Securities sold under repurchase agreements	**790,216**	(1,497,953)	**790,216**	(1,471,203)
Bills and acceptances payable	**(258,970)**	(151,428)	**(242,362)**	(144,393)
Derivative financial instruments	**633,526**	(318,903)	**587,686**	(298,203)
Other liabilities	**432,921**	158,043	**446,542**	490,425
Cash flows generated from/(used in) operations	**10,729,568**	(705,336)	**9,130,082**	(1,113,181)
Taxation paid	**(516,455)**	(615,398)	**(367,133)**	(496,777)
Net cash generated from/(used in) operating activities	**10,213,113**	(1,320,734)	**8,762,949**	(1,609,958)

Statements of Cash Flows

for the financial year ended 30 June 2020

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from investing activities				
Net (purchases of)/proceeds from financial investments at fair value through other comprehensive income	**(2,156,673)**	2,660,336	**(2,688,182)**	2,796,969
Net (purchases of)/proceeds from financial investments at amortised cost	**(4,532,195)**	937,924	**(3,769,345)**	1,537,556
Proceeds from sale of intangible assets	**-**	2	**-**	2
Purchase of property and equipment	**(181,342)**	(123,156)	**(163,150)**	(115,473)
Net proceeds from sale of property and equipment	**6,251**	2,209	**6,207**	1,890
Purchase of intangible assets	**(27,275)**	(10,918)	**(23,471)**	(9,750)
Interest received from investment in Multi-currency Additional Tier 1 subordinated sukuk wakalah	**-**	-	**-**	20,520
Investment in Tier 2 subordinated sukuk murabahah	**-**	-	**-**	(400,000)
Investment in subordinated facilities	**-**	-	**(554)**	(417)
Proceeds from divestment of joint venture	**-**	60,606	**-**	60,606
Dividends received from:				
- subsidiary company	**-**	-	**19,000**	20,020
- associated companies	**-**	127,413	**-**	127,413
- financial assets at fair value through profit or loss	**226,380**	279,533	**226,380**	279,533
- financial investments at fair value through other comprehensive income	**3,683**	203	**3,683**	203
Net cash (used in)/generated from investing activities	**(6,661,171)**	3,934,152	**(6,389,432)**	4,319,072

Statements of Cash Flows

for the financial year ended 30 June 2020

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Bank 2020 RM'000	The Bank 2019 RM'000
Cash flows from financing activities					
Dividends paid		**(1,023,340)**	(982,056)	**(1,023,340)**	(982,056)
Cash received from ESOS exercised		**2,381**	3,603	**2,381**	3,603
Repayment of Innovative Tier 1 capital securities		**(500,000)**	-	**(500,000)**	-
Repayment of Tier 2 subordinated loan		**-**	(2,400,000)	**-**	(2,000,000)
Repayment of lease liabilities		**(44,849)**	-	**(62,629)**	-
Repayment of recourse obligation on loans sold to Cagamas		**(200,050)**	-	**(200,050)**	-
Proceeds from debt issuance:					
- Recourse obligation on financing sold to Cagamas		**993,447**	50,000	**300,023**	-
- Tier 2 subordinated bonds		**-**	1,000,000	**-**	1,000,000
- Multi-currency Additional Tier 1 capital securities		**-**	400,000	**-**	400,000
Interest paid:					
- Recourse obligation on loans/financing sold to Cagamas		**(24,766)**	(7,600)	**(8,948)**	(7,600)
- Tier 2 subordinated bonds		**(66,868)**	(116,937)	**(66,898)**	(116,223)
- Multi-currency Additional Tier 1 capital securities		**(39,468)**	(20,485)	**(39,634)**	(20,651)
- Innovative Tier 1 capital securities		**(21,071)**	(40,940)	**(21,071)**	(40,940)
- Lease liabilities		**(11,307)**	-	**(19,147)**	-
Net cash used in financing activities		**(935,891)**	(2,114,415)	**(1,639,313)**	(1,763,867)
Net increase in cash and cash equivalents		**2,616,051**	499,003	**734,204**	945,247
Effects of exchange rate changes		**47,433**	61,425	**12,059**	30,828
Cash and cash equivalents at the beginning of financial year		**4,523,737**	3,963,309	**4,258,769**	3,282,694
Cash and cash equivalents at the end of financial year		**7,187,221**	4,523,737	**5,005,032**	4,258,769
Cash and cash equivalents comprise the following:					
Cash and short-term funds	3	**8,562,169**	4,855,456	**5,543,800**	4,383,074
Deposits and placements with banks and other financial institutions	4	**1,052,379**	1,291,416	**1,818,174**	1,465,940
		9,614,548	6,146,872	**7,361,974**	5,849,014
Less:					
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		**(2,427,327)**	(1,623,135)	**(2,356,942)**	(1,590,245)
		7,187,221	4,523,737	**5,005,032**	4,258,769

The accompanying notes form an integral part of the financial statements

Statements of Cash Flows

for the financial year ended 30 June 2020

An analysis of changes in liabilities arising from financing activities is as follows:

The Group	Recourse obligation on loans/ financing sold to Cagamas RM'000	Tier 2 subordinated bonds RM'000	Multi-currency Additional Tier 1 capital securities RM'000	Innovative Tier 1 capital securities RM'000	Lease liabilities RM'000	Total RM'000
2020						
Balance at the beginning of the financial year	**253,591**	**1,502,340**	**806,185**	**512,268**	**-**	**3,074,384**
Effect of adopting MFRS 16	**-**	**-**	**-**	**-**	**285,782**	**285,782**
As restated	**253,591**	**1,502,340**	**806,185**	**512,268**	**285,782**	**3,360,166**
Proceeds from issuance	**993,447**	**-**	**-**	**-**	**-**	**993,447**
Redemptions and repayments	**(200,050)**	**-**	**-**	**(500,000)**	**(44,849)**	**(744,899)**
Interest paid	**(24,766)**	**(66,868)**	**(39,468)**	**(21,071)**	**(11,307)**	**(163,480)**
Accrued interest	**26,783**	**66,752**	**39,473**	**8,413**	**11,307**	**152,728**
Amortisation	**-**	**-**	**130**	**502**	**-**	**632**
Other non-cash	**-**	**-**	**-**	**(112)**	**244**	**132**
Balance at the end of the financial year	**1,049,005**	**1,502,224**	**806,320**	**-**	**241,177**	**3,598,726**
2019						
Balance at the beginning of the financial year	202,952	2,902,908	401,192	512,352	-	4,019,404
Proceeds from issuance	50,000	1,000,000	400,000	-	-	1,450,000
Repayments from redemption	-	(2,400,000)	-	-	-	(2,400,000)
Interest paid	(7,600)	(116,937)	(20,485)	(40,940)	-	(185,962)
Accrued interest	8,239	116,165	25,347	41,053	-	190,804
Amortisation	-	204	131	1,937	-	2,272
Other non-cash	-	-	-	(2,134)	-	(2,134)
Balance at the end of the financial year	253,591	1,502,340	806,185	512,268	-	3,074,384

Statements of Cash Flows

for the financial year ended 30 June 2020

An analysis of changes in liabilities arising from financing activities is as follows: (continued)

The Bank	Recourse obligation on loans/ financing sold to Cagamas RM'000	Tier 2 subordinated bonds RM'000	Multi-currency Additional Tier 1 capital securities RM'000	Innovative Tier 1 capital securities RM'000	Lease liabilities RM'000	Total RM'000
2020						
Balance at the beginning of the financial year	**202,954**	**1,502,340**	**806,185**	**512,268**	**-**	**3,023,747**
Effect of adopting MFRS 16	**-**	**-**	**-**	**-**	**459,572**	**459,572**
As restated	**202,954**	**1,502,340**	**806,185**	**512,268**	**459,572**	**3,483,319**
Proceeds from issuance	**300,023**	**-**	**-**	**-**	**-**	**300,023**
Redemptions and repayments	**(200,050)**	**-**	**-**	**(500,000)**	**(62,629)**	**(762,679)**
Interest paid	**(8,948)**	**(66,898)**	**(39,634)**	**(21,071)**	**(19,147)**	**(155,698)**
Accrued interest	**6,588**	**66,782**	**39,639**	**8,413**	**19,147**	**140,569**
Amortisation	**-**	**-**	**130**	**502**	**-**	**632**
Other non-cash	**-**	**-**	**-**	**(112)**	**10,895**	**10,783**
Balance at the end of the financial year	**300,567**	**1,502,224**	**806,320**	**-**	**407,838**	**3,016,949**
2019						
Balance at the beginning of the financial year	202,952	2,502,278	401,192	512,352	-	3,618,774
Proceeds from issuance	-	1,000,000	400,000	-	-	1,400,000
Repayments from redemption	-	(2,000,000)	-	-	-	(2,000,000)
Interest paid	(7,600)	(116,223)	(20,651)	(40,940)	-	(185,414)
Accrued interest	7,602	116,135	25,513	41,053	-	190,303
Amortisation	-	150	131	1,937	-	2,218
Other non-cash	-	-	-	(2,134)	-	(2,134)
Balance at the end of the financial year	202,954	1,502,340	806,185	512,268	-	3,023,747

Notes to the Financial Statements

for the financial year ended 30 June 2020

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

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016, in Malaysia.

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

The financial statements incorporate the activities relating to Islamic Banking which have been undertaken by the Group in compliance with Shariah principles. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

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

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

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 2019:

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

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

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

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

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)

The impact of adoption of MFRS 16 of the Group is summarised in Note 58.

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

B Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank that have been issued but not yet effective

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

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

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

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

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

  The amendments shall be applied prospectively.

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

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

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 2020 (continued)

The amendments also:

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

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

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

  The amendments shall be applied prospectively.

* Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2022) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

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

  The amendments shall be applied retrospectively.

* The Conceptual Framework for Financial Reporting (Revised 2018)

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

  Key changes to the Framework are as follows:

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

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

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 2020 (continued)

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

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

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

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

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

<u>Amendments to References to the Conceptual Framework in MFRS Standards</u>

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

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

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

  'Highly probable' requirement

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

  Prospective assessment

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

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 2020 (continued)

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

MFRS 139(*) retrospective effectiveness test exception

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

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

Disclosures

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

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

* hedging relationships that existed at the beginning of the reporting period in which an entity first applies those amendments or were designated thereafter; and

* the amount accumulated in the cash flow hedge reserve that existed at the beginning of the reporting period in which an entity first applies those requirements.

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2020

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

C Changes in regulatory requirements

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

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

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

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

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

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

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

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(i) Subsidiaries (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(i) Subsidiaries (continued)

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

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

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

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

(iii) Disposal of subsidiaries

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

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

(iv) Joint arrangements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(iv) Joint arrangements (continued)

The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

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

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

(v) Associated companies

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(v) Associated companies (continued)

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

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

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

(vi) Loss of joint control or significant influence

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

(vii) Investments in subsidiaries and associated companies

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

Investments in debt instruments issued by subsidiary companies at amortised cost are measured in accordance with Note D.

B Recognition of interest/profit income and interest/profit expense

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B Recognition of interest/profit income and interest/profit expense (continued)

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

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

C Recognition of fees and other income

The Group and the Bank earn fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Group and the Bank have satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Group and the Bank generally satisfy its performance obligation and recognises the fee and commission income on the following basis:

* Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate advisory transactions, commissions, service charges and fees, credit card related fees and fees on loans, advances and financing. These fees constitute a single performance obligation.

* For a service that is provided over a period of time, fee and commission income is recognised on an equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time. Such fees include guarantee fees and commitment fees.

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

Directly related expenses typically include card-related expenses and sales commissions, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

Other income recognition are as follows:

a) Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence. Dividend income received from subsidiary companies, joint venture, associated companies, financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income are recognised as non-interest income in statements of income. Dividends that clearly represent a recovery of part of the cost of investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at fair value through other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C Recognition of fees and other income (continued)

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

D Financial assets

(i) Classification

The Group and the Bank have applied MFRS 9 and classified its financial assets in the following measurement categories in accordance with MFRS 9 requirements:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

- those to be measured at amortised cost.

The Group and the Bank reclassify debt investments when and only when its business model for managing those assets changes. The Group and the Bank do not change the classification of the remaining financial assets held in the business model, but consider the circumstances leading to the model change when assessing newly originated or newly purchased financial assets going forward.

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 38 and Note 39) 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 39) 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 is 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E Financial liabilities (continued)

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

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

(ii) Financial liabilities at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this catergory and are measured at amortised cost. Financial liabilities are initially recognised at fair value plus transaction costs. Subsequently, financial liabilities are remeasured at amortised cost using the effective interest/profit rate.

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, Multi-currency additional Tier 1 capital securities and Innovative Tier 1 capital securities.

F Property and equipment and depreciation

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

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of income during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	Over the remaining period of the lease or 100 years (1%) whichever is shorter
Buildings on freehold land	2%
Buildings on leasehold land	Over the remaining period of the lease or 50 years (2%) whichever is shorter
Office furniture, fittings, equipment and renovations and computer equipment	10% - 33%
Motor vehicles	25%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F Property and equipment and depreciation (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on assets under construction commences when the assets are ready for their intended use.

Property and equipment are reviewed for indication of impairment at each statements of financial position date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in non-interest income.

Accounting policies applied from 1 July 2019

From 1 July 2019, leased assets presented under Property and equipment and Prepaid lease payments are right-of-use assets within the scope of MFRS 16. See Note H for the accounting policies on right-of-use assets.

G Intangible assets

(i) Computer software

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

(ii) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of the acquisition date fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the statements of income.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G Intangible assets (continued)

(iii) Other intangible assets

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

Other intangible assets have finite useful lives as follows:

Core deposit: 7 years
Customer relationships: 10 years

H Leases

Accounting policies applied until 30 June 2019

(i) Finance lease

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

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

(ii) Operating lease

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are charged to the statements of income on a straight line basis over the period of the lease.

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

Accounting policies applied from 1 July 2019

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H Leases (continued)

Accounting policies applied from 1 July 2019 (continued)

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

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

Lease term

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

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

ROU assets

ROU assets are initially measured at cost comprising the following:

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

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Bank are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H Leases (continued)

Accounting policies applied from 1 July 2019 (continued)

Lease liabilities (continued)

- payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option.

Lease payments are discounted using the interest/profit rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Bank, an incremental borrowing rate is used in determining the discount rate which assumes the interest/profit rate that the Group and the Bank would have to pay to borrow over a similar term, the funds necessary to obtain the asset.

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

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

Short term leases and leases of low value assets

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

I Impairment of non-financial assets

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J Current and deferred income taxes

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

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

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

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

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

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 on the adoption of MFRS 9 on 1 July 2018.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statements of income. Cash collateral held in relation to derivative transactions are carried at amortised cost.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise profits immediately.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity using a recalculated effective interest rate.

Notes to the Financial Statements

for the financial year ended 30 June 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K Derivative financial instruments and hedging (continued)

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the statements of income. Amounts accumulated in equity are recycled to the statements of income in the financial periods in which the hedged item will affect statements of income.

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

(iii) Derivatives that do not qualify for hedge accounting

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

L Currency translations

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L Currency translations (continued)

(ii) Foreign currency transactions and balances (continued)

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.

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.

Notes to the Financial Statements

for the financial year ended 30 June 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M Employee benefits (continued)

(iii) Share-based compensation (continued)

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 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.

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.

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

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)

(c) Stage 3: Lifetime ECL - credit impaired

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

At each reporting period, the Group and the Bank assess whether financial assets are impaired. Qualitative and quantitative information are used to determine if a financial asset is credit impaired. Nevertheless, a backstop is applied and a financial asset is considered as credit impaired if it is more than 90 days or 3 months past due on its contractual payments.

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

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

Measurement of ECL

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

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 (continued)

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

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

Forward looking information

The Group and the Bank have internally developed methodologies for the application of forward looking macroeconomic ("MEV") which consist of economic indicators and industry statistics in the measurement of ECL. This involves the incorporation of MEV forward looking into PD estimation, which is determined based on probability-weighted outcome from a range of economic scenarios. No MEV was incorporated into LGD estimation due to insufficient data points and lack of solid statistical results supporting the said application.

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

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

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

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

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

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 32 and Note 34.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T Provisions (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W Share capital (continued)

(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.

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

3 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cash and balances with banks and other financial institutions	**2,615,425**	1,845,729	**1,842,619**	1,563,734
Money at call and deposit placements maturing within one month	**5,946,901**	3,010,236	**3,702,258**	2,819,993
	8,562,326	4,855,965	**5,544,877**	4,383,727
Less: Expected credit losses	**(157)**	(509)	**(1,077)**	(653)
	8,562,169	4,855,456	**5,543,800**	4,383,074

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Licensed banks	**919,858**	1,291,668	**1,820,099**	1,467,320
Central banks	**132,584**	-	**-**	-
	1,052,442	1,291,668	**1,820,099**	1,467,320
Less: Expected credit losses	**(63)**	(252)	**(1,925)**	(1,380)
	1,052,379	1,291,416	**1,818,174**	1,465,940

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

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Money market instruments				
Government treasury bills	**579,866**	21,900	**579,866**	21,900
Malaysian Government securities	**747,323**	2,245,849	**747,323**	2,245,849
Malaysian Government investment certificates	**1,135,704**	1,824,682	**1,114,035**	1,309,387
Cagamas bonds	**166,697**	76,386	**166,697**	76,386
Khazanah bonds	**19,999**	136,726	**19,999**	136,726
Other Government securities	**47,452**	92,163	**47,452**	92,163
	2,697,041	4,397,706	**2,675,372**	3,882,411
Quoted securities				
Wholesale fund/unit trust	**4,657,038**	7,066,213	**4,657,038**	7,066,213
Foreign currency bonds in Malaysia	**159,401**	60,375	**159,401**	60,375
Foreign currency bonds outside Malaysia	**145,069**	108,167	**145,069**	108,167
	7,658,549	11,632,461	**7,636,880**	11,117,166
Unquoted securities				
Corporate bonds and sukuk	**55,211**	162,134	**55,211**	162,134
Shares in Malaysia	**330,636**	305,572	**330,636**	305,572
Redeemable preference shares	**25,000**	30,866	**25,000**	30,866
	8,069,396	12,131,033	**8,047,727**	11,615,738

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

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At fair value				
(a) Debt instruments	**27,222,450**	23,810,179	**24,677,811**	20,701,667
(b) Equity instruments	**60,094**	44,331	**60,094**	44,331
	27,282,544	23,854,510	**24,737,905**	20,745,998
(a) Debt instruments				
Money market instruments				
Government treasury bills	**487,768**	-	**487,768**	-
Malaysian Government securities	**2,106,857**	1,420,656	**2,106,857**	1,420,656
Malaysian Government investment certificates	**8,287,017**	6,303,409	**6,656,156**	5,151,270
Negotiable instruments of deposit	**950,404**	1,197,900	**700,603**	899,135
Other Government securities	**312,507**	694,508	**196,152**	542,176
Cagamas bonds	**1,687,440**	1,311,562	**1,522,417**	1,045,677
Khazanah bonds	**529,373**	272,685	**529,373**	263,646
	14,361,366	11,200,720	**12,199,326**	9,322,560
Quoted securities				
Foreign currency bonds in Malaysia	**2,131,473**	1,776,207	**2,131,473**	1,743,093
Foreign currency bonds outside Malaysia	**1,353,402**	1,638,380	**1,353,402**	1,638,380
	17,846,241	14,615,307	**15,684,201**	12,704,033
Unquoted securities				
Malaysian Government sukuk	**554,124**	350,898	**554,124**	183,458
Corporate bonds and sukuk	**8,091,050**	7,318,697	**7,708,451**	6,288,899
Foreign currency bonds in Malaysia	**306,295**	973,343	**306,295**	973,343
Foreign currency bonds outside Malaysia	**424,740**	551,934	**424,740**	551,934
	27,222,450	23,810,179	**24,677,811**	20,701,667

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

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

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
2020				
At 1 July	**1,566**	**-**	**4,287**	**5,853**
New financial assets originated or purchased	**1,735**	**-**	**-**	**1,735**
Financial assets derecognised	**(1,046)**	**-**	**-**	**(1,046)**
Changes due to change in credit risk	**(197)**	**-**	**-**	**(197)**
Changes in models/risk parameters	**(20)**	**-**	**-**	**(20)**
Exchange differences	**30**	**-**	**-**	**30**
At 30 June	**2,068**	**-**	**4,287**	**6,355**

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2019				
At 1 July	-	-	-	-
Effect of adopting MFRS 9	2,428	-	4,453	6,881
At 1 July, as restated	2,428	-	4,453	6,881
New financial assets originated or purchased	502	-	-	502
Financial assets derecognised	(1,007)	-	(166)	(1,173)
Changes due to change in credit risk	(401)	-	-	(401)
Exchange differences	44	-	-	44
At 30 June	1,566	-	4,287	5,853

Notes to the Financial Statements

for the financial year ended 30 June 2020

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
2020				
At 1 July	**1,454**	**-**	**4,287**	**5,741**
New financial assets originated or purchased	**1,724**	**-**	**-**	**1,724**
Financial assets derecognised	**(975)**	**-**	**-**	**(975)**
Changes due to change in credit risk	**(158)**	**-**	**-**	**(158)**
Changes in models/risk parameters	**(18)**	**-**	**-**	**(18)**
Exchange differences	**28**	**-**	**-**	**28**
At 30 June	**2,055**	**-**	**4,287**	**6,342**

The 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
2019				
At 1 July	-	-	-	-
Effect of adopting MFRS 9	2,385	-	4,453	6,838
At 1 July, as restated	2,385	-	4,453	6,838
New financial assets originated or purchased	413	-	-	413
Financial assets derecognised	(994)	-	(166)	(1,160)
Changes due to change in credit risk	(392)	-	-	(392)
Exchange differences	42	-	-	42
At 30 June	1,454	-	4,287	5,741

	The Group 2020 RM'000	The Group 2019 RM'000	The Bank 2020 RM'000	The Bank 2019 RM'000
(b) Equity instruments				
Unquoted securities:				
Shares in Malaysia	**60,094**	44,331	**60,094**	44,331

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
2020		
Securities:		
RAM Holdings Berhad	**9,357**	**3,683**
Payments Network Malaysia Sdn Bhd	**49,554**	**-**
Others	**1,183**	**-**
	60,094	**3,683**

The Group and The Bank	Fair value RM'000	Dividend income recognised during the financial year RM'000
2019		
Securities:		
RAM Holdings Berhad	7,444	203
Payments Network Malaysia Sdn Bhd	35,875	-
Others	1,012	-
	44,331	203

Notes to the Financial Statements

for the financial year ended 30 June 2020

7 FINANCIAL INVESTMENTS AT AMORTISED COST

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Money market instruments				
Government treasury bills	**-**	53,820	**-**	53,820
Malaysian Government securities	**2,764,183**	102,105	**2,764,183**	102,105
Malaysian Government investment certificates	**10,871,164**	8,721,860	**7,301,857**	5,887,037
Khazanah bonds	**316,038**	304,266	**278,110**	267,837
Other Government securities	**456,623**	326,179	**437,425**	307,305
	14,408,008	9,508,230	**10,781,575**	6,618,104
Quoted securities				
Foreign currency bonds in Malaysia	**857,780**	845,592	**857,780**	845,592
Foreign currency bonds outside Malaysia	**145,577**	151,587	**145,577**	151,587
	15,411,365	10,505,409	**11,784,932**	7,615,283
Unquoted securities				
Malaysian Government sukuk	**2,659,375**	2,657,094	**1,695,435**	1,694,196
Corporate bonds and sukuk	**2,030,894**	1,991,703	**1,598,916**	1,586,027
	20,101,634	15,154,206	**15,079,283**	10,895,506
Less: Expected credit losses	**(202)**	(1,007)	**(202)**	(1,001)
	20,101,432	15,153,199	**15,079,081**	10,894,505

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

7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

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

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2020				
At 1 July	**180**	**-**	**827**	**1,007**
Changes due to change in credit risk	**20**	**-**	**-**	**20**
Amount written off	**-**	**-**	**(827)**	**(827)**
Exchange differences	**2**	**-**	**-**	**2**
At 30 June	**202**	**-**	**-**	**202**

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2019				
At 1 July	-	-	-	-
Effect of adopting MFRS 9	3	-	827	830
At 1 July, as restated	3	-	827	830
New financial assets originated or purchased	178	-	-	178
Exchange differences	(1)	-	-	(1)
At 30 June	180	-	827	1,007

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

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
2020				
At 1 July	**174**	**-**	**827**	**1,001**
Changes due to change in credit risk	**24**	**-**	**-**	**24**
Amount written off	**-**	**-**	**(827)**	**(827)**
Exchange differences	**4**	**-**	**-**	**4**
At 30 June	**202**	**-**	**-**	**202**

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
2019				
At 1 July	-	-	-	-
Effect of adopting MFRS 9	-	-	827	827
At 1 July, as restated	-	-	827	827
New financial assets originated or purchased	174	-	-	174
At 30 June	174	-	827	1,001

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
2020				
At 1 July	**15,153,379**	**-**	**827**	**15,154,206**
New financial assets originated or purchased	**5,007,109**	**-**	**-**	**5,007,109**
Financial assets derecognised	**(75,115)**	**-**	**(827)**	**(75,942)**
Changes due to change in credit risk	**(13,654)**	**-**	**-**	**(13,654)**
Exchange differences	**29,933**	**-**	**-**	**29,933**
Other movements	**(18)**	**-**	**-**	**(18)**
At 30 June	**20,101,634**	**-**	**-**	**20,101,634**

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 July				-
Effect of adopting MFRS 9				15,649,093
At 1 July, as restated	15,648,266	-	827	15,649,093
New financial assets originated or purchased	7,101,214	-	-	7,101,214
Financial assets derecognised	(7,602,370)	-	-	(7,602,370)
Exchange differences	33,213	-	-	33,213
Other movements	(26,944)	-	-	(26,944)
At 30 June	15,153,379	-	827	15,154,206

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
2020				
At 1 July	**10,894,679**	**-**	**827**	**10,895,506**
New financial assets originated or purchased	**4,244,593**	**-**	**-**	**4,244,593**
Financial assets derecognised	**(75,439)**	**-**	**(827)**	**(76,266)**
Changes due to change in credit risk	**(14,465)**	**-**	**-**	**(14,465)**
Exchange differences	**29,933**	**-**	**-**	**29,933**
Other movements	**(18)**	**-**	**-**	**(18)**
At 30 June	**15,079,283**	**-**	**-**	**15,079,283**

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 July				-
Effect of adopting MFRS 9				11,993,693
At 1 July, as restated	11,992,866	-	827	11,993,693
New financial assets originated or purchased	5,177,548	-	-	5,177,548
Financial assets derecognised	(6,281,476)	-	-	(6,281,476)
Exchange differences	33,214	-	-	33,214
Other movements	(27,473)	-	-	(27,473)
At 30 June	10,894,679	-	827	10,895,506

8 LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Overdrafts	**3,590,801**	3,863,555	**2,751,759**	3,119,277
Term loans/financing:				
- Housing and shop loans/financing	**82,482,204**	76,495,886	**65,361,213**	61,165,045
- Syndicated/term loans or financing	**13,850,875**	11,740,501	**9,721,008**	8,717,446
- Hire purchase receivables	**17,006,512**	17,634,182	**13,297,789**	14,015,409
- Ijarah receivables	**161,188**	-	**-**	-
- Other term loans/financing	**8,642,885**	7,984,748	**5,130,527**	5,154,293
Credit/charge card receivables	**3,094,683**	3,597,974	**3,094,683**	3,597,974
Bills receivable	**2,680,254**	1,061,015	**2,156,191**	926,496
Trust receipts	**1,476,882**	421,884	**1,444,741**	306,390
Claims on customers under acceptance credits	**5,235,605**	8,029,521	**4,487,325**	7,276,246
Revolving credit	**7,202,385**	6,227,550	**5,803,126**	5,161,648
Staff loans/financing	**143,067**	138,753	**131,302**	132,620
Other loans/financing	**365,021**	370,814	**365,020**	370,455
Gross loans, advances and financing	**145,932,362**	137,566,383	**113,744,684**	109,943,299
Fair value changes arising from fair value hedges	**21,714**	3,473	**18,955**	3,473
Allowance for impairment losses:				
- Expected credit losses	**(1,259,126)**	(1,261,639)	**(939,664)**	(1,011,802)
Total net loans, advances and financing	**144,694,950**	136,308,217	**112,823,975**	108,934,970

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group and the Bank amounting to RM1,023,078,000 (2019: RM236,439,000) and RM297,169,000 (2019: RM188,181,000) respectively.

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Maturing within:				
- one year	**26,269,928**	26,236,955	**22,339,034**	23,183,492
- one year to three years	**5,687,390**	5,914,184	**4,545,659**	4,699,471
- three years to five years	**10,647,798**	9,612,277	**7,374,925**	7,243,460
- over five years	**103,327,246**	95,802,967	**79,485,066**	74,816,876
Gross loans, advances and financing	**145,932,362**	137,566,383	**113,744,684**	109,943,299

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

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Domestic non-bank financial institutions other than stockbroking companies	**1,434,866**	953,920	**1,104,936**	853,670
Domestic business enterprises:				
- small and medium enterprises	**22,642,512**	21,504,122	**17,935,809**	17,282,182
- others	**20,648,535**	19,232,651	**15,767,074**	15,751,104
Government and statutory bodies	**1,892**	2,037	**44**	41
Individuals	**98,108,836**	93,385,273	**76,575,340**	73,812,923
Other domestic entities	**975,756**	418,282	**445,023**	374,831
Foreign entities	**2,119,965**	2,070,098	**1,916,458**	1,868,548
Gross loans, advances and financing	**145,932,362**	137,566,383	**113,744,684**	109,943,299

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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fixed rate:				
- Housing and shop loans/financing	**1,577,765**	1,641,101	**1,002,819**	1,081,501
- Hire purchase receivables	**16,847,128**	17,413,826	**13,141,515**	13,797,959
- Credit card	**3,094,683**	3,597,974	**3,094,683**	3,597,974
- Other fixed rate loans/financing	**3,446,335**	2,776,796	**1,781,019**	1,258,553
Variable rate:				
- Base rate/base lending rate plus	**102,135,209**	94,502,743	**80,366,038**	76,209,468
- Cost plus	**17,922,029**	17,017,202	**14,358,610**	13,997,844
- Other variable rates	**909,213**	616,741	**-**	-
Gross loans, advances and financing	**145,932,362**	137,566,383	**113,744,684**	109,943,299

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

	The Group		The Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Purchase of securities	**780,571**	808,590	**476,522**	553,613
Purchase of transport vehicles	**16,769,096**	17,489,088	**13,009,091**	13,829,965
Residential property (housing)	**73,335,991**	67,437,747	**57,330,388**	53,224,466
Non-residential property	**17,244,621**	16,369,237	**14,575,258**	14,144,111
Purchase of fixed assets (excluding landed properties)	**1,102,078**	988,287	**750,932**	700,315
Personal use	**3,437,021**	3,389,881	**2,089,238**	2,065,876
Credit card	**3,094,683**	3,597,974	**3,094,683**	3,597,974
Construction	**2,612,109**	2,006,223	**1,685,437**	1,277,523
Mergers and acquisition	**151,784**	312,445	**-**	125,522
Working capital	**25,929,408**	23,791,965	**19,821,776**	19,545,202
Other purpose	**1,475,000**	1,374,946	**911,359**	878,732
Gross loans, advances and financing	**145,932,362**	137,566,383	**113,744,684**	109,943,299

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

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
In Malaysia	**138,163,418**	130,455,793	**108,494,268**	104,719,012
Outside Malaysia:				
- Singapore	**5,250,416**	5,224,287	**5,250,416**	5,224,287
- Vietnam	**909,213**	616,741	**-**	-
- Cambodia	**1,609,315**	1,269,562	**-**	-
Gross loans, advances and financing	**145,932,362**	137,566,383	**113,744,684**	109,943,299

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

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Purchase of securities	**284**	51	**284**	5
Purchase of transport vehicles	**71,019**	122,105	**53,363**	90,856
Residential property (housing)	**341,175**	376,182	**245,500**	278,841
Non-residential property	**150,277**	169,127	**131,656**	161,694
Purchase of fixed assets (excluding landed properties)	**4,648**	5,325	**4,427**	5,325
Personal use	**24,479**	44,470	**12,692**	23,321
Credit card	**24,568**	32,505	**24,568**	32,505
Construction	**9,663**	17,350	**8,632**	15,583
Working capital	**194,803**	298,966	**172,473**	274,704
Other purpose	**68,838**	5,030	**10,172**	5,030
Gross impaired loans, advances and financing	**889,754**	1,071,111	**663,767**	887,864

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

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
In Malaysia	**881,407**	1,063,910	**662,511**	886,352
Outside Malaysia:				
- Singapore	**1,256**	1,512	**1,256**	1,512
- Vietnam	**1,808**	1,621	**-**	-
- Cambodia	**5,283**	4,068	**-**	-
Gross impaired loans, advances and financing	**889,754**	1,071,111	**663,767**	887,864

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
2020				
At 1 July	**369,715**	**498,325**	**393,599**	**1,261,639**
Changes in ECL due to transfer within stages	**(89,938)**	**(133,376)**	**223,314**	**-**
Transfer to Stage 1	**16,035**	**(15,930)**	**(105)**	**-**
Transfer to Stage 2	**(105,843)**	**206,821**	**(100,978)**	**-**
Transfer to Stage 3	**(130)**	**(324,267)**	**324,397**	**-**
New financial assets originated	**55,031**	**2,236**	**1,513**	**58,780**
Financial assets derecognised	**(19,751)**	**(40,717)**	**(22,042)**	**(82,510)**
Changes due to change in credit risk	**262,886**	**117,887**	**192,808**	**573,581**
Changes in models/risk parameters	**(28,743)**	**(8,852)**	**(10,855)**	**(48,450)**
Amount written off	**-**	**-**	**(501,536)**	**(501,536)**
Exchange difference	**309**	**324**	**1,313**	**1,946**
Other movements	**-**	**-**	**(4,324)**	**(4,324)**
At 30 June	**549,509**	**435,827**	**273,790**	**1,259,126**

The Group				
2019				
At 1 July				1,006,902
Effect of adopting MFRS 9				358,235
At 1 July, as restated	418,235	487,757	459,145	1,365,137
Changes in ECL due to transfer within stages	(101,395)	(144,111)	245,506	-
Transfer to Stage 1	23,070	(22,825)	(245)	-
Transfer to Stage 2	(124,364)	219,679	(95,315)	-
Transfer to Stage 3	(101)	(340,965)	341,066	-
New financial assets originated	53,847	4,018	110	57,975
Financial assets derecognised	(34,796)	(42,683)	(29,024)	(106,503)
Changes due to change in credit risk	33,367	193,217	42,342	268,926
Amount written off	-	-	(282,501)	(282,501)
Exchange difference	457	127	1,578	2,162
Other movements	-	-	(43,557)	(43,557)
At 30 June	369,715	498,325	393,599	1,261,639

Notes to the Financial Statements

for the financial year ended 30 June 2020

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
2020				
At 1 July	**311,663**	**386,656**	**313,483**	**1,011,802**
Changes in ECL due to transfer within stages	**(74,495)**	**(88,115)**	**162,610**	**-**
Transfer to Stage 1	**12,762**	**(12,674)**	**(88)**	**-**
Transfer to Stage 2	**(87,141)**	**157,992**	**(70,851)**	**-**
Transfer to Stage 3	**(116)**	**(233,433)**	**233,549**	**-**
New financial assets originated	**22,920**	**1,701**	**1,510**	**26,131**
Financial assets derecognised	**(4,889)**	**(24,163)**	**(11,830)**	**(40,882)**
Changes due to change in credit risk	**178,900**	**76,802**	**138,440**	**394,142**
Changes in models/risk parameters	**(25,488)**	**(6,057)**	**(7,782)**	**(39,327)**
Amount written off	**-**	**-**	**(410,609)**	**(410,609)**
Exchange difference	**104**	**260**	**1,370**	**1,734**
Other movements	**-**	**-**	**(3,327)**	**(3,327)**
At 30 June	**408,715**	**347,084**	**183,865**	**939,664**
The Bank				
2019				
At 1 July				801,663
Effect of adopting MFRS 9				329,521
At 1 July, as restated	367,527	388,100	375,557	1,131,184
Changes in ECL due to transfer within stages	(83,815)	(119,839)	203,654	-
Transfer to Stage 1	20,745	(20,533)	(212)	-
Transfer to Stage 2	(104,503)	173,541	(69,038)	-
Transfer to Stage 3	(57)	(272,847)	272,904	-
New financial assets originated	23,715	3,426	72	27,213
Financial assets derecognised	(13,118)	(29,233)	(16,595)	(58,946)
Changes due to change in credit risk	17,052	144,082	14,631	175,765
Amount written off	-	-	(227,057)	(227,057)
Exchange difference	302	120	1,588	2,010
Other movements	-	-	(38,367)	(38,367)
At 30 June	311,663	386,656	313,483	1,011,802

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
2020				
At 1 July	**129,692,478**	**6,802,794**	**1,071,111**	**137,566,383**
Total transfer within stages	**(2,295,963)**	**1,713,211**	**582,752**	**-**
Transfer to Stage 1	**1,897,372**	**(1,875,740)**	**(21,632)**	**-**
Transfer to Stage 2	**(4,089,925)**	**5,218,887**	**(1,128,962)**	**-**
Transfer to Stage 3	**(103,410)**	**(1,629,936)**	**1,733,346**	**-**
New financial assets originated	**16,247,228**	**28,206**	**1,672**	**16,277,106**
Financial assets derecognised	**(3,610,268)**	**(278,290)**	**(72,364)**	**(3,960,922)**
Changes due to change in credit risk	**(2,134,041)**	**(825,104)**	**(191,395)**	**(3,150,540)**
Modifications to contractual cash flows of financial asset (Note)	**(432,686)**	**(43,264)**	**-**	**(475,950)**
Amount written off	**-**	**-**	**(503,360)**	**(503,360)**
Exchange difference	**178,013**	**294**	**1,338**	**179,645**
At 30 June	**137,644,761**	**7,397,847**	**889,754**	**145,932,362**

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 July	121,850,099	6,093,286	1,125,175	129,068,560
Total transfer within stages	(2,461,389)	1,838,959	622,430	-
Transfer to Stage 1	1,925,418	(1,935,460)	10,042	-
Transfer to Stage 2	(4,359,507)	5,294,532	(935,025)	-
Transfer to Stage 3	(27,300)	(1,520,113)	1,547,413	-
New financial assets originated	17,352,533	31,019	1,421	17,384,973
Financial assets derecognised	(4,810,831)	(331,978)	(76,519)	(5,219,328)
Changes due to change in credit risk	(2,582,661)	(832,894)	(321,424)	(3,736,979)
Amount written off	-	-	(282,811)	(282,811)
Exchange difference	344,727	4,402	2,839	351,968
At 30 June	129,692,478	6,802,794	1,071,111	137,566,383

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

Notes to the Financial Statements

for the financial year ended 30 June 2020

8 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
2020				
At 1 July	**103,858,790**	**5,196,645**	**887,864**	**109,943,299**
Total transfer within stages	**(1,832,728)**	**1,422,508**	**410,220**	**-**
Transfer to Stage 1	**1,500,823**	**(1,486,640)**	**(14,183)**	**-**
Transfer to Stage 2	**(3,233,992)**	**4,066,619**	**(832,627)**	**-**
Transfer to Stage 3	**(99,559)**	**(1,157,471)**	**1,257,030**	**-**
New financial assets originated	**10,817,984**	**21,125**	**1,465**	**10,840,574**
Financial assets derecognised	**(2,758,168)**	**(206,458)**	**(59,333)**	**(3,023,959)**
Changes due to change in credit risk	**(2,559,514)**	**(713,076)**	**(165,403)**	**(3,437,993)**
Modifications to contractual cash flows of financial asset (Note)	**(260,837)**	**(24,886)**	**-**	**(285,723)**
Amount written off	**-**	**-**	**(412,249)**	**(412,249)**
Exchange difference	**119,315**	**217**	**1,203**	**120,735**
At 30 June	**107,384,842**	**5,696,075**	**663,767**	**113,744,684**

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 July	99,378,454	4,794,746	905,906	105,079,106
Total transfer within stages	(1,804,213)	1,305,426	498,787	-
Transfer to Stage 1	1,615,819	(1,626,029)	10,210	-
Transfer to Stage 2	(3,394,845)	4,082,974	(688,129)	-
Transfer to Stage 3	(25,187)	(1,151,519)	1,176,706	-
New financial assets originated	12,489,662	24,539	1,367	12,515,568
Financial assets derecognised	(4,119,637)	(275,513)	(39,404)	(4,434,554)
Changes due to change in credit risk	(2,372,932)	(656,924)	(254,753)	(3,284,609)
Amount written off	-	-	(226,689)	(226,689)
Exchange difference	287,456	4,371	2,650	294,477
At 30 June	103,858,790	5,196,645	887,864	109,943,299

Note:
The amount of loans, advances and financing whose cash flows were modified during the year was RM9,977,058,000.

9 OTHER ASSETS

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Foreclosed properties	**18,447**	21,839	**10,985**	10,849
Sundry debtors and other prepayments	**693,771**	371,710	**641,763**	351,193
Treasury related receivables	**370,435**	242,617	**370,383**	242,617
Cash collateral pledged for derivative transactions	**511,094**	301,552	**511,094**	301,552
Other receivables	**88,769**	259,263	**72,624**	240,071
	1,682,516	1,196,981	**1,606,849**	1,146,282

10 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Derivatives at fair value through profit or loss:				
- interest rate swaps	**529,829**	231,307	**528,967**	218,666
- cross currency swaps	**175,725**	154,015	**175,726**	154,017
- foreign currency forwards	**365,216**	125,951	**310,422**	120,766
- foreign currency options	**6,746**	8,129	**6,746**	8,129
- futures	**500**	32	**500**	32
- equity options	**13,493**	7,814	**13,493**	7,814
- swaption	**-**	-	**1,807**	12,563
- total return swap	**19,960**	1,008	**19,960**	1,008
Total derivative financial instruments assets	**1,111,469**	528,256	**1,057,621**	522,995

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

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

		The Group		The Bank	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		**(878,167)**	(438,543)	**(880,432)**	(439,477)
- cross currency swaps		**(133,567)**	(65,089)	**(133,577)**	(65,086)
- foreign currency forwards		**(202,851)**	(109,537)	**(156,207)**	(105,011)
- foreign currency options		**(7,343)**	(4,416)	**(7,343)**	(4,416)
- futures		**(65)**	(2,940)	**(65)**	(2,940)
- equity options		**(13,495)**	(7,814)	**(13,493)**	(7,814)
- swaption		**(12,945)**	(41,201)	**(12,945)**	(41,201)
- total return swap		**(19,960)**	(1,008)	**(19,960)**	(1,008)
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	**(11,400)**	(3,385)	**(11,400)**	(3,385)
Derivatives designated as fair value hedge:					
- interest rate swaps	(b)	**(18,720)**	(4,704)	**(15,674)**	(4,704)
Total derivative financial instruments liabilities		**(1,298,513)**	(678,637)	**(1,251,096)**	(675,042)

(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 hedging relationship was fully effective for the total hedging period and as of the reporting date. As such, the unrealised loss of RM8,489,000 (2019: unrealised loss of RM2,726,000) from the hedging relationship as disclosed in Note 30(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
2020					
Cash inflows (hedging instruments)	**-**	**2,022**	**1,890**	**3,552**	**10,814**
Cash outflows (hedged items)	**-**	**(1,898)**	**(1,662)**	**(3,072)**	**(9,499)**
Net cash inflows	**-**	**124**	**228**	**480**	**1,315**
2019					
Cash inflows (hedging instruments)	1,380	3,062	4,399	5,854	24,384
Cash outflows (hedged items)	(1,369)	(2,778)	(4,110)	(5,349)	(22,630)
Net cash inflows	11	284	289	505	1,754

(b) Fair value hedge

The Group 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 RM657,738,000 (2019: RM486,310,000) at Group and Bank respectively on certain receivables using interest rate swaps. The total fair value loss of the said interest rate swaps related to these hedges amounted to RM15,674,000 (2019: fair value loss of RM4,704,000) at Group and Bank, respectively.

Included in the net non-interest income is the net gains and losses arising from fair value hedges that were effective during the financial year as follows:

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Gain on hedging instruments	**15,482**	6,012	**15,482**	6,012
Loss on the hedged items attributable to the hedged risks	**(16,533)**	(6,317)	**(16,533)**	(6,317)
	(1,051)	(305)	**(1,051)**	(305)

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

11 AMOUNT DUE FROM SUBSIDIARIES

	The Bank	
	2020 RM'000	2019 RM'000
Intercompany settlement	**106,363**	13,095

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	
	2020 RM'000	2019 RM'000
Investment in subsidiary companies		
Unquoted shares, at cost:		
- in Malaysia	**963,124**	963,124
- outside Malaysia	**775,989**	775,989
	1,739,113	1,739,113
Subordinated facilities issued by subsidiary companies, at amortised cost:		
Multi-currency Additional Tier 1 subordinated sukuk wakalah financing facility issued by HLISB	**401,855**	401,799
Tier 2 subordinated sukuk murabahah financing facility issued by HLISB	**400,742**	400,788
Subordinated financing facility issued by Hong Leong Bank (Cambodia) PLC	**17,191**	16,637
	819,788	819,224
	2,558,901	2,558,337

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

13 SUBSIDIARY COMPANIES (CONTINUED)

The subsidiary companies of the Bank are as follows:

Name	Percentage (%) of equity held 2020	2019	Principal activities
(a) Hong Leong Islamic Bank Berhad ("HLISB")	**100**	100	Islamic Banking business and related financial services
(b) HLB Principal Investments (L) Limited and its subsidiary company:	**100**	100	Investment holding
- Promino Sdn Bhd	**100**	100	Holding of pooled motor vehicles for HLBB group's usage
(c) EB Nominees (Tempatan) Sendirian Berhad	**100**	100	Nominees services
(d) EB Nominees (Asing) Sendirian Berhad	**100**	100	In member's voluntary liquidation
(e) EB Realty Sendirian Berhad	**100**	100	Property investment
(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) WTB Corporation Sdn Bhd	**-**	100	Liquidated
(iii) Chew Geok Lin Finance Sdn Bhd	**-**	100	Liquidated
(iv) Hong Leong Leasing Sdn Bhd*	**100**	100	Dormant
(v) HL Leasing Sdn Bhd	**100**	100	Dormant
(vi) HLB Realty Sdn Bhd	**100**	100	Property investment
(h) HLB Nominees (Tempatan) Sdn Bhd	**100**	100	Agent and nominee for Malaysian clients
(i) HLB Nominees (Asing) Sdn Bhd	**100**	100	Agent and nominee for foreign clients
(j) HL Bank Nominees (Singapore) Pte Ltd*+	**100**	100	Dormant
(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

* Not audited by PricewaterhouseCoopers PLT
\+ Audited by member firm of PricewaterhouseCoopers International
Ω Deemed subsidiaries pursuant to MFRS 10 'Consolidated Financial Statements'

All the subsidiary companies are incorporated in Malaysia with the exception of HL Bank Nominees (Singapore) Pte Ltd which is incorporated in Singapore, HLB Trade Services (Hong Kong) Limited which is incorporated in Hong Kong, Hong Leong Bank Vietnam Limited which is incorporated in Vietnam and Hong Leong Bank (Cambodia) PLC which is incorporated in Cambodia.

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

14 INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Quoted shares outside Malaysia, at cost	**938,311**	938,311	**946,505**	946,505
Unquoted shares in Malaysia, at cost	**20**	20	**20**	20
Unquoted shares outside Malaysia, at cost	**24,657**	24,657	**24,657**	24,657
Cumulative share of results, net of dividends received	**3,187,738**	2,695,242	**-**	-
Cumulative share of changes in other comprehensive income	**29,666**	13,690	**-**	-
Exchange fluctuation reserve	**464,135**	434,455	**-**	-
	4,644,527	4,106,375	**971,182**	971,182

(a) Information about associated companies

Name	Country of incorporation	The Group Percentage (%) of equity held 2020	2019	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%.

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

The Group deems BOCD as a material associated company.

14 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(a) Information about associated companies (continued)

(i) BOCD (continued)

As at 30 June 2020, the market value of investment in BOCD was below the carrying amount. The Group has performed impairment assessment on the carrying amount of the investment in BOCD, which confirmed that no impairment is required as at 30 June 2020 as the recoverable amount as determined by a value-in-use ("VIU") calculation was higher than the carrying value. Management believes that any reasonable possible change to the key assumptions applied would not cause the carrying value to exceed its recoverable amount.

The VIU calculation uses discounted cash flows projections based on BOCD management's best estimates of future earnings taking into account of past performance and BOCD's expectation of market development. This calculation uses cash flows projections being the amount attributable to the shareholders based on the budget for the financial year ending 2021 with a further projection of 4 years, which was approved by BOCD management. Cash flows beyond the 5 year period are extrapolated using an estimated growth rate of 4.41% (2019: 6.12%) representing the forecasted Gross Domestic Product growth rate of the country.

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

(ii) CCSR

In 2011, HLB subscribed to RM50 million Cumulative Redeemable Preference Shares ("CRPS") in Jana Pendidikan Malaysia Sdn Bhd. For every RM1 million of subscription of CRPS, the Bank is entitled to subscribe for 1 ordinary share of RM1 each in CCSR. As such, the Bank subscribed for 50 CCSR shares of RM1 each for cash at par which represent 20% equity interest of CCSR.

In November 2014, HLB subscribed to additional 19,950 CCSR Rights Issue of RM1 each.

CCSR is a private company and there is no quoted market price available for its shares.

(iii) JCCFC

On 1 March 2010, HLB together with BOCD, obtained operation approval from China Banking Regulatory Commission ("CBRC") for JCCFC, a joint venture company that is part of the first batch of approved companies, to start consumer finance operations in Central and Western China. JCCFC focuses primarily in the consumer financing business with HLB having a 49% equity interest and BOCD having a 51% equity interest in JCCFC. This strategic alliance between HLB and BOCD to tap into the promising and growing financial services sector in China further cements the Bank's strategic partnership in BOCD and affirms the Bank's vision and belief in the huge potential of China.

In March 2017, the Board of Directors had approved the divestment of 37% of the Bank's stake through non-subscription of the issuance of new share capital by JCCFC and selling down the original share capital held by the Bank to new strategic investors through an exercise via Southwest United Equity Exchange. The sale was completed upon obtaining approval from CBRC vide its letter dated 3 September 2018. In 2019, the net gain on divestment of joint venture of RM90,106,000 was recognised in the Group's statements of income (refer to Note 36).

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.

Notes to the Financial Statements

for the financial year ended 30 June 2020

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	
	2020 RM'000	2019 RM'000
Total assets	**329,160,110**	324,735,826
Total liabilities	**(303,781,131)**	(302,292,283)
Net assets	**25,378,979**	22,443,543

	The Group	
	2020 RM'000	2019 RM'000
Interest income	**10,644,473**	11,914,756
Interest expenses	**(4,960,078)**	(5,758,006)
Non-interest income	**1,160,357**	1,247,857
Profit before taxation	**3,849,336**	3,358,001
Profit after taxation	**3,509,739**	3,081,834
Total comprehensive income	**3,598,544**	3,159,322
Dividends declared by the associated company during the financial year	**825,275**	683,785
Share of results of associated companies (%)	**18%**	18%
Share of results of associated companies (RM'000)	**631,402**	554,422
Dividends accrued from the associated company (RM'000)	**148,467**	123,013

(ii) JCCFC

	The Group	
	2020 RM'000	2019 RM'000
Total assets	**4,419,536**	3,236,527
Total liabilities	**(3,762,459)**	(2,663,343)
Net assets	**657,077**	573,184

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	
	2020 RM'000	2019 RM'000
Interest income	**555,086**	295,636
Interest expenses	**(177,407)**	(85,464)
Non-interest income	**32,111**	10,631
Profit before taxation	**118,651**	97,599
Profit after taxation	**91,093**	72,402
Dividends paid/declared by the associated company during the financial year	**11,417**	36,667
Share of results of associated companies (%)	**12%**	12%
Share of results of associated companies (RM'000)	**10,931**	8,689
Dividends received/accrued from the associated company (RM'000)	**1,370**	4,400

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

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	
	2020 RM'000	2019 RM'000
Opening net assets as at 1 July	**573,184**	-
Reclassified from investment in joint venture	**-**	364,186
Effect arising from issuance of additional new shares	**-**	189,642
Profit for the financial year	**91,093**	55,209
Dividends declared/paid	**(11,417)**	(36,667)
Exchange fluctuation reserve	**4,217**	814
Closing net assets as at 30 June	**657,077**	573,184
Interest in associated companies (%)	**12%**	12%
Interest in associated companies (RM'000)	**78,849**	68,782

The information presented above is based on the financial statements of the associated companies after reflecting adjustments made by the Group when using the equity method, such as fair value adjustments made at the time of acquisition and differences in accounting policies between the Group and the associated companies.

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

Notes to the Financial Statements

for the financial year ended 30 June 2020

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
2020											
Cost											
At 1 July	136,461	587,512	1,092	40,205	2,636	96,023	529,422	1,053,703	6,602	42,397	2,496,053
Additions	-	-	-	600	-	17,522	13,641	24,233	923	124,423	181,342
Reclassification/Transfer	-	-	-	-	-	-	23,214	(68,136)	-	(86,571)	(131,493)
Disposals/Write off	(916)	(1,513)	-	-	-	-	(25,625)	(22,601)	(1,428)	(4,529)	(56,612)
Exchange fluctuation	-	-	-	-	-	-	830	1,477	17	44	2,368
At 30 June	135,545	585,999	1,092	40,805	2,636	113,545	541,482	988,676	6,114	75,764	2,491,658
Accumulated depreciation											
At 1 July	-	40,980	435	4,636	1,435	23,023	387,803	650,668	4,501	-	1,113,481
Charge for the financial year	-	11,723	20	418	16	1,980	33,160	86,247	826	-	134,390
Reclassification/Transfer	-	-	-	-	-	-	(40)	(29,473)	-	-	(29,513)
Disposals/Write off	-	(702)	-	-	-	-	(5,155)	(20,680)	(1,426)	-	(27,963)
Exchange fluctuation	-	-	-	-	-	-	612	733	16	-	1,361
At 30 June	-	52,001	455	5,054	1,451	25,003	416,380	687,495	3,917	-	1,191,756
Net book value as at 30 June 2020	135,545	533,998	637	35,751	1,185	88,542	125,102	301,181	2,197	75,764	1,299,902

* These are the right-of-use assets within the scope of MRFS 16. Refer to accounting policies for leases as disclosed on Note 2H.

Notes to the Financial Statements

for the financial year ended 30 June 2020

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
2019											
Cost											
At 1 July	136,194	588,360	1,693	40,825	2,233	94,838	537,140	1,033,430	7,432	67,330	2,509,475
Additions	-	-	5	-	37	-	10,246	35,669	1,255	75,801	123,013
Reclassification/Transfer	267	(848)	(606)	(620)	622	1,185	31,503	53,188	-	(100,602)	(15,911)
Disposals/Write off	-	-	-	-	(256)	-	(50,194)	(70,525)	(2,133)	(155)	(123,263)
Exchange fluctuation	-	-	-	-	-	-	727	1,941	48	23	2,739
At 30 June	136,461	587,512	1,092	40,205	2,636	96,023	529,422	1,053,703	6,602	42,397	2,496,053
Accumulated depreciation											
At 1 July	-	31,063	1,414	4,440	1,111	19,942	397,110	633,515	5,905	-	1,094,500
Charge for the financial year	-	10,330	17	445	115	1,837	33,837	85,039	676	-	132,296
Reclassification/Transfer	-	(413)	(996)	(249)	414	1,244	(702)	644	-	-	(58)
Disposals/Write off	-	-	-	-	(205)	-	(42,792)	(69,727)	(2,130)	-	(114,854)
Exchange fluctuation	-	-	-	-	-	-	350	1,197	50	-	1,597
At 30 June	-	40,980	435	4,636	1,435	23,023	387,803	650,668	4,501	-	1,113,481
Net book value as at 30 June 2019	136,461	546,532	657	35,569	1,201	73,000	141,619	403,035	2,101	42,397	1,382,572

Notes to the Financial Statements

for the financial year ended 30 June 2020

15 PROPERTY AND EQUIPMENT (CONTINUED)

The Bank	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years* RM'000	Leasehold land 50 years or more* RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2020											
Cost											
At 1 July	56,099	55,640	628	39,774	3,269	91,596	497,605	1,013,224	6,153	40,259	1,804,247
Additions	-	-	-	600	-	17,522	9,118	23,466	315	112,129	163,150
Reclassification/Transfer	-	-	-	-	-	-	19,035	(66,297)	-	(77,383)	(124,645)
Disposals/Write off	(916)	(1,513)	-	-	-	-	(25,178)	(21,877)	(1,424)	(4,446)	(55,354)
Exchange fluctuation	-	-	-	-	-	-	82	854	7	-	943
At 30 June	55,183	54,127	628	40,374	3,269	109,118	500,662	949,370	5,051	70,559	1,788,341
Accumulated depreciation											
At 1 July	-	17,967	162	4,616	1,036	19,811	367,624	627,263	4,129	-	1,042,608
Charge for the financial year	-	1,099	15	417	83	1,842	29,502	82,279	720	-	115,957
Reclassification/Transfer	-	-	-	-	-	-	(118)	(28,579)	-	-	(28,697)
Disposals/Write off	-	(702)	-	-	-	-	(4,788)	(20,076)	(1,422)	-	(26,988)
Exchange fluctuation	-	-	-	-	-	-	62	224	6	-	292
At 30 June	-	18,364	177	5,033	1,119	21,653	392,282	661,111	3,433	-	1,103,172
Net book value as at 30 June 2020	55,183	35,763	451	35,341	2,150	87,465	108,380	288,259	1,618	70,559	685,169

* These are the right-of-use assets within the scope of MRFS 16. Refer to accounting policies for leases as disclosed on Note 2H.

Notes to the Financial Statements

for the financial year ended 30 June 2020

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
2019											
Cost											
At 1 July	55,832	56,163	433	39,774	1,972	91,596	505,994	995,582	6,990	66,082	1,820,418
Additions	-	-	195	-	1,297	-	9,445	34,374	1,255	68,907	115,473
Reclassification/Transfer	267	(523)	-	-	256	-	29,768	51,156	-	(94,730)	(13,806)
Disposals/Write off	-	-	-	-	(256)	-	(47,895)	(69,587)	(2,133)	-	(119,871)
Exchange fluctuation	-	-	-	-	-	-	293	1,699	41	-	2,033
At 30 June	56,099	55,640	628	39,774	3,269	91,596	497,605	1,013,224	6,153	40,259	1,804,247
Accumulated depreciation											
At 1 July	-	17,054	155	4,171	997	17,989	378,287	613,314	5,598	-	1,037,565
Charge for the financial year	-	1,116	7	445	41	1,822	30,671	81,212	620	-	115,934
Reclassification/Transfer	-	(203)	-	-	203	-	(634)	634	-	-	-
Disposals/Write off	-	-	-	-	(205)	-	(40,805)	(68,916)	(2,130)	-	(112,056)
Exchange fluctuation	-	-	-	-	-	-	105	1,019	41	-	1,165
At 30 June	-	17,967	162	4,616	1,036	19,811	367,624	627,263	4,129	-	1,042,608
Net book value as at 30 June 2019	56,099	37,673	466	35,158	2,233	71,785	129,981	385,961	2,024	40,259	761,639

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

16 INTANGIBLE ASSETS

The Group	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2020				
Cost or valuation				
At 1 July	152,434	127,426	532,758	812,618
Additions	-	-	27,275	27,275
Reclassification	-	-	131,493	131,493
Disposals/Write off	-	-	(24,244)	(24,244)
Exchange fluctuation	-	-	1,342	1,342
At 30 June	152,434	127,426	668,624	948,484
Amortisation and impairment				
At 1 July	152,434	104,067	430,892	687,393
Amortisation during the financial year	-	12,743	46,282	59,025
Reclassification	-	-	29,513	29,513
Disposals/Write off	-	-	(15,887)	(15,887)
Exchange fluctuation	-	-	935	935
At 30 June	152,434	116,810	491,735	760,979
Net book value as at 30 June 2020	-	10,616	176,889	187,505

The Group	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2019				
Cost or valuation				
At 1 July	152,434	127,426	523,641	803,501
Additions	-	-	10,918	10,918
Reclassification	-	-	15,710	15,710
Disposals/Write off	-	-	(18,136)	(18,136)
Exchange fluctuation	-	-	625	625
At 30 June	152,434	127,426	532,758	812,618
Amortisation and impairment				
At 1 July	152,434	91,324	407,202	650,960
Amortisation during the financial year	-	12,743	41,446	54,189
Disposals/Write off	-	-	(18,097)	(18,097)
Exchange fluctuation	-	-	341	341
At 30 June	152,434	104,067	430,892	687,393
Net book value as at 30 June 2019	-	23,359	101,866	125,225

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

16 INTANGIBLE ASSETS (CONTINUED)

The Bank	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2020				
Cost or valuation				
At 1 July	152,434	127,426	489,113	768,973
Additions	-	-	23,471	23,471
Reclassification	-	-	124,645	124,645
Disposals/Write off	-	-	(24,190)	(24,190)
Exchange fluctuation	-	-	90	90
At 30 June	152,434	127,426	613,129	892,989
Amortisation and impairment				
At 1 July	152,434	104,067	401,577	658,078
Amortisation during the financial year	-	12,743	41,166	53,909
Reclassification	-	-	28,697	28,697
Disposals/Write off	-	-	(15,838)	(15,838)
Exchange fluctuation	-	-	83	83
At 30 June	152,434	116,810	455,685	724,929
Net book value as at 30 June 2020	-	10,616	157,444	168,060

The Bank	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2019				
Cost or valuation				
At 1 July	152,434	127,426	483,642	763,502
Additions	-	-	9,750	9,750
Reclassification	-	-	13,806	13,806
Disposals/Write off	-	-	(18,116)	(18,116)
Exchange fluctuation	-	-	31	31
At 30 June	152,434	127,426	489,113	768,973
Amortisation and impairment				
At 1 July	152,434	91,324	382,578	626,336
Amortisation during the financial year	-	12,743	37,075	49,818
Disposals/Write off	-	-	(18,079)	(18,079)
Exchange fluctuation	-	-	3	3
At 30 June	152,434	104,067	401,577	658,078
Net book value as at 30 June 2019	-	23,359	87,536	110,895

16 INTANGIBLE ASSETS (CONTINUED)

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

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

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

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

17 RIGHT-OF-USE ASSETS

The Group

2020	Properties RM'000	Total RM'000
At 1 July	-	-
Effect of adopting MFRS 16	309,219	309,219
At 1 July, as restated	309,219	309,219
Depreciation charge for the financial year	(55,174)	(55,174)
Gain on lease modification	145	145
Exchange fluctuation	(1,072)	(1,072)
At 30 June	253,118	253,118

The Bank

2020	Properties RM'000	Total RM'000
At 1 July	-	-
Effect of adopting MFRS 16	487,342	487,342
At 1 July, as restated	487,342	487,342
Depreciation charge for the financial year	(77,643)	(77,643)
Gain on lease modification	20	20
Addition	10,738	10,738
Exchange fluctuation	196	196
At 30 June	420,653	420,653

18 GOODWILL

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cost				
As at 1 July/30 June	**1,831,312**	1,831,312	**1,771,547**	1,771,547

Allocation of goodwill to cash-generating units ("CGUs")

Goodwill has been allocated to the following CGUs:

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Personal Financial Services	**1,188,705**	1,188,705	**1,149,911**	1,149,911
Business & Corporate Banking	**479,437**	479,437	**463,791**	463,791
Global Markets	**163,170**	163,170	**157,845**	157,845
	1,831,312	1,831,312	**1,771,547**	1,771,547

Impairment test for goodwill

The recoverable amount of CGUs is determined based on higher of fair value less costs to sell and value-in-use calculations. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, less costs of disposal. This estimate is mainly determined, on 30 June 2020, on the basis of available market information such as the fair value of the underlying assets and liabilities which have been marked-to-market.

Value-in-use is the present value of the future cash flows expected to be derived from the CGUs or groups of CGUs. The recoverable amount of CGUs is determined based on value-in-use calculation. This calculation uses pre-tax cash flow projections based on the budget for the financial year ending 2020, which is approved by the Board of Directors with a further projection of 4 years (2019: 4 years). Cash flows beyond the 5 year period are extrapolated using an estimated growth rate of 3.6% (2019: 4.7%) representing the forecasted Gross Domestic Product growth rate of the country for all cash generating units.

The cash flow projections are derived based on a number of key factors including past performance and management's expectation of market developments.

The discount rates used are pre-tax and reflect specific risks relating to the CGUs.

18 GOODWILL (CONTINUED)

Impairment test for goodwill (continued)

The discount rates used in determining the recoverable amount are as follows:

	Discount rate	
	2020	2019
	%	%
Personal Financial Services	**9.20**	9.12
Business & Corporate Banking	**9.45**	9.12
Global Markets	**9.63**	9.12

Based on the impairment test performed, impairment was not required for goodwill arising from all CGUs for the financial year ended 30 June 2020. 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.

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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	**86,578**	16,030	**55,984**	-
Deferred tax liabilities	**-**	(6,506)	**-**	(6,506)
	86,578	9,524	**55,984**	(6,506)

The analysis of deferred tax assets and deferred tax liabilities after appropriate set off is as follows:

	The Group		The Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets				
- To be recovered within 12 months	**228,313**	116,039	**199,295**	94,353
- To be recovered after more than 12 months	**(141,735)**	(106,515)	**(143,311)**	(100,859)
	86,578	9,524	**55,984**	(6,506)

Notes to the Financial Statements

for the financial year ended 30 June 2020

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 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)								
2020								
At 1 July		**(72,650)**	**(42,604)**	**812**	**(5,606)**	**73,797**	**55,775**	**9,524**
Credited to statements of income	42	**5,988**	**-**	**-**	**3,052**	**77,813**	**33,042**	**119,895**
Credited/(Charged) to equity	44	**-**	**(44,889)**	**1,870**	**-**	**-**	**-**	**(43,019)**
Exchange difference		**74**	**-**	**-**	**-**	**-**	**104**	**178**
At 30 June		**(66,588)**	**(87,493)**	**2,682**	**(2,554)**	**151,610**	**88,921**	**86,578**
2019								
At 1 July		(79,647)	43,077	(161)	(8,665)	-	98,463	53,067
- Effect of adopting MFRS 9		-	(14,080)	-	-	-	-	(14,080)
At 1 July, as restated		(79,647)	28,997	(161)	(8,665)	-	98,463	38,987
Credited/(Charged) to statements of income	42	6,997	-	-	3,059	73,797	(42,650)	41,203
Credited/(Charged) to equity	44	-	(71,602)	973	-	-	-	(70,629)
Exchange difference		-	-	-	-	-	(37)	(37)
At 30 June		(72,650)	(42,605)	812	(5,606)	73,797	55,776	9,524

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 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)								
2020								
At 1 July		**(69,780)**	**(33,095)**	**812**	**(5,607)**	**53,971**	**47,193**	**(6,506)**
Credited to statements of income	42	**6,206**	**-**	**-**	**3,058**	**66,613**	**36,436**	**112,313**
Credited/(Charged) to equity	44	**-**	**(51,693)**	**1,870**	**-**	**-**	**-**	**(49,823)**
At 30 June		**(63,574)**	**(84,788)**	**2,682**	**(2,549)**	**120,584**	**83,629**	**55,984**
2019								
At 1 July		(75,994)	39,629	(161)	(8,665)	-	93,099	47,908
- Effect of adopting MFRS 9		-	(12,743)	-	-	-	-	(12,743)
At 1 July, as restated		(75,994)	26,886	(161)	(8,665)	-	93,099	35,165
Credited/(Charged) to statements of income	42	6,214	-	-	3,058	53,971	(45,906)	17,337
Credited/(Charged) to equity	44	-	(59,981)	973	-	-	-	(59,008)
At 30 June		(69,780)	(33,095)	812	(5,607)	53,971	47,193	(6,506)

20 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amortised cost				
Fixed deposits	**94,503,266**	91,064,010	**70,442,696**	70,785,542
Negotiable instruments of deposits	**9,049,600**	10,123,656	**7,002,956**	8,598,899
Short-term placements	**20,370,873**	17,161,123	**17,866,840**	14,131,227
	123,923,739	118,348,789	**95,312,492**	93,515,668
Demand deposits	**27,338,992**	24,018,791	**23,903,209**	20,722,461
Savings deposits	**21,018,664**	17,706,562	**17,452,144**	14,663,658
Others	**748,749**	891,350	**553,397**	736,729
	173,030,144	160,965,492	**137,221,242**	129,638,516
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	**463,933**	2,159,671	**413,741**	1,812,544
Fair value changes arising from designation at fair value through profit or loss*	**(1,416)**	(54,869)	**(1,621)**	(54,535)
	462,517	2,104,802	**412,120**	1,758,009
	173,492,661	163,070,294	**137,633,362**	131,396,525

* 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 RM317,000 higher than the contractual amount at maturity (2019: RM41,525,000 lower than the contractual amount at maturity) and the Bank is RM80,000 (2019: RM43,318,000) 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Due within:				
- six months	**102,956,857**	95,101,452	**78,557,105**	73,557,213
- six months to one year	**19,785,172**	21,763,420	**15,821,608**	18,818,766
- one year to five years	**999,959**	1,440,321	**752,028**	1,096,093
- more than five years	**181,751**	43,596	**181,751**	43,596
	123,923,739	118,348,789	**95,312,492**	93,515,668

20 DEPOSITS FROM CUSTOMERS (CONTINUED)

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

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Government and statutory bodies	**8,665,449**	7,415,514	**4,403,641**	4,246,520
Business enterprises	**69,639,804**	67,038,577	**53,475,665**	51,715,857
Individuals	**92,513,524**	85,518,130	**77,808,532**	73,129,569
Others	**2,673,884**	3,098,073	**1,945,524**	2,304,579
	173,492,661	163,070,294	**137,633,362**	131,396,525

21 INVESTMENT ACCOUNTS OF CUSTOMERS

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

22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Licensed banks	**5,263,923**	7,059,886	**5,639,271**	7,059,770
Licensed investment banks	**-**	95,023	**-**	95,023
Licensed Islamic banks	**-**	140,000	**-**	-
Central banks (Note)	**1,176,258**	12,222	**1,011,970**	-
Other financial institutions	**60,899**	51,293	**-**	50,141
	6,501,080	7,358,424	**6,651,241**	7,204,934

Note:

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

Notes to the Financial Statements

for the financial year ended 30 June 2020

23 LEASE LIABILITIES

	The Group	The Bank
	2020 RM'000	2020 RM'000
Lease liabilities	**241,177**	**407,838**
Scheduled repayment of lease liabilities		
- Not later than one year	**42,113**	**62,642**
- Later than one year and not later than five years	**121,831**	**236,406**
- Later than five years	**77,233**	**108,790**
	241,177	**407,838**

24 OTHER LIABILITIES

		The Group		The Bank	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Zakat		**350**	350	**-**	-
Post employment benefits obligation					
- defined contribution plan		**293**	300	**293**	300
Loan advance payment		**3,916,289**	3,351,885	**3,161,826**	2,691,960
Interbranch clearing with subsidiary company		**-**	-	**-**	571,263
Amount due to subsidiary companies		**-**	-	**429,380**	29
Treasury and cheque clearing		**210,699**	452,626	**38,282**	66,405
Treasury related payables		**197,219**	149,347	**197,219**	149,347
Sundry creditors and accruals		**306,800**	175,507	**268,483**	140,623
Provision for bonus and staff related expenses		**155,437**	164,504	**146,030**	155,941
Expected credit losses on financial guarantee contracts	(a)	**8,480**	7,928	**6,944**	7,117
Provision for reinstatement cost		**22,614**	-	**28,039**	-
Others		**530,029**	579,298	**497,209**	507,091
		5,348,210	4,881,745	**4,773,705**	4,290,076

24 OTHER LIABILITIES (CONTINUED)

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

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

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

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

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
2020				
At 1 July	**1,574**	**5,521**	**22**	**7,117**
Changes in ECL due to transfer within stages	**(52)**	**46**	**6**	**-**
Transfer to Stage 1	**4**	**(4)**	**-**	**-**
Transfer to Stage 2	**(56)**	**56**	**-**	**-**
Transfer to Stage 3	**-**	**(6)**	**6**	**-**
New financial assets originated	**172**	**1**	**-**	**173**
Financial assets derecognised	**(23)**	**(23)**	**-**	**(46)**
Changes due to change in credit risk	**53**	**(479)**	**(19)**	**(445)**
Exchange difference	**7**	**147**	**-**	**154**
Other movements	**-**	**-**	**(9)**	**(9)**
At 30 June	**1,731**	**5,213**	**-**	**6,944**

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
2019				
At 1 July				-
Effect of adopting MFRS 9				6,749
At 1 July, as restated	1,909	4,840	-	6,749
Changes in ECL due to transfer within stages	(14)	(79)	93	-
Transfer to Stage 1	22	(22)	-	-
Transfer to Stage 2	(36)	36	-	-
Transfer to Stage 3	-	(93)	93	-
New financial assets originated	20	-	-	20
Financial assets derecognised	(26)	(12)	-	(38)
Changes due to change in credit risk	(308)	652	(67)	277
Exchange difference	(7)	120	-	113
Other movements	-	-	(4)	(4)
At 30 June	1,574	5,521	22	7,117

25 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

This represents the proceeds received from housing loans sold directly to Cagamas Berhad with recourse to the Group and the Bank. Under this agreement, the Group and the Bank undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudential criteria set by Cagamas Berhad. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the statements of financial position. These financial liabilities are stated at amortised cost.

26 TIER 2 SUBORDINATED BONDS

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 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	**2,254**	2,370	**2,254**	2,370
	1,502,254	1,502,370	**1,502,254**	1,502,370
Less: Unamortised discounts	**(30)**	(30)	**(30)**	(30)
	1,502,224	1,502,340	**1,502,224**	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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
RM800 million Multi-currency Additional Tier-1 capital securities at par	**800,000**	800,000	**800,000**	800,000
Add: Interest payable	**6,666**	6,661	**6,666**	6,661
	806,666	806,661	**806,666**	806,661
Less: Unamortised discounts	**(346)**	(476)	**(346)**	(476)
	806,320	806,185	**806,320**	806,185

27 MULTI-CURRENCY ADDITIONAL TIER 1 CAPITAL SECURITIES (CONTINUED)

On 30 November 2017, the Bank issued a nominal value RM400.0 million perpetual Multi-currency Additional Tier 1 capital securities ("Capital Securities") under the RM10.0 billion Capital Securities Programme of which was fully subscribed by its holding company, HLFG. The Capital Securities, which qualify as Additional Tier 1 capital for the Bank, carry a distribution rate of 5.13% per annum. The Capital Securities are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe the RM400.0 million Multi-currency Additional Tier 1 subordinated sukuk wakalah issued by HLISB, a wholly-owned subsidiary of the Bank.

On 29 March 2019 the Bank issued a second tranche nominal value of RM400.0 million perpetual Capital Securities fully subscribed by HLFG. The Capital Securities carry a distribution rate of 4.72% per annum and are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance shall be utilised to fulfill the requirements of Additional Tier 1 capital as per BNM's Capital Adequacy Framework (Capital Components) issued on 2 February 2018 and without limitation, to on-lend to HLB's subsidiaries, for investment into HLB's subsidiaries, for working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing financing obligations of HLB and/or any existing capital securities issued under the Capital Securities Programme.

28 INNOVATIVE TIER 1 CAPITAL SECURITIES

	The Group and The Bank	
	2020 RM'000	2019 RM'000
RM500 million Innovative Tier 1 capital securities, at par	-	500,000
Add: Interest payable	-	12,658
	-	512,658
Less: Unamortised discounts	-	(502)
Fair value adjustments on completion of business combination accounting	-	112
	-	512,268

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

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

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

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

29 SHARE CAPITAL

	The Group and The Bank			
	2020		2019	
	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

30 RESERVES

		The Group		The Bank	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Retained profits	(a)	**18,172,806**	16,686,412	**12,661,472**	12,034,337
Other reserves:					
Share options reserve	(b)	**54,913**	39,170	**54,913**	39,170
Fair value reserve	(c)				
- Financial investments at FVOCI		**341,819**	150,952	**325,937**	129,590
Exchange fluctuation reserve	(d)	**809,103**	731,018	**231,951**	218,330
Cash flow hedge reserve	(e)	**(8,489)**	(2,726)	**(8,487)**	(2,726)
Regulatory reserves	(f)	**848,428**	858,315	**703,987**	695,197
		2,045,774	1,776,729	**1,308,301**	1,079,561
		20,218,580	18,463,141	**13,969,773**	13,113,898

(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 57 to the financial statements.

Notes to the Financial Statements

for the financial year ended 30 June 2020

30 RESERVES (CONTINUED)

(c) Movement of the fair value reserve is as follows:

		The Group		The Bank	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 July		**150,952**	164,127	**129,590**	194,544
Effect of adopting MFRS 9		**-**	(288,588)	**-**	(291,679)
As restated		**150,952**	(124,461)	**129,590**	(97,135)
Equity instruments					
- Net fair value changes		**15,763**	11,796	**15,763**	11,796
- Net loss on disposal		**-**	(51)	**-**	(51)
Debt instruments					
- Net fair value changes		**480,401**	447,030	**508,341**	400,730
- Changes in expected credit losses		**502**	(862)	**601**	(931)
Reclassification to net profit on disposal and impairment		**(276,886)**	(124,838)	**(276,665)**	(124,838)
Deferred taxation	44	**(44,889)**	(71,602)	**(51,693)**	(59,981)
Share of fair value reserve of associated company		**15,976**	13,940	**-**	-
Net change in fair value reserve		**190,867**	275,413	**196,347**	226,725
At 30 June		**341,819**	150,952	**325,937**	129,590

(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 RM9.9 million at Group has been transferred to retained profits from regulatory reserves and RM8.8 million at Bank has 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 (2019: RM11.2 million) in line with the requirements of the State Bank of Vietnam.

31 TREASURY SHARES

		The Group		The Bank	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 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)	**291,515**	295,988	**291,515**	295,988
		723,344	727,817	**723,344**	727,817

(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 2020, the total number of shares bought was 81,101,700 (2019: 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 2020 after deducting treasury shares purchased is 2,086,616,584 shares (2019: 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 2020, a total of 434,370 ordinary shares were vested and transferred while a total of 172,946 share options were exercised pursuant to the Bank's ESS. As at 30 June 2020, the total number of shares held was 39,575,096 (2019: 40,182,412).

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

32A INTEREST INCOME

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loans, advances and financing (Note)	**4,636,360**	4,827,453	**4,487,576**	4,720,096
Money at call and deposit placements with financial institutions	**168,338**	203,883	**183,833**	197,060
Securities purchased under resale agreements	**49**	12	**49**	12
Financial investments at FVOCI	**687,729**	816,881	**692,225**	815,988
Financial investments at amortised cost	**416,058**	427,136	**415,255**	423,467
Others	**3,509**	9,496	**3,354**	9,191
	5,912,043	6,284,861	**5,782,292**	6,165,814
Of which:				
Accretion of discount less amortisation of premium	**150,279**	237,117	**150,279**	237,117
Interest income earned on impaired loans, advances and financing	**3,275**	12,915	**3,212**	12,893

Note:

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

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

Please refer to note 35 for the financial effects of the above.

32B INTEREST INCOME FOR FINANCIAL ASSETS AT FVTPL

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets at FVTPL	**268,718**	397,201	**268,718**	397,201

33 INTEREST EXPENSE

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits and placements of banks and other financial institutions	**150,008**	265,971	**161,977**	272,408
Deposits from customers	**2,789,184**	3,031,773	**2,735,742**	2,984,869
Short-term placements	**344,652**	429,986	**344,652**	429,986
Tier 2 subordinated bonds	**66,752**	116,165	**66,782**	116,135
Multi-currency Additional Tier-1 capital securities	**39,473**	25,347	**39,639**	25,513
Innovative Tier 1 capital securities	**8,413**	41,053	**8,413**	41,053
Recourse obligation on loans sold to Cagamas	**6,588**	7,602	**6,588**	7,602
Others	**11,307**	-	**19,147**	-
	3,416,377	3,917,897	**3,382,940**	3,877,566

34 INCOME FROM ISLAMIC BANKING BUSINESS

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

Note:

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

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

Please refer to note 35 for the financial effects of the above.

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

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

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(i) Loss on modification of cash flow				
included in interest income (note 32a)	**(285,723)**	-	**(285,723)**	-
included in income from Islamic Banking business (note 34)	**(190,227)**	-	**-**	-
Subtotal	**(475,950)**	-	**(285,723)**	-
(ii) Benefits recognised under the various government schemes				
included in interest income (note 32a)	**194,972**	-	**194,972**	-
included in income from Islamic Banking business (note 34)	**138,511**	-	**-**	-
Subtotal	**333,483**	-	**194,972**	-
Net effects of (i) and (ii)				
included in interest income (note 32a)	**(90,751)**	-	**(90,751)**	-
included in income from Islamic Banking business (note 34)	**(51,716)**	-	**-**	-
Total	**(142,467)**	-	**(90,751)**	-

36 NON-INTEREST INCOME

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fee income				
Commissions	**153,694**	168,070	**151,024**	165,064
Service charges and fees	**43,739**	51,723	**43,121**	49,761
Guarantee fees	**13,291**	15,488	**13,131**	15,360
Credit card related fees	**199,483**	239,129	**199,483**	239,129
Corporate advisory fees	**141**	1,447	**141**	1,447
Commitment fees	**33,150**	32,662	**32,100**	31,678
Fee on loans, advances and financing	**37,187**	37,074	**34,197**	33,469
Other fee income	**39,825**	39,712	**39,436**	39,527
	520,510	585,305	**512,633**	575,435
Net income from securities				
Net realised gain/(loss) on financial instruments:				
- Financial assets at FVTPL	**133,481**	104,539	**133,481**	104,539
- Derivative financial instruments	**(67,285)**	(221,202)	**(67,285)**	(221,202)
- Financial investments at FVOCI	**364,324**	164,261	**364,033**	164,261
- Financial investments amortised cost	**-**	15,902	**-**	15,902
Dividend income from:				
- Subsidiary companies	**-**	-	**19,000**	20,020
- Associated companies	**-**	-	**205,332**	174,604
- Financial assets at FVTPL	**226,380**	279,533	**226,380**	279,533
- Financial investments at FVOCI	**3,683**	203	**3,683**	203
Net unrealised gain/(loss) on revaluation of:				
- Financial assets at FVTPL	**13,199**	51,544	**13,199**	51,544
- Derivative financial instruments	**(131,991)**	1,754	**(131,991)**	1,754
Net realised loss on fair value changes arising from fair value hedges	**(2,643)**	(504)	**(2,643)**	(504)
Net unrealised loss on fair value changes arising from fair value hedges	**(1,051)**	(305)	**(1,051)**	(305)
	538,097	395,725	**762,138**	590,349

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

36 NON-INTEREST INCOME (CONTINUED)

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other income				
Foreign exchange gain	**78,151**	152,425	**76,099**	150,983
Rental income	**13,880**	12,113	**7,393**	7,494
Gain on disposal of property and equipment	**4,085**	1,539	**4,084**	1,657
Gain on redemption of redeemable preference shares	**-**	-	**15,000**	-
Net gain on divestment of a joint venture	**-**	90,106	**-**	138,101
Other non-operating income	**12,709**	17,188	**12,313**	15,639
	108,825	273,371	**114,889**	313,874
	1,167,432	1,254,401	**1,389,660**	1,479,658

37 OVERHEAD EXPENSES

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Personnel costs	**1,166,011**	1,147,680	**940,860**	945,709
Establishment costs	**526,286**	516,258	**468,143**	465,554
Marketing expenses	**153,076**	173,860	**133,192**	166,576
Administration and general expenses	**258,431**	253,777	**250,260**	244,388
	2,103,804	2,091,575	**1,792,455**	1,822,227

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries, bonus and allowances	**1,066,491**	1,048,998	**859,637**	864,504
Medical expenses	**38,898**	31,587	**32,469**	26,472
Training and convention expenses	**16,316**	24,585	**13,317**	20,542
Staff welfare	**10,004**	10,012	**7,972**	8,632
Other employees benefits	**34,302**	32,498	**27,465**	25,559
	1,166,011	1,147,680	**940,860**	945,709

37 OVERHEAD EXPENSES (CONTINUED)

The overhead expenses of the Bank are net of shared services costs charged to subsidiaries. (continued)

(ii) Establishment costs comprise the following:

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Depreciation of property and equipment	**134,390**	132,296	**115,957**	115,934
Depreciation of right-of-use assets	**55,174**	-	**77,643**	-
Amortisation of intangible assets	**59,025**	54,189	**53,909**	49,818
Rental of premises	**3,914**	58,900	**3,970**	72,169
Information technology expenses	**175,661**	170,783	**158,575**	155,412
Security services	**28,476**	28,807	**22,341**	22,643
Electricity, water and sewerage	**24,007**	25,345	**19,158**	20,823
Hire of plant and machinery	**13,623**	12,605	**5,435**	11,968
Others	**32,016**	33,333	**11,155**	16,787
	526,286	516,258	**468,143**	465,554

(iii) Marketing expenses comprise the following:

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Advertisement and publicity	**27,109**	25,778	**23,043**	23,491
Sales commission and credit card related fees	**108,683**	128,651	**96,959**	128,651
Others	**17,284**	19,431	**13,190**	14,434
	153,076	173,860	**133,192**	166,576

Notes to the Financial Statements

for the financial year ended 30 June 2020

37 OVERHEAD EXPENSES (CONTINUED)

The overhead expenses of the Bank are net of shared services costs charged to subsidiaries. (continued)

(iv) Administration and general expenses comprise the following:

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Teletransmission expenses	**21,147**	18,295	**20,596**	17,883
Stationery and printing expenses	**13,025**	14,074	**12,492**	13,359
Professional fees	**91,967**	87,840	**90,860**	85,395
Insurance fees	**44,091**	42,103	**38,651**	36,934
Stamp, postage and courier	**14,749**	13,876	**14,460**	13,526
Travelling and transport expenses	**4,256**	4,637	**3,111**	3,372
Registration and license fees	**8,595**	9,005	**7,464**	8,011
Brokerage and commission	**8,534**	8,382	**4,371**	4,489
Credit card fees	**45,282**	42,628	**45,282**	42,628
Others	**6,785**	12,937	**12,973**	18,791
	258,431	253,777	**250,260**	244,388

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration*:				
Malaysian firm				
- statutory audit	**1,761**	2,022	**1,499**	1,680
- regulatory related fees	**731**	731	**496**	496
- tax compliance	**67**	74	**41**	45
- other services	**300**	63	**198**	63
PwC overseas affiliated firms				
- statutory audit	**655**	694	**466**	563
- regulatory related fees	**186**	189	**186**	189
- tax compliance	**91**	90	**91**	90
Loss on disposal of property and equipment	**89**	122	**87**	122
Property and equipment disposal/written off	**26,399**	7,902	**26,156**	7,460
Intangible assets disposal/written off	**8,357**	37	**8,352**	35

* There was no indemnity given to or insurance effected for the Group and the Bank during the financial year.

38 ALLOWANCE FOR/(WRITTEN BACK OF) IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Allowance for/(write back of) impairment losses on loans, advances and financing:				
- expected credit losses	**501,804**	221,296	**339,746**	144,291
Impaired loans, advances and financing:				
- written off	**17,976**	17,679	**12,877**	14,337
- recovered from bad debt written off	**(192,125)**	(226,652)	**(164,290)**	(202,339)
	327,655	12,323	**188,333**	(43,711)

39 ALLOWANCE FOR/(WRITTEN BACK OF) IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Expected credit losses on:				
- Financial investments at FVOCI	**472**	(906)	**573**	(973)
- Financial investments at amortised cost	**20**	178	**24**	174
- Other receivables	**(34)**	(240)	**(34)**	(240)
- Cash and short-term funds	**(371)**	47	**403**	583
- Deposits and placements with banks and other financial institutions	**(254)**	(51)	**501**	1,140
	(167)	(972)	**1,467**	684

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

40 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

The related parties of and their relationships with the Bank are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Share Registration Services Sdn Bhd, HLCM Capital Sdn Bhd, Hong Leong Fund Management Sdn Bhd and HL Management Co Sdn Bhd	Subsidiary companies of ultimate holding company
Hong Leong Financial Group Berhad	Holding company
Subsidiary companies of Hong Leong Financial Group Berhad as disclosed in its financial statements	Subsidiary companies of holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
HLMG Management Co Sdn Bhd (formerly known as HLI-Hume Management Co Sdn Bhd) Hume Cement Sdn Bhd Hume Construction Sdn Bhd Hume Plastics (Malaysia) Sdn Berhad Hume Quarry (Sarawak) Sdn Bhd Hongvilla Development Sdn Bhd HIMB Overseas Limited HIMB Trading Limited and Delta Touch Limited	Subsidiary companies of ultimate holding company
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Southern Steel Berhad and its subsidiary and associated companies	Subsidiary and associated companies of ultimate holding company
Subsidiary companies of the Bank as disclosed in Note 13	Subsidiary companies of the Bank
Associated companies of the Group as disclosed in Note 14	Associated companies of the Group
Key management personnel	The key management personnel of the Bank consists of: - All Directors of the Bank and eight members of senior management of the Bank
Related parties of key management personnel deemed as related to the Bank	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

40 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
2020				
Income				
Interest:				
- loans	-	5,956	-	27
- redeemable preference shares	-	4,773	-	-
Commitment fee and bank charges	-	-	-	21
Dividend income	-	214,878	-	-
Commission on Group products/services sold	-	33,843	-	-
Brokerage commission	-	582	-	-
Reimbursement of shared service cost	461	7,138	-	-
	461	267,170	-	48
Expenditure				
Rental and maintenance	-	14,960	-	-
Insurance	54	34,981	-	-
Interest on current accounts and fixed deposits	-	2,347	-	432
Interest on short-term placements	241	8,173	-	4,798
Interest on subordinated notes and capital securities	-	3,287	-	-
Management fees	8,974	31,416	-	-
Other miscellaneous expenses	82	8,837	-	-
	9,351	104,001	-	5,230
Amounts due from				
Current accounts	-	-	20,827	-
Redeemable preference shares	-	25,000	-	-
Loans	-	137,887	-	2,597
Wholesale funds	-	4,641,896	-	-
Derivative assets	-	25,233	-	-
Credit card balances	-	-	-	270
Advance rental and deposit	-	5,743	-	-
Others	-	64	-	-
	-	4,835,823	20,827	2,867
Amounts due to				
Current accounts and fixed deposits	-	61,247	-	34,021
Short-term placements	-	1,402,178	-	142,090
Subordinated notes and capital securities	-	54,991	-	-
Derivative liabilities	-	17,419	-	-
Others	278	16,256	-	-
	278	1,552,091	-	176,111
Commitments and contingencies				
Derivative related contracts	-	712,448	-	712,448

40 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
2019				
Income				
Interest:				
- loans	-	6,696	-	42
- redeemable preference shares	-	1,301	-	-
Commitment fee and bank charges	-	-	-	43
Dividend income	-	261,647	-	-
Commission on Group products/services sold	-	33,802	-	-
Brokerage commission	-	589	-	-
Reimbursement of shared service cost	1,036	7,557	-	-
	1,036	311,592	-	85
Expenditure				
Rental and maintenance	-	14,525	-	-
Insurance	54	31,206	-	-
Interest on current accounts and fixed deposits	-	934	-	1,670
Interest on short-term placements	87	10,667	-	3,535
Interest on subordinated notes and capital securities	-	26,454	-	-
Management fees	6,119	32,633	-	-
Other miscellaneous expenses	130	12,284	-	-
	6,390	128,703	-	5,205
Amounts due from				
Current accounts	-	-	20,414	-
Negotiable instruments of deposits	-	300,534	-	-
Redeemable preference shares	-	30,866	-	-
Loans	-	125,522	-	662
Wholesale funds	-	7,046,520	-	-
Derivative assets	135	1,621	-	-
Credit card balances	-	-	-	405
Advance rental and deposit	-	5,485	-	-
Others	459	2,010	-	-
	594	7,512,558	20,414	1,067
Amounts due to				
Current accounts and fixed deposits	-	55,369	-	32,784
Short-term placements	-	906,044	-	317,839
Subordinated notes and capital securities	-	47,377	-	-
Derivative liabilities	-	17,509	-	-
Others	278	24,746	-	-
	278	1,051,045	-	350,623
Commitments and contingencies				
Derivative related contracts	100,000	708,803	-	-

40 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank	Parent company RM'000	Subsidiary companies RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
2020					
Income					
Interest:					
- loans	-	13,012	-	5,956	27
- interbank placements	-	15,939	-	-	-
- current accounts	-	-	312	-	-
- negotiable instruments of deposits	-	8,851	-	-	-
- redeemable preference shares	-	-	-	4,773	-
- subordinated facilities	-	934	-	-	-
Dividend income	-	19,000	205,332	214,878	-
Commitment fee and bank charges	-	-	-	-	21
Commission on Group products/ services sold	-	-	-	33,843	-
Brokerage commission	-	-	-	582	-
Reimbursement of shared service cost	461	183,030	-	7,138	-
	461	240,766	205,644	267,170	48
Expenditure					
Rental and maintenance	-	918	-	14,673	-
Insurance	54	-	-	34,981	-
Interest on current accounts and fixed deposits	-	1,459	-	4	415
Interest on short-term placements	241	-	-	8,173	4,798
Interest on lease liabilities	-	8,060	-	-	-
Interest on interbank placements	-	10,805	-	-	-
Interest on subordinated notes and capital securities	-	-	-	3,287	-
Management fees	8,974	-	-	31,416	-
Other miscellaneous expenses	82	1,438	-	8,826	-
	9,351	22,680	-	101,360	5,213

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

40 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank	Parent company RM'000	Subsidiary companies RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
2020					
Amounts due from					
Interbank placements	-	710,259	-	-	-
Current accounts	-	-	20,827	-	-
Redeemable preference shares	-	-	-	25,000	-
Loans	-	345,834	-	137,887	2,597
Right-of-use assets	-	180,985	-	-	-
Wholesale funds	-	-	-	4,641,896	-
Credit card balances	-	-	-	-	270
Derivative assets	-	30,647	-	25,233	-
Advance rental and deposit	-	8,783	-	5,743	-
Others	-	106,363	-	64	-
	-	1,382,871	20,827	4,835,823	2,867
Amounts due to					
Current accounts and fixed deposits	-	95,461	-	61,247	32,393
Short-term placements	-	-	-	1,402,178	142,090
Subordinated notes and capital securities	-	-	-	54,991	-
Derivative liabilities	-	4,618	-	17,419	-
Lease liabilities	-	179,494	-	-	-
Provision for reinstatement cost	-	6,940	-	-	-
Others	-	429,380	-	-	-
	-	715,893	-	1,535,835	174,483
Commitments and contingencies					
Derivative related contracts	-	1,468,247	-	712,448	-

40 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
2019					
Income					
Interest:					
- loans	-	14,718	-	6,696	42
- interbank placements	-	16,684	-	-	-
- current accounts	-	-	511	-	-
- negotiable instruments of deposits	-	2,798	-	-	-
- redeemable preference shares	-	-	-	1,301	-
- subordinated facilities	-	908	-	-	-
Dividend income	-	20,020	174,604	261,647	-
Commitment fee and bank charges	-	-	-	-	43
Commission on Group products/ services sold	-	-	-	33,802	-
Brokerage commission	-	-	-	589	-
Reimbursement of shared service cost	1,036	154,700	-	7,557	-
	1,036	209,828	175,115	311,592	85
Expenditure					
Rental and maintenance	-	32,267	-	14,253	-
Insurance	54	-	-	31,206	-
Interest on current accounts and fixed deposits	-	1,698	-	34	1,646
Interest on short-term placements	87	-	-	10,667	3,535
Interest on interbank placements	-	7,389	-	-	-
Interest on subordinated notes and capital securities	-	-	-	26,454	-
Management fees	6,119	-	-	32,633	-
Other miscellaneous expenses	130	1,866	273	12,272	-
	6,390	43,220	273	127,519	5,181

Notes to the Financial Statements

for the financial year ended 30 June 2020

40 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
2019					
Amounts due from					
Interbank placements	-	289,883	-	-	-
Current accounts	-	-	20,414	-	-
Negotiable instruments of deposits	-	-	-	300,534	-
Redeemable preference shares	-	-	-	30,866	-
Loans	-	352,137	-	125,522	662
Wholesale funds	-	-	-	7,046,520	-
Credit card balances	-	-	-	-	405
Derivative assets	135	22,263	-	1,621	-
Advance rental and deposit	-	8,414	-	5,485	-
Others	459	13,094	-	2,010	-
	594	685,791	20,414	7,512,558	1,067
Amounts due to					
Current accounts and fixed deposits	-	134,099	-	55,369	32,322
Short-term placements	-	-	-	906,044	317,839
Subordinated notes and capital securities	-	-	-	47,377	-
Derivative liabilities	-	14,046	-	17,509	-
Others	-	29	-	-	-
	-	148,174	-	1,026,299	350,161
Commitments and contingencies					
Derivative related contracts	100,000	1,661,642	-	708,803	-

40 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

	The Group and The Bank	
	2020 RM'000	2019 RM'000
The approved limit on loans, advances and financing for key management personnel	**10,516**	5,316

(c) Key management personnel

Key management compensation

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries and other short-term employee benefits	**24,405**	23,284	**24,405**	23,284
Director fees	**1,288**	1,141	**1,112**	973
ESS expenses	**14,152**	11,662	**14,152**	11,662

Included in the above is the Directors' remuneration which is disclosed in Note 41 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 2020 and 2019 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Outstanding credit exposures with connected parties	**2,808,786**	2,210,547	**2,752,204**	2,188,386
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**1.72%**	1.43%	**2.16%**	1.78%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.0002%**	0.0002%	**0.0003%**	0.0003%

Notes to the Financial Statements

for the financial year ended 30 June 2020

40 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(e) Intercompany charges

Breakdown of intercompany charges by type of services received and geographical distribution as per BNM's Guidelines on Financial Reporting issued on 27 September 2019 are as follows:

The Bank	Interest on deposits and placements of banks and other financial institutions RM'000	Interest on lease liabilities RM'000	Interest on deposits from customers RM'000	Interest on subordinated notes and capital securities RM'000	Rental and maintenance RM'000	Management fees RM'000	Insurance RM'000	Others RM'000
2020								
Malaysia	**-**	**8,060**	**9,474**	**3,287**	**6,145**	**40,065**	**35,021**	**9,789**
Singapore	**-**	**-**	**370**	**-**	**6,042**	**-**	**-**	**1**
Hong Kong	**-**	**-**	**33**	**-**	**3,404**	**325**	**14**	**425**
Cambodia	**10,805**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**131**
	10,805	**8,060**	**9,877**	**3,287**	**15,591**	**40,390**	**35,035**	**10,346**
2019								
Malaysia	-	-	9,849	26,454	37,696	38,436	31,246	13,699
Singapore	-	-	373	-	6,118	-	-	-
Hong Kong	-	-	42	-	2,706	316	14	501
Cambodia	7,389	-	-	-	-	-	-	42
Others	-	-	2,222	-	-	-	-	299
	7,389	-	12,486	26,454	46,520	38,752	31,260	14,541

Notes to the Financial Statements

for the financial year ended 30 June 2020

41 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
2020								
CEO								
Mr Domenic Fuda	10,259	-	6,866	17,125	10,259	-	6,866	17,125
Executive Director								
Mr Tan Kong Khoon	-	-	-	-	-	-	-	-
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	-	-	-	-	-	-
Mr Kwek Leng Hai	-	-	-	-	-	-	-	-
Ms Chok Kwee Bee	32	275	-	307	32	275	-	307
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	33	285	-	318	33	285	-	318
YBhg Datuk Dr Md Hamzah bin Md Kassim	26	343	-	369	9	167	-	176
Ms Chong Chye Neo	9	170	-	179	9	170	-	179
Ms Lau Souk Huan *	26	215		241	26	215		241
	126#	1,288	-	1,414	109#	1,112	-	1,221
Directors of subsidiaries	3,327	644	-	3,971	-	-	-	-
Total CEO and Directors' remuneration	13,712	1,932	6,866	22,510	10,368	1,112	6,866	18,346

The movement and details of the Directors of the Group and the Bank in office and interests in shares and share options are reported in the Directors' report.

* Appointed on 6 September 2019

\# Directors' meeting allowances

Note: 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 RM 10.0 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group and the Bank was RM58,938 and RM50,825 respectively.

Notes to the Financial Statements

for the financial year ended 30 June 2020

41 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
2019								
CEO								
Mr Domenic Fuda	8,141	-	7,202	15,343	8,141	-	7,202	15,343
Executive Director								
Mr Tan Kong Khoon	-	-	-	-	-	-	-	-
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	-	-	-	-	-	-
Mr Kwek Leng Hai	-	-	-	-	-	-	-	-
Ms Lim Lean See*	24	224	-	248	24	224	-	248
Ms Chok Kwee Bee	29	251	-	280	29	251	-	280
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	30	285	-	315	30	285	-	315
YBhg Datuk Dr Md Hamzah bin Md Kassim	24	328	-	352	9	160	-	169
Ms Chong Chye Neo**	3	53	-	56	3	53	-	56
	110#	1,141	-	1,251	95#	973	-	1,068
Directors of subsidiaries	3,084	633	-	3,717	-	-	-	-
Total CEO and Directors' remuneration	11,335	1,774	7,202	20,311	8,236	973	7,202	16,411

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 5 May 2019
** Appointed on 21 February 2019
\# Directors' meeting allowances

Note: The Directors' Remuneration in the current financial year represents remuneration for Directors of the Group, the Bank and its subsidiaries to comply with the requirements of Companies Act 2016. The names of Directors of subsidiaries and their remuneration details are set out in the respective subsidiaries' statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and the Bank subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the holding company was RM 10.0 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group and the Bank was RM58,264 and RM51,462, respectively.

42 TAXATION

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Bank 2020 RM'000	The Bank 2019 RM'000
Current year income tax		**611,471**	610,102	**530,134**	518,815
Deferred taxation	19	**(119,895)**	(41,203)	**(112,313)**	(17,337)
Under/(over) accrual in prior years		**3,224**	(47,386)	**3,639**	(42,482)
Taxation		**494,800**	521,513	**421,460**	458,996

The effective tax rate for the Group and Bank differed from the statutory rate of taxation due to:

	The Group 2020 RM'000	The Group 2019 RM'000	The Bank 2020 RM'000	The Bank 2019 RM'000
Profit before taxation	**2,989,397**	3,186,020	**2,075,475**	2,385,907
Tax calculated at a rate of 24%	**717,455**	764,645	**498,114**	572,618
Tax effects of:				
- Income not subject to tax	**(98,281)**	(101,178)	**(101,698)**	(109,126)
- Share of net income of foreign associated company and joint venture company	**(154,160)**	(135,147)	**-**	-
- Expenses not deductible for tax purposes	**26,562**	40,579	**21,405**	37,986
Under/(over) accrual in prior years	**3,224**	(47,386)	**3,639**	(42,482)
Taxation	**494,800**	521,513	**421,460**	458,996

	The Group 2020 RM'000	The Group 2019 RM'000
Unused tax losses from a wholly owned subsidiary for which no deferred tax is recognised in the financial statements*	**28,248**	29,046

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

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

43 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net profit attributable to equity holders	**2,494,597**	2,664,507	**1,654,015**	1,926,911
Weighted average number of ordinary shares in issue ('000)	**2,046,702**	2,045,995	**2,046,702**	2,045,995
Basic earnings per share (sen)	**121.9**	130.2	**80.8**	94.2

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net profit attributable to equity holders	**2,494,597**	2,664,507	**1,654,015**	1,926,911
Weighted average number of ordinary shares in issue ('000)	**2,046,702**	2,045,995	**2,046,702**	2,045,995
- adjustment for ESS	**429**	4,310	**429**	4,310
	2,047,131	2,050,305	**2,047,131**	2,050,305
Diluted earnings per share (sen)	**121.9**	130.0	**80.8**	94.0

44 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)

	2020			2019		
The Group	**Before tax RM'000**	**Tax benefits RM'000**	**Net of tax amount RM'000**	**Before tax RM'000**	**Tax benefits RM'000**	**Net of tax amount RM'000**
Debt instruments at fair value through other comprehensive income						
- net fair value changes and changes in expected credit losses	**204,017**	**(44,889)**	**159,128**	321,330	(71,602)	249,728
Cash flow hedge						
- net fair value (loss)/gain	**(7,633)**	**1,870**	**(5,763)**	(4,531)	973	(3,558)
The Bank						
Debt instruments at fair value through other comprehensive income						
- net fair value changes and changes in expected credit losses	**232,277**	**(51,693)**	**180,584**	274,961	(59,981)	214,980
Cash flow hedge						
- net fair value (loss)/gain	**(7,631)**	**1,870**	**(5,761)**	(4,531)	973	(3,558)

45 DIVIDENDS

	The Group and The Bank			
	2020		2019	
	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 2019	**34.0**	**695,813**	-	-
- for financial year ended 30 June 2018	**-**	**-**	32.0	654,666
Interim dividend paid				
- for financial year ended 30 June 2020	**16.0**	**327,527**	-	-
- for financial year ended 30 June 2019	**-**	**-**	16.0	327,390
	50.0	**1,023,340**	48.0	982,056

A final single tier dividend in respect of the financial year ended 30 June 2020 of 20.0 sen per share (2019: 34.0 sen single tier per share) will be proposed for shareholders' approval at the forthcoming Annual General Meeting. Based on the Bank's adjusted total number of issued shares (excluding 81,101,700 treasury shares held pursuant to Section 127 of the Companies Act 2016 and ESOS scheme of 39,575,096 shares) of 2,047,041,488 shares as at 30 June 2020, the dividend amount would approximately be RM409,408,298. The proposed dividend will be reflected in the financial statements for the financial year ending 30 June 2021 when approved by shareholders.

46 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Direct credit substitutes*	**133,166**	117,740	**80,144**	64,395
Certain transaction related contingent items	**1,489,056**	1,446,851	**1,283,921**	1,261,524
Short-term self liquidating trade related contingencies	**538,144**	674,511	**508,190**	638,625
Irrevocable commitments to extend credit:				
- maturity more than one year	**17,777,310**	17,720,606	**12,807,826**	12,749,585
- maturity less than one year	**20,856,358**	19,020,280	**17,067,748**	15,541,640
Foreign exchange related contracts:^				
- less than one year	**40,277,996**	34,829,534	**33,398,925**	33,337,605
- one year to less than five years	**4,089,668**	3,995,994	**4,089,668**	3,995,994
- five years and above	**288,397**	301,327	**288,397**	301,327
Interest rate related contracts:^				
- less than one year	**18,957,616**	38,511,811	**19,457,616**	38,511,811
- one year to less than five years	**32,060,237**	34,300,635	**32,260,237**	35,195,635
- five years and above	**2,609,803**	3,170,389	**2,571,708**	3,320,389
Equity related contracts:^				
- less than one year	**264,263**	591,385	**264,263**	591,386
- one year to less than five years	**136,115**	127,853	**136,115**	127,852
Credit related contracts:^				
- five years and above	**291,272**	82,753	**291,272**	82,753
Unutilised credit card lines	**7,463,767**	7,276,500	**7,463,767**	7,276,500
	147,233,168	162,168,169	**131,969,797**	152,997,021

^ 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 RM92,904,339 and RM42,901,839 at Group and Bank, respectively (2019: RM103,153,716 and RM53,153,716 at Group and Bank, respectively), of which fair value at the time of issuance is nil.

47 CAPITAL COMMITMENTS

The capital commitments are in respect of:
- property and equipment
- intangible assets

Capital expenditure approved by the Directors but not provided for in the financial statements are as follows:

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Authorised and contracted for	**186,427**	155,521	**148,227**	131,104
Authorised but not contracted for	**28,052**	51,570	**22,294**	51,438
	214,479	207,091	**170,521**	182,542

48 LEASE COMMITMENTS

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

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Not later than one year	**-**	13,827	**-**	29,413
Later than one year and not later than five years	**-**	1,075	**-**	1,075
Later than five years	**-**	1,298	**-**	1,298
	-	16,200	**-**	31,786

49 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.

50 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

Overview and organisation

Group Risk Management ("GRM")

The Group has implemented a risk management framework with the objective to ensure the overall financial soundness and stability of the Group's business operations. The Group's risk management framework outlines the overall governance structure, aspiration, values and risk management strategies which aligns the Group's risk profile, capital strategies and return objectives. Appropriate methodologies and measurements have been developed to manage uncertainties such that deviations from intended strategic objectives are closely monitored and kept within tolerable levels.

From a governance perspective, the Board has the overall responsibility to define the Group's risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is supported by the Board Risk Management Committee ("BRMC") in approving the Group's risk management framework as well as the attendant capital management and planning policy, risk appetite statements, risk management strategies and risk policies.

Dedicated management level committees are established to oversee the development and the effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

BRMC is supported by the Group Risk Management ("GRM") function. The GRM function has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Group. The core functions of the GRM function is to support line management in identification and management of key and emerging risks for the Group, to measure these risks, to manage the risk positions and to determine the optimum capital allocations. The Group regularly reviews its risk management framework to reflect changes in markets, products, regulatory requirements and emerging best market practices.

Credit Risk Management

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfil their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Group.

The Group has established a credit risk governance policy 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 that are reviewed and concurred by the Management Credit Committee ("MCC"), endorsed by the Credit Supervisory Committee ("CSC") and the BRMC, and approved by the Board. These policies are subject to review and enhancements, at least on an annual basis.

Credit portfolio strategies and significant exposures are reviewed by both the BRMC and the Board. These portfolio strategies are designed to achieve a desired portfolio risk tolerance level and sector distribution.

The Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While the business units are responsible for credit origination, the credit approving function rests mainly with the Credit Evaluation Departments, the MCC and the CSC. The Board delegates the approving and discretionary authority to the MCC, CSC and the various personnel of the Bank based on job function and designation.

50 FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit Risk Management (continued)

For any new products, credit risk assessment also forms part of the new product sign-off process to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

The Group's exposure to credit risk is mainly from its retail, small and medium enterprise (“SME”), commercial and corporate customers. The credit assessment for retail customers is managed on a portfolio basis and the risk scoring models and lending templates are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts. The SME, commercial and corporate customers are individually assessed and assigned with a credit rating, which is based on the assessment of relevant factors such as the customer’s financial position, industry outlook, types of facilities and collaterals offered.

In addition, the Group also conducts periodic stress testing of its credit portfolios to ascertain the credit risk impact to capital under the relevant stress scenarios.

Independent Credit Review Team conducts independent post approval reviews on sampling basis to ensure that the quality of credit appraisals, approval standards and operational robustness are in accordance with the credit standards, lending policies and the directives established and approved by the Group’s management.

Market Risk Management

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

The Group adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. Value at Risk (“VaR”), set in accordance with the size of positions and risk tolerance appetites.

Portfolios held under the Group’s trading books are tracked using daily mark-to-market positions, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using VaR and other measurements.

Foreign exchange risks arising from adverse exchange rate movements, is managed by the setting of preset limits, matching of open positions against these preset limits and imposition of cut-loss mechanisms.

Interest rate risk is identified, measured and controlled through various types of limits. In addition, the Group regularly review the interest rate outlook and develop strategies to protect the total net interest income from adverse changes in market interest rates. This applies to both interest rate risk exposures in the trading book and the banking book. In managing interest rate risk in the banking book, the Group measures earnings at risk and economic value or capital at risk.

The Group also conducts periodic stress testing of the respective portfolios and on an overall basis to ascertain market risk under abnormal market conditions.

50 FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity Risk Management

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arise from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Group's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

Besides adhering to the Regulatory Liquidity Requirement, the Group has put in place a robust and comprehensive liquidity risk management framework consisting of risk appetite, policies, triggers and controls which are reviewed and concurred by the Group Assets and Liabilities Committee, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cashflow, maintenance of high quality long-term and short-term marketable debt securities, diversification of funding base as well as maintenance of a liquidity compliance buffer to meet any unexpected cash outflows.

The Group has in place liquidity contingency funding plan and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. Contingency funding plan sets out the crisis escalation process and the various strategies to be employed to preserve liquidity including an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there is adequate liquidity contingency fund to meet the shortfalls during liquidity crisis scenarios.

Pandemic Related Risk Management

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

The Group has put in place a strategic plan to ensure that its operations and services are maintained fully functional in the event of a pandemic. In the continuing Covid-19 pandemic, businesses of the Group which are classified under the essential services sector, operates under specific operating conditions with heightened public health safety and business continuity requirements, as mandated in countries that the Group operates in. In demonstrating preparedness under crisis conditions, the Group has implemented enhanced Business Continuity Management plans and processes to ensure the continuity of its businesses and operations.

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

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

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Bank proactively seek to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest/Profit rate risk sensitivity analysis

The interest/profit rate sensitivity results below shows the impact on profit after tax and equity of financial assets and financial liabilities bearing floating interest/profit rates and fixed rate financial assets and financial liabilities carried at fair value.

	The Group		The Bank	
2020	**Impact on profit after tax RM'000**	**Impact on equity RM'000**	**Impact on profit after tax RM'000**	**Impact on equity RM'000**
Increase/(Decrease)				
+100 basis points ('bps')	**190,924**	**(614,834)**	**143,989**	**(533,714)**
-100 bps	**(190,924)**	**614,834**	**(143,989)**	**533,714**
2019				
Increase/(Decrease)				
+100 basis points ('bps')	50,274	(300,025)	49,884	(230,924)
-100 bps	(50,274)	300,025	(49,884)	230,924

50 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	2020 RM'000	2019 RM'000
Asset/(Liability)		
United States Dollar ("USD")	**150,046**	86,757
Euro ("EUR")	**3,504**	5,932
Great Britain Pound ("GBP")	**10,035**	13,718
Singapore Dollar ("SGD")	**(49,285)**	(113,025)
Australian Dollar ("AUD")	**(27,226)**	(20,861)
Chinese Yuan Renminbi ("CNY")	**6,492**	5,207
Hong Kong Dollar ("HKD")	**(97,570)**	(104,623)
Others	**109,078**	84,982
	105,074	(41,913)

The Bank	2020 RM'000	2019 RM'000
Asset/(Liability)		
United States Dollar ("USD")	**228,932**	112,895
Euro ("EUR")	**(4,676)**	969
Great Britain Pound ("GBP")	**1,494**	8,323
Singapore Dollar ("SGD")	**(52,631)**	(111,637)
Australian Dollar ("AUD")	**(30,365)**	(23,091)
Chinese Yuan Renminbi ("CNY")	**(2,368)**	1,659
Hong Kong Dollar ("HKD")	**(99,231)**	(105,594)
Others	**119,536**	37,931
	160,691	(78,545)

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 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	2020 RM'000	2019 RM'000
Increase/(Decrease)		
-1%		
United States Dollar ("USD")	**(1,140)**	(659)
Euro ("EUR")	**(27)**	(45)
Great Britain Pound ("GBP")	**(76)**	(104)
Singapore Dollar ("SGD")	**375**	859
Australian Dollar ("AUD")	**207**	159
Chinese Yuan Renminbi ("CNY")	**(49)**	(40)
Hong Kong Dollar ("HKD")	**742**	795
Others	**(829)**	(646)
	(797)	319
+1%		
United States Dollar ("USD")	**1,140**	659
Euro ("EUR")	**27**	45
Great Britain Pound ("GBP")	**76**	104
Singapore Dollar ("SGD")	**(375)**	(859)
Australian Dollar ("AUD")	**(207)**	(159)
Chinese Yuan Renminbi ("CNY")	**49**	40
Hong Kong Dollar ("HKD")	**(742)**	(795)
Others	**829**	646
	797	(319)

50 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	2020 RM'000	2019 RM'000
Increase/(Decrease)		
-1%		
United States Dollar ("USD")	**(1,740)**	(858)
Euro ("EUR")	**36**	(7)
Great Britain Pound ("GBP")	**(11)**	(63)
Singapore Dollar ("SGD")	**400**	848
Australian Dollar ("AUD")	**231**	175
Chinese Yuan Renminbi ("CNY")	**18**	(13)
Hong Kong Dollar ("HKD")	**754**	803
Others	**(908)**	(288)
	(1,220)	597
+1%		
United States Dollar ("USD")	**1,740**	858
Euro ("EUR")	**(36)**	7
Great Britain Pound ("GBP")	**11**	63
Singapore Dollar ("SGD")	**(400)**	(848)
Australian Dollar ("AUD")	**(231)**	(175)
Chinese Yuan Renminbi ("CNY")	**(18)**	13
Hong Kong Dollar ("HKD")	**(754)**	(803)
Others	**908**	288
	1,220	(597)

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

50 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 2020 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	6,682,659	-	-	-	-	1,879,510	-	8,562,169
Deposits and placements with banks and other financial institutions	-	109,137	941,570	-	-	1,672	-	1,052,379
Financial assets at fair value through profit or loss	-	-	-	-	-	5,012,673	3,056,723	8,069,396
Financial investments at fair value through other comprehensive income	936,181	485,726	1,816,629	15,428,536	7,977,731	637,741	-	27,282,544
Financial investments at amortised cost	218,408	-	951,746	12,895,897	5,735,347	300,034	-	20,101,432
Loans, advances and financing								
- performing	135,501,736	2,737,561	3,226,661	1,719,039	893,989	-	-	144,078,986
- impaired ^	110,030	606	22,432	63,034	419,862	-	-	615,964
Other assets	23,037	-	-	-	-	1,608,216	-	1,631,253
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,111,469	1,111,469
Statutory deposits with Central Banks	-	-	-	-	163,853	254,267	-	418,120
Total financial assets	143,472,051	3,333,030	6,959,038	30,106,506	15,190,782	9,694,113	4,168,192	212,923,712

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

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Group 2020 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	70,681,569	32,585,292	42,065,154	941,259	545,147	26,674,240	-	173,492,661
Investment accounts of customers	42,681	304,611	5,137	-	-	4,046	-	356,475
Deposits and placements of banks and other financial institutions	1,766,951	2,717,943	988,736	-	1,011,970	15,480	-	6,501,080
Obligations on securities sold under repurchase agreements	369,972	2,275,663	477,488	-	-	1,009	-	3,124,132
Bills and acceptances payable	2,007	8,130	6,542	-	-	117,374	-	134,053
Lease liabilities	3,503	7,025	31,426	121,286	77,937	-	-	241,177
Other liabilities	5,187	355	2,938	-	-	5,073,338	-	5,081,818
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,268,393	1,268,393
- hedging derivatives	-	-	-	21,096	9,024	-	-	30,120
Recourse obligation on loans sold to Cagamas	-	-	-	1,042,085	-	6,920	-	1,049,005
Tier 2 subordinated bonds	-	-	-	1,499,970	-	2,254	-	1,502,224
Multi-currency Additional Tier 1 Capital Securities	-	-	-	799,655	-	6,665	-	806,320
Total financial liabilities	72,871,870	37,899,019	43,577,421	4,425,351	1,644,078	31,901,326	1,268,393	193,587,458
Net interest sensitivity gap	70,600,181	(34,565,989)	(36,618,383)	25,681,155	13,546,704			
Financial guarantees	-	-	-	-	-	448,212		
Credit related commitments and contingencies	-	-	-	-	-	46,097,435		
Treasury related commitments and contingencies (hedging)	-	-	-	887,500	120,238	-		
Net interest sensitivity gap	-	-	-	887,500	120,238	46,545,647		

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Group 2019 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	3,043,906	-	-	-	-	1,811,550	-	4,855,456
Deposits and placements with banks and other financial institutions	-	867,749	417,180	-	-	6,487	-	1,291,416
Financial assets at fair value through profit or loss	-	-	-	-	-	7,402,652	4,728,381	12,131,033
Financial investments at fair value through other comprehensive income	635,857	1,301,245	1,761,639	15,990,018	3,848,771	316,980	-	23,854,510
Financial investments at amortised cost	-	-	53,820	13,010,653	1,884,567	204,159	-	15,153,199
Loans, advances and financing								
- performing	114,796,095	1,217,840	639,349	9,223,211	9,754,210	-	-	135,630,705
- impaired ^	110,775	6,761	11,435	79,807	468,734	-	-	677,512
Other assets	14,532	-	-	-	-	1,116,804	-	1,131,336
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	528,256	528,256
Statutory deposits with Central Banks	-	-	-	-	209,674	4,379,159	-	4,588,833
Total financial assets	118,601,165	3,393,595	2,883,423	38,303,689	16,165,956	15,237,791	5,256,637	199,842,256

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Group 2019 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	62,890,768	31,251,833	41,379,505	2,701,208	1,291,598	23,555,382	-	163,070,294
Investment accounts of customers	198	2,030	1	-	-	6	-	2,235
Deposits and placements of banks and other financial institutions	3,458,394	3,565,524	314,315	-	-	20,191	-	7,358,424
Obligations on securities sold under repurchase agreements	178,431	2,150,720	-	-	-	4,765	-	2,333,916
Bills and acceptances payable	46,703	128,278	35,094	-	-	182,948	-	393,023
Other liabilities	5,335	499	2,094	-	-	4,621,297	-	4,629,225
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	670,548	670,548
- hedging derivatives	-	-	388	4,307	3,394	-	-	8,089
Recourse obligation on loans sold to Cagamas	-	200,059	-	50,000	-	3,532	-	253,591
Tier 2 subordinated bonds	-	-	-	1,499,970	-	2,370	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	-	799,523	-	6,662	-	806,185
Innovative Tier 1 Capital Securities	-	499,611	-	-	-	12,657	-	512,268
Total financial liabilities	66,579,829	37,798,554	41,731,397	5,055,008	1,294,992	28,409,810	670,548	181,540,138
Net interest sensitivity gap	52,021,336	(34,404,959)	(38,847,974)	33,248,681	14,870,964			
Financial guarantees	-	-	-	-	-	492,044		
Credit related commitments and contingencies	-	-	-	-	-	44,017,386		
Treasury related commitments and contingencies (hedging)	-	-	200,000	453,571	332,738	-		
Net interest sensitivity gap	-	-	200,000	453,571	332,738	44,509,430		

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

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2020 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	3,657,847	-	-	-	-	1,885,953	-	5,543,800
Deposits and placements with banks and other financial institutions	-	483,291	941,570	-	391,641	1,672	-	1,818,174
Financial assets at fair value through profit or loss	-	-	-	-	-	5,012,673	3,035,054	8,047,727
Financial investments at fair value through other comprehensive income	686,381	485,726	1,649,809	15,076,662	6,225,157	614,170	-	24,737,905
Financial investments at amortised cost	218,408	-	573,438	9,470,984	4,576,302	239,949	-	15,079,081
Loans, advances and financing								
- performing	110,412,589	140,697	250,555	1,325,455	214,777	-	-	112,344,073
- impaired ^	99,944	493	21,742	38,563	319,160	-	-	479,902
Other assets	23,037	-	-	-	-	1,531,406	-	1,554,443
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,057,621	1,057,621
Amount due from subsidiaries	-	-	-	-	-	106,363	-	106,363
Statutory deposits with Central Banks	-	-	-	-	-	254,181	-	254,181
Total financial assets	115,098,206	1,110,207	3,437,114	25,911,664	11,727,037	9,646,367	4,092,675	171,023,270

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

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2020 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	56,077,379	24,804,122	31,962,056	847,910	494,942	23,446,953	-	137,633,362
Deposits and placements of banks and other financial institutions	2,181,665	2,871,812	569,889	-	1,011,970	15,905	-	6,651,241
Obligations on securities sold under repurchase agreements	369,972	2,275,663	477,488	-	-	1,009	-	3,124,132
Bills and acceptances payable	1,762	6,663	5,498	-	-	106,293	-	120,216
Lease liabilities	5,173	10,372	47,097	231,657	113,539	-	-	407,838
Other liabilities	5,115	343	1,486	-	-	4,559,262	-	4,566,206
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,224,022	1,224,022
- hedging derivatives	-	-	-	21,096	5,978	-	-	27,074
Recourse obligation on loans sold to Cagamas	-	-	-	300,024	-	543	-	300,567
Tier 2 subordinated bonds	-	-	-	1,499,970	-	2,254	-	1,502,224
Multi-currency Additional Tier 1 Capital Securities	-	-	-	799,655	-	6,665	-	806,320
Total financial liabilities	58,641,066	29,968,975	33,063,514	3,700,312	1,626,429	28,138,884	1,224,022	156,363,202
Net interest sensitivity gap	56,457,140	(28,858,768)	(29,626,400)	22,211,352	10,100,608			
Financial guarantees	-	-	-	-	-	366,709		
Credit related commitments and contingencies	-	-	-	-	-	37,339,341		
Treasury related commitments and contingencies (hedging)	-	-	-	887,500	120,238	-		
Net interest sensitivity gap	-	-	-	887,500	120,238	37,706,050		

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

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2019 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	2,626,955	-	-	-	-	1,756,119	-	4,383,074
Deposits and placements with banks and other financial institutions	-	1,042,272	417,180	-	-	6,488	-	1,465,940
Financial assets at fair value through profit or loss	-	-	-	-	-	7,402,652	4,213,086	11,615,738
Financial investments at fair value through other comprehensive income	526,067	1,102,265	1,512,743	14,387,485	2,931,424	286,014	-	20,745,998
Financial investments at amortised cost	-	-	53,820	9,713,703	976,211	150,771	-	10,894,505
Loans, advances and financing								
- performing	93,123,924	1,064,611	465,650	6,868,124	6,838,280	-	-	108,360,589
- impaired ^	109,291	6,457	9,957	68,404	380,272	-	-	574,381
Other assets	14,532	-	-	-	-	1,071,264	-	1,085,796
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	522,995	522,995
Amount due from subsidiaries	-	-	-	-	-	13,095	-	13,095
Statutory deposits with Central Banks	-	-	-	-	-	3,564,423	-	3,564,423
Total financial assets	96,400,769	3,215,605	2,459,350	31,037,716	11,126,187	14,250,826	4,736,081	163,226,534

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2019 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	50,276,597	23,418,570	33,606,335	2,296,418	1,140,467	20,658,138	-	131,396,525
Deposits and placements of banks and other financial institutions	3,823,581	3,252,567	108,594	-	-	20,192	-	7,204,934
Obligations on securities sold under repurchase agreements	178,431	2,150,720	-	-	-	4,765	-	2,333,916
Bills and acceptances payable	45,155	121,287	27,768	-	-	168,368	-	362,578
Other liabilities	5,310	462	1,345	-	-	4,085,585	-	4,092,702
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	666,953	666,953
- hedging derivatives	-	-	388	4,307	3,394	-	-	8,089
Recourse obligation on loans sold to Cagamas	-	200,059	-	-	-	2,895	-	202,954
Tier 2 subordinated bonds	-	-	-	1,499,970	-	2,370	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	-	799,523	-	6,662	-	806,185
Innovative Tier 1 Capital Securities	-	499,611	-	-	-	12,657	-	512,268
Total financial liabilities	54,329,074	29,643,276	33,744,430	4,600,218	1,143,861	24,961,632	666,953	149,089,444
Net interest sensitivity gap	42,071,695	(26,427,671)	(31,285,080)	26,437,498	9,982,326			
Financial guarantees	-	-	-	-	-	404,022		
Credit related commitments and contingencies	-	-	-	-	-	35,567,725		
Treasury related commitments and contingencies (hedging)	-	-	200,000	453,571	332,738	-		
Net interest sensitivity gap	-	-	200,000	453,571	332,738	35,971,747		

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

50 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 2020 based on the remaining contractual maturity:

	The Group 2020							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	7,351,125	1,211,044	-	-	-	-	-	8,562,169
Deposits and placements with banks and other financial institutions	-	-	109,612	942,767	-	-	-	1,052,379
Financial assets at fair value through profit or loss	-	30,189	212,916	545,446	251,679	6,698,530	330,636	8,069,396
Financial investments at fair value through other comprehensive income	56,799	714,461	492,567	344,235	1,339,087	24,275,301	60,094	27,282,544
Financial investments at amortised cost	171,289	218,737	1,564	31,568	1,037,159	18,641,115	-	20,101,432
Loans, advances and financing	13,609,685	5,664,321	3,052,206	2,495,965	890,314	118,982,459	-	144,694,950
Other assets	855,704	157,029	13,287	15,085	162,130	944	478,337	1,682,516
Derivative financial instruments	43,597	125,816	145,417	79,600	39,375	677,664	-	1,111,469
Statutory deposits with Central Banks	-	-	-	-	-	-	418,120	418,120
Investment in associated companies	-	-	-	-	-	-	4,644,527	4,644,527
Property and equipment	-	-	-	-	-	-	1,299,902	1,299,902
Intangible assets	-	-	-	-	-	-	187,505	187,505
Right-of-use assets	-	-	-	-	-	-	253,118	253,118
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	86,578	86,578
Total assets	22,088,199	8,121,597	4,027,569	4,454,666	3,719,744	169,276,013	9,590,129	221,277,917

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

50 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2020 based on the remaining contractual maturity: (continued)

	The Group 2020							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	70,662,686	25,547,266	32,731,390	22,338,170	19,850,434	2,362,715	-	173,492,661
Investment accounts of customers	6,562	36,841	307,920	5,152	-	-	-	356,475
Deposits and placements of banks and other financial institutions	331,101	1,620,526	2,689,770	767,018	80,695	1,011,970	-	6,501,080
Obligations on securities sold under repurchase agreements	23,415	346,863	2,276,277	477,577	-	-	-	3,124,132
Bills and acceptances payable	99	1,909	8,130	6,542	-	-	117,373	134,053
Lease liabilities	-	3,503	7,025	10,562	20,864	199,223	-	241,177
Other liabilities	5,092,129	145,093	11,219	567	12,751	-	86,451	5,348,210
Derivative financial instruments	44,698	64,878	63,053	124,718	86,286	914,880	-	1,298,513
Recourse obligation on loans sold to Cagamas	-	-	5,919	1,001	-	1,042,085	-	1,049,005
Tier 2 subordinated bonds	-	-	-	2,254	-	1,499,970	-	1,502,224
Multi-currency Additional Tier 1 Capital Securities	-	-	4,866	1,799	-	799,655	-	806,320
Taxation	-	-	-	-	-	-	189,768	189,768
Total liabilities	76,160,690	27,766,879	38,105,569	23,735,360	20,051,030	7,830,498	393,592	194,043,618
Total equity	-	-	-	-	-	-	27,234,299	27,234,299
Total liabilities and equity	76,160,690	27,766,879	38,105,569	23,735,360	20,051,030	7,830,498	27,627,891	221,277,917
Net liquidity gap	(54,072,491)	(19,645,282)	(34,078,000)	(19,280,694)	(16,331,286)	161,445,515	9,196,537	27,234,299

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 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 2019 based on the remaining contractual maturity:

	The Group 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	4,309,642	545,814	-	-	-	-	-	4,855,456
Deposits and placements with banks and other financial institutions	-	-	872,409	272,868	146,139	-	-	1,291,416
Financial assets at fair value through profit or loss	12,836	333	138,749	27,198	163,866	11,482,479	305,572	12,131,033
Financial investments at fair value through other comprehensive income	169,192	471,922	1,307,777	572,769	1,243,510	20,045,009	44,331	23,854,510
Financial investments at amortised cost	883	512	957	914	75,253	15,074,680	-	15,153,199
Loans, advances and financing	12,298,130	5,596,972	5,344,123	1,859,481	659,641	110,549,870	-	136,308,217
Other assets	788,102	9,560	6,219	7,499	1,298	28,957	355,346	1,196,981
Derivative financial instruments	42,006	32,344	41,184	51,789	46,785	314,148	-	528,256
Statutory deposits with Central Banks	-	-	-	-	-	-	4,588,833	4,588,833
Investment in associated companies	-	-	-	-	-	-	4,106,375	4,106,375
Property and equipment	-	-	-	-	-	-	1,382,572	1,382,572
Intangible assets	-	-	-	-	-	-	125,225	125,225
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	16,030	16,030
Total assets	17,620,791	6,657,457	7,711,418	2,792,518	2,336,492	157,495,143	12,755,596	207,369,415

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

50 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 2019 based on the remaining contractual maturity: (continued)

	The Group 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	59,062,352	27,177,389	31,419,431	19,699,578	21,909,182	3,802,362	-	163,070,294
Investment accounts of customers	13	187	2,034	1	-	-	-	2,235
Deposits and placements of banks and other financial institutions	2,288,410	1,269,354	3,631,083	127,940	41,637	-	-	7,358,424
Obligations on securities sold under repurchase agreements	288,221	179,272	1,866,423	-	-	-	-	2,333,916
Bills and acceptances payable	244	46,459	128,278	35,082	11	-	182,949	393,023
Other liabilities	4,594,642	777	499	405	194,073	-	91,349	4,881,745
Derivative financial instruments	26,398	26,395	47,253	33,564	56,802	488,225	-	678,637
Recourse obligation on loans sold to Cagamas	-	-	203,591	-	-	50,000	-	253,591
Tier 2 subordinated bonds	-	-	-	2,370	-	1,499,970	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	4,863	1,799	-	799,523	-	806,185
Innovative Tier 1 Capital Securities	-	-	512,268	-	-	-	-	512,268
Taxation	-	-	-	-	-	-	95,864	95,864
Deferred tax liabilities	-	-	-	-	-	-	6,506	6,506
Total liabilities	66,260,280	28,699,833	37,815,723	19,900,739	22,201,705	6,640,080	376,668	181,895,028
Total equity	-	-	-	-	-	-	25,474,387	25,474,387
Total liabilities and equity	66,260,280	28,699,833	37,815,723	19,900,739	22,201,705	6,640,080	25,851,055	207,369,415
Net liquidity gap	(48,639,489)	(22,042,376)	(30,104,305)	(17,108,221)	(19,865,213)	150,855,063	12,378,928	25,474,387

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2020 based on the remaining contractual maturity:

	The Bank 2020							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	3,983,177	1,560,623	-	-	-	-	-	5,543,800
Deposits and placements with banks and other financial institutions	-	-	483,766	942,767	-	391,641	-	1,818,174
Financial assets at fair value through profit or loss	-	30,189	212,916	545,446	251,679	6,676,861	330,636	8,047,727
Financial investments at fair value through other comprehensive income	56,799	464,661	492,567	323,860	1,191,962	22,147,962	60,094	24,737,905
Financial investments at amortised cost	171,289	218,737	1,564	21,922	665,408	14,000,161	-	15,079,081
Loans, advances and financing	12,094,117	4,821,027	2,671,136	1,754,594	543,315	90,939,786	-	112,823,975
Other assets	952,508	156,938	13,226	14,993	109,739	735	358,710	1,606,849
Derivative financial instruments	37,211	117,494	133,691	55,702	35,483	678,040	-	1,057,621
Amount due from subsidiaries	-	-	-	-	-	-	106,363	106,363
Statutory deposits with Central Banks	-	-	-	-	-	-	254,181	254,181
Subsidiary companies	-	-	-	-	-	-	2,558,901	2,558,901
Investment in associated companies	-	-	-	-	-	-	971,182	971,182
Property and equipment	-	-	-	-	-	-	685,169	685,169
Intangible assets	-	-	-	-	-	-	168,060	168,060
Right-of-use assets	-	-	-	-	-	-	420,653	420,653
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Deferred tax assets	-	-	-	-	-	-	55,984	55,984
Total assets	17,295,101	7,369,669	4,008,866	3,659,284	2,797,586	134,835,186	7,741,480	177,707,172

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

50 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2020 based on the remaining contractual maturity: (continued)

	The Bank 2020							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	59,080,600	19,361,117	24,916,058	16,177,232	15,879,412	2,218,943	-	137,633,362
Deposits and placements of banks and other financial institutions	626,707	1,568,326	2,873,734	489,809	80,695	1,011,970	-	6,651,241
Obligations on securities sold under repurchase agreements	23,415	346,863	2,276,277	477,577	-	-	-	3,124,132
Bills and acceptances payable	88	1,673	6,663	5,498	-	-	106,294	120,216
Lease liabilities	-	5,173	10,372	15,651	31,446	345,196	-	407,838
Other liabilities	4,112,847	145,045	11,207	549	2,717	429,380	71,960	4,773,705
Derivative financial instruments	38,362	52,293	48,769	113,668	84,505	913,499	-	1,251,096
Recourse obligation on loans sold to Cagamas	-	-	-	543	-	300,024	-	300,567
Tier 2 subordinated bonds	-	-	-	2,254	-	1,499,970	-	1,502,224
Multi-currency Additional Tier 1 Capital Securities	-	-	4,866	1,799	-	799,655	-	806,320
Taxation	-	-	-	-	-	-	150,979	150,979
Total liabilities	63,882,019	21,480,490	30,147,946	17,284,580	16,078,775	7,518,637	329,233	156,721,680
Total equity	-	-	-	-	-	-	20,985,492	20,985,492
Total liabilities and equity	63,882,019	21,480,490	30,147,946	17,284,580	16,078,775	7,518,637	21,314,725	177,707,172
Net liquidity gap	(46,586,918)	(14,110,821)	(26,139,080)	(13,625,296)	(13,281,189)	127,316,549	7,412,247	20,985,492

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 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 2019 based on the remaining contractual maturity:

The Bank 2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	3,618,599	764,475	-	-	-	-	-	4,383,074
Deposits and placements with banks and other financial institutions	-	-	1,046,933	272,868	146,139	-	-	1,465,940
Financial assets at fair value through profit or loss	12,836	333	138,749	27,198	163,866	10,967,184	305,572	11,615,738
Financial investments at fair value through other comprehensive income	169,192	361,962	1,108,797	502,064	1,063,220	17,496,432	44,331	20,745,998
Financial investments at amortised cost	883	512	957	914	75,253	10,815,986	-	10,894,505
Loans, advances and financing	10,555,719	5,009,250	4,984,949	1,639,889	556,855	86,188,308	-	108,934,970
Other assets	773,946	6,881	5,990	7,171	1,223	28,882	322,189	1,146,282
Derivative financial instruments	41,938	30,745	39,105	50,672	46,451	314,084	-	522,995
Amount due from subsidiaries	-	-	-	-	-	-	13,095	13,095
Statutory deposits with Central Banks	-	-	-	-	-	-	3,564,423	3,564,423
Subsidiary companies	-	-	-	-	-	-	2,558,337	2,558,337
Investment in associated companies	-	-	-	-	-	-	971,182	971,182
Property and equipment	-	-	-	-	-	-	761,639	761,639
Intangible assets	-	-	-	-	-	-	110,895	110,895
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Total assets	15,173,113	6,174,158	7,325,480	2,500,776	2,053,007	125,810,876	10,423,210	169,460,620

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 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 2019 based on the remaining contractual maturity: (continued)

	The Bank 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	48,549,789	22,288,137	23,539,897	14,856,490	18,933,045	3,229,167	-	131,396,525
Deposits and placements of banks and other financial institutions	2,724,471	1,115,297	3,255,858	67,671	41,637	-	-	7,204,934
Obligations on securities sold under repurchase agreements	288,221	179,272	1,866,423	-	-	-	-	2,333,916
Bills and acceptances payable	222	44,933	121,287	27,757	11	-	168,368	362,578
Other liabilities	4,054,048	768	462	388	184,733	-	49,677	4,290,076
Derivative financial instruments	26,352	24,611	44,739	33,749	56,432	489,159	-	675,042
Recourse obligation on loans sold to Cagamas	-	-	202,954	-	-	-	-	202,954
Tier 2 subordinated bonds	-	-	-	2,370	-	1,499,970	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	4,863	1,799	-	799,523	-	806,185
Innovative Tier 1 Capital Securities	-	-	512,268	-	-	-	-	512,268
Taxation	-	-	-	-	-	-	42,152	42,152
Deferred tax liabilities	-	-	-	-	-	-	6,506	6,506
Total liabilities	55,643,103	23,653,018	29,548,751	14,990,224	19,215,858	6,017,819	266,703	149,335,476
Total equity	-	-	-	-	-	-	20,125,144	20,125,144
Total liabilities and equity	55,643,103	23,653,018	29,548,751	14,990,224	19,215,858	6,017,819	20,391,847	169,460,620
Net liquidity gap	(40,469,990)	(17,478,860)	(22,223,271)	(12,489,448)	(17,162,851)	119,793,057	10,156,507	20,125,144

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

	The Group					
	2020					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	59,248,633	34,276,739	45,842,275	34,989,392	415,296	174,772,335
Investment accounts of customers	42,287	310,389	5,200	-	-	357,876
Deposits and placements of banks and other financial institutions	2,138,608	2,942,481	638,995	1,011,982	-	6,732,066
Obligations on securities sold under repurchase agreements	370,838	2,287,776	478,268	-	-	3,136,882
Bills and acceptances payable	117,373	-	-	-	-	117,373
Lease liabilities	4,453	8,886	39,209	151,203	158,124	361,875
Other liabilities	5,078,525	355	2,938	-	-	5,081,818
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(8,382,799)	(2,878,635)	(7,048,324)	(1,530,965)	(111,431)	(19,952,154)
- Outflow	8,475,338	2,922,880	7,190,505	1,571,395	109,162	20,269,280
- Net settled derivatives	17,595	61,876	344,162	597,971	88,948	1,110,552
Recourse obligation on loans sold to Cagamas	-	8,134	29,190	1,096,958	-	1,134,282
Tier 2 subordinated bonds	-	-	41,220	1,599,606	-	1,640,826
Multi-currency Additional Tier 1 Capital Securities	-	9,518	29,882	887,556	-	926,956
Total financial liabilities	67,110,851	39,950,399	47,593,520	40,375,098	660,099	195,689,967

50 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

	The Group 2019					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	56,637,447	32,833,750	44,208,357	30,505,103	831,502	165,016,159
Investment accounts of customers	199	2,045	1	-	-	2,245
Deposits and placements of banks and other financial institutions	3,624,191	3,690,086	110,421	-	-	7,424,698
Obligations on securities sold under repurchase agreements	219,177	2,159,445	-	-	-	2,378,622
Bills and acceptances payable	225,460	106,380	20,490	-	-	352,330
Other liabilities	4,626,632	499	2,094	-	-	4,629,225
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(5,053,049)	(3,906,447)	(6,449,277)	(2,384,604)	(1,631,205)	(19,424,582)
- Outflow	5,079,703	3,937,181	6,494,165	2,437,467	1,642,106	19,590,622
- Net settled derivatives	13,046	16,189	273,659	247,136	90,555	640,585
Recourse obligation on loans sold to Cagamas	-	204,911	1,050	54,213	-	260,174
Tier 2 subordinated bonds	-	-	41,333	1,640,826	-	1,682,159
Multi-currency Additional Tier 1 Capital Securities	-	9,518	29,990	926,956	-	966,464
Innovative Tier 1 Capital Securities	-	520,682	-	-	-	520,682
Total financial liabilities	65,372,806	39,574,239	44,732,283	33,427,097	932,958	184,039,383

50 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

	The Bank					
	2020					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	46,615,943	25,850,664	34,790,080	30,648,583	362,186	138,267,456
Deposits and placements of banks and other financial institutions	2,381,887	2,911,518	575,129	1,011,982	-	6,880,516
Obligations on securities sold under repurchase agreements	370,838	2,287,776	478,268	-	-	3,136,882
Bills and acceptances payable	106,292	-	-	-	-	106,292
Lease liabilities	6,668	13,310	59,436	277,957	191,306	548,677
Other liabilities	4,564,377	343	1,486	-	-	4,566,206
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(7,212,297)	(2,050,523)	(5,742,236)	(1,530,965)	(111,431)	(16,647,452)
- Outflow	7,285,891	2,080,719	5,871,037	1,571,395	109,162	16,918,204
- Net settled derivatives	17,007	60,579	339,445	581,890	80,362	1,079,283
Recourse obligation on loans sold to Cagamas	-	-	10,498	315,784	-	326,282
Tier 2 subordinated bonds	-	-	41,220	1,599,606	-	1,640,826
Multi-currency Additional Tier 1 Capital Securities	-	9,518	29,882	887,556	-	926,956
Total financial liabilities	**54,136,606**	**31,163,904**	**36,454,245**	**35,363,788**	**631,585**	**157,750,128**

50 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					
	2019					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	45,539,564	24,498,522	35,849,215	26,314,071	672,578	132,873,950
Deposits and placements of banks and other financial institutions	4,105,868	3,729,889	110,421	-	-	7,946,178
Obligations on securities sold under repurchase agreements	219,177	2,159,445	-	-	-	2,378,622
Bills and acceptances payable	209,789	101,274	14,950	-	-	326,013
Other liabilities	4,090,895	462	1,345	-	-	4,092,702
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(4,859,412)	(3,700,913)	(6,196,223)	(2,384,604)	(1,631,205)	(18,772,357)
- Outflow	4,884,133	3,729,232	6,240,336	2,437,467	1,642,106	18,933,274
- Net settled derivatives	13,128	15,087	271,842	235,415	81,516	616,988
Recourse obligation on loans sold to Cagamas	-	203,850	-	-	-	203,850
Tier 2 subordinated bonds	-	-	41,333	1,640,826	-	1,682,159
Multi-currency Additional Tier 1 Capital Securities	-	9,518	29,990	926,956	-	966,464
Innovative Tier 1 Capital Securities	-	520,682	-	-	-	520,682
Total financial liabilities	54,203,142	31,267,048	36,363,209	29,170,131	764,995	151,768,525

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's and Bank's commitments and contingencies:

The Group 2020	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	**83,166**	**50,000**	**133,166**
Short-term self liquidating trade related contingencies	**315,046**	**-**	**315,046**
Irrevocable commitments to extend credit	**20,856,358**	**17,777,310**	**38,633,668**
Unutilised credit card lines	**7,463,767**	**-**	**7,463,767**
Total commitments and contingencies	**28,718,337**	**17,827,310**	**46,545,647**
2019			
Direct credit substitutes	67,590	50,150	117,740
Short-term self liquidating trade related contingencies	374,304	-	374,304
Irrevocable commitments to extend credit	19,020,280	17,720,606	36,740,886
Unutilised credit card lines	7,276,500	-	7,276,500
Total commitments and contingencies	26,738,674	17,770,756	44,509,430

The Bank 2020	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	**80,144**	**-**	**80,144**
Short-term self liquidating trade related contingencies	**286,565**	**-**	**286,565**
Irrevocable commitments to extend credit	**17,067,748**	**12,807,826**	**29,875,574**
Unutilised credit card lines	**7,463,767**	**-**	**7,463,767**
Total commitments and contingencies	**24,898,224**	**12,807,826**	**37,706,050**
2019			
Direct credit substitutes	64,245	150	64,395
Short-term self liquidating trade related contingencies	339,627	-	339,627
Irrevocable commitments to extend credit	15,541,640	12,749,585	28,291,225
Unutilised credit card lines	7,276,500	-	7,276,500
Total commitments and contingencies	23,222,012	12,749,735	35,971,747

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.

50 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	
	2020 RM'000	**2019 RM'000**
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	**7,853,759**	4,587,073
Financial assets and investments portfolios (exclude shares):		
- Financial investments at FVOCI	**27,222,450**	23,810,179
- Financial investments at amortised cost	**20,101,432**	15,153,199
Loans, advances and financing	**144,694,950**	136,308,217
Other assets	**1,608,216**	1,116,804
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	**46,545,647**	44,509,430
Total maximum credit risk exposure that are subject to impairment	**248,026,454**	225,484,902

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

50 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

	The Bank	
	2020 RM'000	2019 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	**5,972,509**	4,514,288
Financial assets and investments portfolios (exclude shares):		
- Financial investments at FVOCI	**24,677,811**	20,701,667
- Financial investments at amortised cost	**15,079,081**	10,894,505
Loans, advances and financing	**112,823,975**	108,934,970
Other assets	**1,531,406**	1,071,264
Amount due from subsidiaries	**106,363**	13,095
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	**37,706,050**	35,971,747
Total maximum credit risk exposure that are subject to impairment	**197,897,195**	182,101,536

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets at FVTPL (exclude shares and wholesale funds)	**3,081,722**	4,759,248	**3,060,053**	4,243,953
Derivative assets	**1,111,469**	528,256	**1,057,621**	522,995
	4,193,191	5,287,504	**4,117,674**	4,766,948

50 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 loans, advances and financing for which no allowances is recognised because of collateral as at 30 June 2020 amounted to RM159,402,000 (2019: RM184,663,000) and RM157,931,000 (2019: RM183,134,000) respectively for the Group and the Bank.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group and the Bank is 86.84% (2019: 85.43%) and 87.13% (2019: 85.13%) respectively. The financial effects of collateral held for the remaining financial assets are insignificant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing that are credit impaired as at 30 June 2020 for the Group and the Bank is 85.91% (2019: 83.64%) and 92.57% (2019: 84.51%) 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.

50 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality

The Group and the Bank assess credit quality of loans, advances and financing using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

Credit quality description is summarised as follows:

Credit Quality	Description
Good	Obligors in this category exhibit strong capacity to meet financial commitments.
Adequate	Obligors in this category have a fairly acceptable capacity to meet financial commitments.
Marginal	Obligors in this category have uncertain capacity to meet financial commitments and is under closer monitoring.
No rating	Obligors which are currently not assigned with a credit ratings as it do not satisfy the criteria to be rated based on internal credit rating system.
Credit impaired	Obligors assessed to be impaired.

The credit quality of financial instruments other than loans, advances and financing are determined based on the ratings of counterparties as defined equivalent ratings of other internationals rating agencies as defined below:

Credit Quality	Description
Sovereign	Refer to financial asset issued by federal government or guarantee by federal government.
Investment grade	Refers to the credit quality of the financial asset that the issuer is able to meet payment obligation and exposure bondholder to low credit risk of default.
Non-investment grade	Refers to low credit quality of the financial asset that is highly expose to default risk.
Un-graded	Refers to financial asset which are currently not assigned with ratings due to unavailability of ratings models.
Credit impaired	Refers to the asset that is being impaired.

50 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 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)				
Sovereign	3,268,993	-	-	3,268,993
Investment grade	4,396,246	-	-	4,396,246
Non-investment grade	188,740	-	-	188,740
Gross carrying amount	7,853,979	-	-	7,853,979
Expected credit losses	(220)	-	-	(220)
Net carrying amount	7,853,759	-	-	7,853,759
Financial investments at FVOCI				
Sovereign	17,104,883	-	-	17,104,883
Investment grade	9,524,516	-	-	9,524,516
Non-investment grade	593,051	-	-	593,051
Gross carrying amount	27,222,450	-	-	27,222,450
Expected credit losses	(2,068)	-	-	(2,068)
Financial investments at amortised cost				
Sovereign	19,079,080	-	-	19,079,080
Investment grade	1,022,554	-	-	1,022,554
Gross carrying amount	20,101,634	-	-	20,101,634
Expected credit losses	(202)	-	-	(202)
Net carrying amount	20,101,432	-	-	20,101,432
Loans, advances and financing				
Good	122,879,089	226,264	-	123,105,353
Adequate	14,765,672	1,070,469	-	15,836,141
Marginal	-	5,856,829	-	5,856,829
No rating	-	244,285	-	244,285
Credit impaired	-	-	889,754	889,754
Gross carrying amount	137,644,761	7,397,847	889,754	145,932,362
Expected credit losses	(549,509)	(435,827)	(273,790)	(1,259,126)
Others *	21,714	-	-	21,714
Net carrying amount	137,116,966	6,962,020	615,964	144,694,950

* Included fair value changes arising from fair value hedges.

50 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)				
Sovereign	50,938	-	-	50,938
Investment grade	4,504,003	-	-	4,504,003
Non-investment grade	32,893	-	-	32,893
Gross carrying amount	4,587,834	-	-	4,587,834
Expected credit losses	(761)	-	-	(761)
Net carrying amount	4,587,073	-	-	4,587,073
Financial investments at FVOCI				
Sovereign	13,238,799	-	-	13,238,799
Investment grade	10,145,615	-	-	10,145,615
Non-investment grade	425,765	-	-	425,765
Gross carrying amount	23,810,179	-	-	23,810,179
Expected credit losses	(1,566)	-	-	(1,566)
Financial investments at amortised cost				
Sovereign	14,137,326	-	-	14,137,326
Investment grade	1,016,053	-	-	1,016,053
Non-investment grade	-	-	-	-
Gross carrying amount	15,153,379	-	-	15,153,379
Expected credit losses	(180)	-	-	(180)
Net carrying amount	15,153,199	-	-	15,153,199
Loans, advances and financing				
Good	115,595,574	11,860	-	115,607,434
Adequate	14,092,510	877,444	-	14,969,954
Marginal	4,394	5,626,041	-	5,630,435
No rating	-	287,449	-	287,449
Credit impaired	-	-	1,071,111	1,071,111
Gross carrying amount	129,692,478	6,802,794	1,071,111	137,566,383
Expected credit losses	(369,715)	(498,325)	(393,599)	(1,261,639)
Others *	3,473	-	-	3,473
Net carrying amount	129,326,236	6,304,469	677,512	136,308,217

* Included fair value changes arising from fair value hedges.

50 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Bank 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)				
Sovereign	538,374	-	-	538,374
Investment grade	4,768,238	-	-	4,768,238
Non-investment grade	668,899	-	-	668,899
Gross carrying amount	5,975,511	-	-	5,975,511
Expected credit losses	(3,002)	-	-	(3,002)
Net carrying amount	5,972,509	-	-	5,972,509
Financial investments at FVOCI				
Sovereign	15,091,422	-	-	15,091,422
Investment grade	8,993,338	-	-	8,993,338
Non-investment grade	593,051	-	-	593,051
Gross carrying amount	24,677,811	-	-	24,677,811
Expected credit losses	(2,055)	-	-	(2,055)
Financial investments at amortised cost				
Sovereign	14,075,927	-	-	14,075,927
Investment grade	1,003,356	-	-	1,003,356
Credit impaired	-	-	-	-
Gross carrying amount	15,079,283	-	-	15,079,283
Expected credit losses	(202)	-	-	(202)
Net carrying amount	15,079,081	-	-	15,079,081
Loans, advances and financing				
Good	96,255,527	196,197	-	96,451,724
Adequate	11,129,315	946,262	-	12,075,577
Marginal	-	4,309,672	-	4,309,672
No rating	-	243,944	-	243,944
Credit impaired	-	-	663,767	663,767
Gross carrying amount	107,384,842	5,696,075	663,767	113,744,684
Expected credit losses	(408,715)	(347,084)	(183,865)	(939,664)
Others *	18,955	-	-	18,955
Net carrying amount	106,995,082	5,348,991	479,902	112,823,975

* Included fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges.

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

50 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 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)				
Sovereign	50,938	-	-	50,938
Investment grade	4,046,260	-	-	4,046,260
Non-investment grade	419,123	-	-	419,123
Gross carrying amount	4,516,321	-	-	4,516,321
Expected credit losses	(2,033)	-	-	(2,033)
Net carrying amount	4,514,288	-	-	4,514,288
Financial investments at FVOCI				
Sovereign	11,237,069	-	-	11,237,069
Investment grade	9,038,833	-	-	9,038,833
Non-investment grade	425,765	-	-	425,765
Gross carrying amount	20,701,667	-	-	20,701,667
Expected credit losses	(1,454)	-	-	(1,454)
Financial investments at amortised cost				
Sovereign	9,897,499	-	-	9,897,499
Investment grade	997,180	-	-	997,180
Credit impaired	-	-	-	-
Gross carrying amount	10,894,679	-	-	10,894,679
Expected credit losses	(174)	-	-	(174)
Net carrying amount	10,894,505	-	-	10,894,505
Loans, advances and financing				
Good	92,476,671	11,304	-	92,487,975
Adequate	11,377,725	717,907	-	12,095,632
Marginal	4,394	4,195,373	-	4,199,767
No rating	-	272,061	-	272,061
Credit impaired	-	-	887,864	887,864
Gross carrying amount	103,858,790	5,196,645	887,864	109,943,299
Expected credit losses	(311,663)	(386,656)	(313,483)	(1,011,802)
Others *	3,473	-	-	3,473
Net carrying amount	103,550,600	4,809,989	574,381	108,934,970

* Included fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges.

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 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 2020									
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Other assets RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	134,717	-	2,626,822	-	-	2,761,539	1,146,564	2,715
Mining and quarrying	-	-	-	-	105,756	-	-	105,756	327,537	-
Manufacturing	-	-	-	-	11,055,113	-	-	11,055,113	7,920,108	169,890
Electricity, gas and water	-	20,311	2,462,923	814,992	761,401	-	-	4,059,627	218,450	147
Construction	-	-	422,886	-	3,958,560	-	-	4,381,446	3,227,805	8,100
Wholesale and retail	-	-	44,383	-	11,686,123	-	-	11,730,506	7,564,637	130,586
Transport, storage and communications	-	-	393,661	-	4,203,398	-	-	4,597,059	1,149,634	3,501
Finance, insurance, real estate and business services	4,584,766	468,929	10,952,336	2,073,480	10,119,192	1,598,313	1,111,469	30,908,485	5,149,032	90,426
Government and government agencies	3,268,993	2,592,482	12,811,544	17,212,960	-	9,903	-	35,895,882	-	34,998
Education, health and others	-	-	-	-	1,644,905	-	-	1,644,905	466,979	1,498
Household	-	-	-	-	97,714,466	-	-	97,714,466	18,902,360	3,081
Others	-	-	-	-	819,214	-	-	819,214	24,329	3,270
	7,853,759	3,081,722	27,222,450	20,101,432	144,694,950	1,608,216	1,111,469	205,673,998	46,097,435	448,212

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 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 2019									
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	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	-	-	117,121	-	2,537,496	-	-	2,654,617	1,066,678	5,499
Mining and quarrying	-	-	85,623	-	109,767	-	-	195,390	168,890	15,408
Manufacturing	-	-	-	-	9,995,994	-	-	9,995,994	7,466,545	151,983
Electricity, gas and water	-	15,124	2,123,206	816,281	223,037	-	-	3,177,648	535,354	2,967
Construction	-	58,076	346,009	-	3,002,638	-	-	3,406,723	2,762,359	16,832
Wholesale and retail	-	-	41,996	-	11,275,506	-	-	11,317,502	6,047,757	185,041
Transport, storage and communications	-	-	543,711	-	3,699,673	-	-	4,243,384	920,009	6,514
Finance, insurance, real estate and business services	4,562,859	364,729	10,537,703	2,020,015	10,141,388	1,109,299	528,256	29,264,249	4,089,637	92,263
Government and government agencies	24,214	4,321,319	10,014,810	12,316,903	-	7,505	-	26,684,751	-	8,641
Education, health and others	-	-	-	-	1,667,048	-	-	1,667,048	463,471	4,295
Household	-	-	-	-	92,943,939	-	-	92,943,939	20,356,649	2,601
Others	-	-	-	-	711,731	-	-	711,731	140,037	-
	4,587,073	4,759,248	23,810,179	15,153,199	136,308,217	1,116,804	528,256	186,262,976	44,017,386	492,044

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

	The Bank 2020										
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	134,717	-	1,500,127	-	-	-	1,634,844	619,191	2,715
Mining and quarrying	-	-	-	-	94,883	-	-	-	94,883	60,126	-
Manufacturing	-	-	-	-	8,689,710	-	-	-	8,689,710	6,541,991	163,224
Electricity, gas and water	-	20,311	2,436,264	546,738	269,634	-	-	-	3,272,947	152,249	147
Construction	-	-	422,886	-	3,299,508	-	-	-	3,722,394	2,590,326	5,603
Wholesale and retail	-	-	44,383	-	9,747,436	-	-	-	9,791,819	6,314,465	112,268
Transport, storage and communications	-	-	393,661	-	3,941,255	-	-	-	4,334,916	868,076	3,501
Finance, insurance, real estate and business services	5,434,135	468,929	10,279,695	1,909,756	8,210,333	1,521,553	106,363	1,057,621	28,988,385	3,456,953	40,424
Government and government agencies	538,374	2,570,813	10,966,205	12,622,587	-	9,853	-	-	26,707,832	-	34,998
Education, health and others	-	-	-	-	812,342	-	-	-	812,342	209,184	1,498
Household	-	-	-	-	76,242,056	-	-	-	76,242,056	16,519,311	2,331
Others	-	-	-	-	16,691	-	-	-	16,691	7,469	-
	5,972,509	3,060,053	24,677,811	15,079,081	112,823,975	1,531,406	106,363	1,057,621	164,308,819	37,339,341	366,709

Notes to the Financial Statements

for the financial year ended 30 June 2020

50 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 2019										
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	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	-	-	117,121	-	1,712,903	-	-	-	1,830,024	530,412	-
Mining and quarrying	-	-	85,623	-	96,689	-	-	-	182,312	157,655	15,408
Manufacturing	-	-	-	-	8,250,198	-	-	-	8,250,198	6,138,440	142,277
Electricity, gas and water	-	15,124	1,674,949	547,639	167,645	-	-	-	2,405,357	82,352	2,857
Construction	-	58,076	325,407	-	2,424,506	-	-	-	2,807,989	2,230,226	14,240
Wholesale and retail	-	-	41,996	-	9,856,185	-	-	-	9,898,181	5,072,863	164,926
Transport, storage and communications	-	-	538,586	-	3,516,933	-	-	-	4,055,519	815,318	6,514
Finance, insurance, real estate and business services	4,493,957	364,729	9,487,195	1,882,981	8,590,203	1,063,791	13,095	522,995	26,418,946	2,622,226	42,263
Government and government agencies	20,331	3,806,024	8,430,790	8,463,885	-	7,473	-	-	20,728,503	-	8,641
Education, health and others	-	-	-	-	846,902	-	-	-	846,902	282,782	4,295
Household	-	-	-	-	73,410,853	-	-	-	73,410,853	17,522,646	2,601
Others	-	-	-	-	61,953	-	-	-	61,953	112,805	-
	4,514,288	4,243,953	20,701,667	10,894,505	108,934,970	1,071,264	13,095	522,995	150,896,737	35,567,725	404,022

50 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(v) Repossessed collaterals

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Industrial and residential properties, lands and automobiles	**378,268**	256,534	**305,385**	215,368

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 RM398.3 million (2019: RM263.2 million) for the Group and RM307.2 million (2019: RM207.0 million) for the Bank.

(vii) Modification of contractual cash flows

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised within impairment in the income statements with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group and the Bank would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification.

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.

50 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

2020	Changes	The Group RM'000	The Bank RM'000
Private consumption	+/- 50 bps		
House price index	+/- 150 bps		
Unemployment rate	+/- 100 bps		
Total decrease in ECL on the positive changes in key variables		**(7,238)**	**(6,557)**
Total increase/(decrease) in ECL on the negative changes in key variables		**362**	**(162)**

2019	Changes	The Group RM'000	The Bank RM'000
Consumer price index	+/- 50 bps		
Private consumption	+/- 50 bps		
House price index	+/- 150 bps		
Unemployment rate	+/- 100 bps		
Total decrease in ECL on the positive changes in key variables		(1,802)	(1,721)
Total increase in ECL on the negative changes in key variables		2,120	1,950

50 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

2020	Changes	The Group RM'000	The Bank RM'000
Banking system credit	+/- 100 bps		
Gross domestic product	+/- 50 bps		
Total decrease in ECL on the positive changes in key variables		**(3,615)**	**(3,124)**
Total increase in ECL on the negative changes in key variables		**1,466**	**1,491**

2019	Changes	The Group RM'000	The Bank RM'000
Banking system credit	+/- 100 bps		
Total decrease in ECL on the positive changes in key variables		(2,690)	(2,207)
Total increase in ECL on the negative changes in key variables		2,579	2,395

51 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.

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

	The Group 2020 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets at FVTPL				
- Money market instrument	-	2,697,041	-	2,697,041
- Quoted securities	4,961,508	-	-	4,961,508
- Unquoted securities	-	80,211	330,636	410,847
Financial investments at FVOCI				
- Money market instrument	-	14,361,366	-	14,361,366
- Quoted securities	3,484,875	-	-	3,484,875
- Unquoted securities	-	9,376,209	60,094	9,436,303
Derivative financial instruments	8	1,097,969	13,492	1,111,469
	8,446,391	27,612,796	404,222	36,463,409
Financial Liabilities				
Derivative financial instruments	65	1,284,956	13,492	1,298,513
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	462,517	-	462,517
	65	1,747,473	13,492	1,761,030

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 (2019: RM Nil).

51 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 2019 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	-	4,397,706	-	4,397,706
- Quoted securities	7,234,755	-	-	7,234,755
- Unquoted securities	-	193,000	305,572	498,572
Financial investments at FVOCI				
- Money market instrument	-	11,200,720	-	11,200,720
- Quoted securities	3,414,587	-	-	3,414,587
- Unquoted securities	-	9,194,872	44,331	9,239,203
Derivative financial instruments	32	520,412	7,812	528,256
	10,649,374	25,506,710	357,715	36,513,799
Financial Liabilities				
Derivative financial instruments	2,940	667,885	7,812	678,637
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,104,802	-	2,104,802
	2,940	2,772,687	7,812	2,783,439

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy: (continued)

	The Bank 2020 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets at FVTPL				
- Money market instrument	-	2,675,372	-	2,675,372
- Quoted securities	4,961,508	-	-	4,961,508
- Unquoted securities	-	80,211	330,636	410,847
Financial investments at FVOCI				
- Money market instrument	-	12,199,326	-	12,199,326
- Quoted securities	3,484,875	-	-	3,484,875
- Unquoted securities	-	8,993,610	60,094	9,053,704
Derivative financial instruments	8	1,044,121	13,492	1,057,621
	8,446,391	24,992,640	404,222	33,843,253
Financial Liabilities				
Derivative financial instruments	65	1,237,539	13,492	1,251,096
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	412,120	-	412,120
	65	1,649,659	13,492	1,663,216

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 (2019: RM Nil).

51 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 2019 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	-	3,882,411	-	3,882,411
- Quoted securities	7,234,755	-	-	7,234,755
- Unquoted securities	-	193,000	305,572	498,572
Financial investments at FVOCI				
- Money market instrument	-	9,322,560	-	9,322,560
- Quoted securities	3,381,473	-	-	3,381,473
- Unquoted securities	-	7,997,634	44,331	8,041,965
Derivative financial instruments	32	515,151	7,812	522,995
	10,616,260	21,910,756	357,715	32,884,731
Financial Liabilities				
Derivative financial instruments	2,940	664,290	7,812	675,042
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,758,009	-	1,758,009
	2,940	2,422,299	7,812	2,433,051

51 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:

The Group	Financial Assets: Financial assets at FVTPL RM'000	Financial Assets: Financial investments at FVOCI RM'000	Financial Assets: Derivative financial instruments RM'000	Financial Liability: Derivative financial instruments RM'000
2020				
At 1 July	305,572	44,331	7,812	7,812
Fair value changes recognised in statements of income	25,064	-	(8,397)	(8,397)
Net fair value changes recognised in other comprehensive income	-	15,763	-	-
Purchases	-	-	(9,066)	(9,066)
Settlements	-	-	23,143	23,143
At 30 June	330,636	60,094	13,492	13,492
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2020	25,064	-	(8,397)	(8,397)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2020	-	15,763	-	-

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

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below: (continued)

The Group	Financial Assets				Financial Liability
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
2019					
At 1 July	-	-	467,512	13,876	13,876
Effect of adopting MFRS 9	290,480	33,477	(467,512)	-	-
At 1 July, as restated	290,480	33,477	-	13,876	13,876
Fair value changes recognised in statements of income	15,092	-	-	(12,653)	(12,653)
Net fair value changes recognised in other comprehensive income	-	10,854	-	-	-
Purchases	-	-	-	(1,810)	(1,810)
Settlements	-	-	-	8,399	8,399
At 30 June	305,572	44,331	-	7,812	7,812
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2019	15,092	-	-	(12,653)	(12,653)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2019	-	10,854	-	-	-

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below: (continued)

The Bank	Financial Assets Financial assets at FVTPL RM'000	Financial Assets Financial investments at FVOCI RM'000	Financial Assets Derivative financial instruments RM'000	Financial Liability Derivative financial instruments RM'000
2020				
At 1 July	305,572	44,331	7,812	7,812
Fair value changes recognised in statements of income	25,064	-	(8,397)	(8,397)
Net fair value changes recognised in other comprehensive income	-	15,763	-	-
Purchases	-	-	(9,066)	(9,066)
Settlements	-	-	23,143	23,143
At 30 June	330,636	60,094	13,492	13,492
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2020	25,064	-	(8,397)	(8,397)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2020	-	15,763	-	-

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below: (continued)

The Bank	Financial Assets: Financial assets at FVTPL RM'000	Financial Assets: Financial investments at FVOCI RM'000	Financial Assets: Financial investments available-for-sale RM'000	Financial Assets: Derivative financial instruments RM'000	Financial Liability: Derivative financial instruments RM'000
2019					
At 1 July	-	-	467,512	13,876	13,876
Effect of adopting MFRS 9	290,480	33,477	(467,512)	-	-
At 1 July, as restated	290,480	33,477	-	13,876	13,876
Fair value changes recognised in statements of income	15,092	-	-	(12,653)	(12,653)
Net fair value changes recognised in other comprehensive income	-	10,854	-	-	-
Purchases	-	-	-	(1,810)	(1,810)
Settlements	-	-	-	8,399	8,399
At 30 June	305,572	44,331	-	7,812	7,812
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2019	15,092	-	-	(12,653)	(12,653)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2019	-	10,854	-	-	-

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	The Group and the Bank		Valuation technique(s)	Unobservable input	Range (weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
	Fair value assets RM'000	Fair value liabilities RM'000				
2020						
Financial assets at FVTPL						
Unquoted shares	**330,636**	**-**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments at FVOCI						
Unquoted shares	**60,094**	**-**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	**13,492**	**(13,492)**	Monte Carlo Simulation	Equity volatility	4% to 98%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity / FX Correlation between underlyers	-30% to -2%	An increase in correlation, would generally result in a higher fair value measurement and vice versa
2019						
Financial assets at FVTPL						
Unquoted shares	305,572	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments at FVOCI						
Unquoted shares	44,331	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (continued)

Description	The Group and the Bank Fair value assets RM'000	Fair value liabilities RM'000	Valuation technique(s)	Unobservable input	Range (weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
2019						
Derivative financial instruments						
Equity derivatives	7,812	(7,812)	Monte Carlo Simulation	Equity volatility	2% to 53%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity / FX Correlation between underlyers	-19% to 2%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

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: Statement of income Favourable/(Unfavourable) changes RM'000
2020			
Financial assets			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	**(110)**
		-10%	**118**
	Equity / FX	+10%	**26**
	Correlation	-10%	**16**
	Total*		**50**
Financial liabilities			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	**110**
		-10%	**(118)**
	Equity / FX	+10%	**(26)**
	Correlation	-10%	**(16)**
	Total*		**(50)**

* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.

51 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: Statement of income Favourable/(Unfavourable) changes RM'000
2019			
Financial assets			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	1,172
		-10%	(1,023)
	Equity / FX	+10%	(50)
	Correlation	-10%	(84)
	Total*		15
Financial liabilities			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	(1,172)
		-10%	1,023
	Equity / FX	+10%	50
	Correlation	-10%	84
	Total*		(15)

* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.

51 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:

	2020		2019	
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	**14,408,008**	**14,674,737**	9,508,230	9,516,299
- Quoted securities	**1,003,155**	**996,921**	997,006	987,230
- Unquoted securities	**4,690,269**	**4,769,082**	4,647,969	4,684,530
Loans, advances and financing	**144,694,950**	**145,434,265**	136,308,217	136,316,238
	164,796,382	**165,875,005**	151,461,422	151,504,297
Financial Liabilities				
Deposits from customers				
- At amortised cost	**173,030,144**	**173,214,979**	160,965,492	161,366,043
Recourse obligation on loans sold to Cagamas	**1,049,005**	**1,068,699**	253,591	253,940
Tier 2 subordinated bonds	**1,502,224**	**1,580,033**	1,502,340	1,513,813
Multi-currency Additional Tier 1 capital securities	**806,320**	**845,333**	806,185	820,613
Innovative Tier 1 capital securities	**-**	**-**	512,268	564,011
	176,387,693	**176,709,044**	164,039,876	164,518,420
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	**10,781,575**	**10,974,606**	6,618,104	6,615,126
- Quoted securities	**1,003,155**	**996,921**	997,006	987,230
- Unquoted securities	**3,294,351**	**3,350,922**	3,279,395	3,285,583
Loans, advances and financing	**112,823,975**	**113,313,572**	108,934,970	108,862,877
	127,903,056	**128,636,021**	119,829,475	119,750,816
Financial Liabilities				
Deposits from customers				
- At amortised cost	**137,221,242**	**137,371,623**	129,638,516	129,841,003
Recourse obligation on loans sold to Cagamas	**300,567**	**303,755**	202,954	203,010
Tier 2 subordinated bonds	**1,502,224**	**1,580,033**	1,502,340	1,513,813
Multi-currency Additional Tier 1 capital securities	**806,320**	**845,333**	806,185	820,613
Innovative Tier 1 capital securities	**-**	**-**	512,268	564,011
	139,830,353	**140,100,744**	132,662,263	132,942,450

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values of financial instruments not carried at fair value (continued)

The following table analyses within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at 30 June 2020 but for which fair value is disclosed:

	2020			
	Carrying	Fair Value		
The Group	Amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial Assets				
Financial investments at amortised cost				
- Money market	14,408,008	-	14,674,737	-
- Quoted securities	1,003,155	-	996,921	-
- Unquoted securities	4,690,269	-	4,769,082	-
Loans, advances and financing	144,694,950	-	145,434,265	-
	164,796,382	-	165,875,005	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	173,030,144	-	173,214,979	-
Recourse obligation on loans sold to Cagamas	1,049,005	-	1,068,699	-
Tier 2 subordinated bonds	1,502,224	-	1,580,033	-
Multi-currency Additional Tier 1 capital securities	806,320	-	845,333	-
Innovative Tier 1 capital securities	-	-	-	-
	176,387,693	-	176,709,044	-
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	10,781,575	-	10,974,606	-
- Quoted securities	1,003,155	-	996,921	-
- Unquoted securities	3,294,351	-	3,350,922	-
Loans, advances and financing	112,823,975	-	113,313,572	-
	127,903,056	-	128,636,021	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	137,221,242	-	137,371,623	-
Recourse obligation on loans sold to Cagamas	300,567	-	303,755	-
Tier 2 subordinated bonds	1,502,224	-	1,580,033	-
Multi-currency Additional Tier 1 capital securities	806,320	-	845,333	-
Innovative Tier 1 capital securities	-	-	-	-
	139,830,353	-	140,100,744	-

51 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 2019 but for which fair value is disclosed:

	2019			
	Carrying	Fair Value		
	Amount	Level 1	Level 2	Level 3
The Group	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Financial investments at amortised cost				
- Money market	9,508,224	-	9,516,299	-
- Quoted securities	997,006	-	987,230	-
- Unquoted securities	4,647,969	-	4,684,530	-
Loans, advances and financing	136,308,217	-	136,316,238	-
	151,461,416	-	151,504,297	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	160,965,492	-	161,366,043	-
Recourse obligation on loans sold to Cagamas	253,591	-	253,940	-
Tier 2 subordinated bonds	1,502,340	-	1,513,813	-
Multi-currency Additional Tier 1 capital securities	806,185	-	820,613	-
Innovative Tier 1 capital securities	512,268	-	564,011	-
	164,039,876	-	164,518,420	-
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	6,618,104	-	6,615,126	-
- Quoted securities	997,006	-	987,230	-
- Unquoted securities	3,279,395	-	3,285,583	-
Loans, advances and financing	108,934,970	-	108,862,877	-
	119,829,475	-	119,750,816	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	129,638,516	-	129,841,003	-
Recourse obligation on loans sold to Cagamas	202,954	-	203,010	-
Tier 2 subordinated bonds	1,502,340	-	1,513,813	-
Multi-currency Additional Tier 1 capital securities	806,185	-	820,613	-
Innovative Tier 1 capital securities	512,268	-	564,011	-
	132,662,263	-	132,942,450	-

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value methodologies and assumptions

Short-term funds and placements with financial institutions

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For short-term funds and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

FVTPL, FVOCI and financial investments at amortised cost

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Bank establish the fair value by using valuation techniques.

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of banks and other financial institutions, bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Recourse obligation on loans sold to Cagamas Berhad

For amounts due to Cagamas Berhad with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amounts due to Cagamas Berhad with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value methodologies and assumptions (continued)

Subordinated obligations and capital securities

The fair value of subordinated obligations and capital securities are based on quoted market prices where available.

Other financial assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive to sell or pay to transfer the contracts at the date of statements of financial position.

Notes to the Financial Statements

for the financial year ended 30 June 2020

52 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 2020										
Financial assets										
Derivatives/financial instruments	1,111,469	1,111,469	(643,374)	(144,804)	323,291	1,057,621	1,057,621	(616,247)	(144,804)	296,570
Total	1,111,469	1,111,469	(643,374)	(144,804)	323,291	1,057,621	1,057,621	(616,247)	(144,804)	296,570
Financial liabilities										
Derivatives/financial instruments	1,298,513	1,298,513	(643,374)	(467,438)	187,701	1,251,096	1,251,096	(616,247)	(467,438)	167,411
Obligations on securities sold under repurchase agreements	3,124,132	3,124,132	(3,124,132)	-	-	3,124,132	3,124,132	(3,124,132)	-	-
Total	4,422,645	4,422,645	(3,767,506)	(467,438)	187,701	4,375,228	4,375,228	(3,740,379)	(467,438)	167,411

Notes to the Financial Statements

for the financial year ended 30 June 2020

52 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 2019										
Financial assets										
Derivatives/financial instruments	528,256	528,256	(330,125)	(124,887)	73,244	522,995	522,995	(315,684)	(124,887)	82,424
Total	528,256	528,256	(330,125)	(124,887)	73,244	522,995	522,995	(315,684)	(124,887)	82,424
Financial liabilities										
Derivatives/financial instruments	678,637	678,637	(330,125)	(249,520)	98,992	675,042	675,042	(315,684)	(249,520)	109,838
Obligations on securities sold under repurchase agreements	2,333,916	2,333,916	(2,333,916)	-	-	2,333,916	2,333,916	(2,333,916)	-	-
Total	3,012,553	3,012,553	(2,664,041)	(249,520)	98,992	3,008,958	3,008,958	(2,649,600)	(249,520)	109,838

53 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) (the "Framework"). The Framework sets 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 requirement on Capital Conservation Buffer ("CCB") and Counter-Cyclical Capital Buffer ("CCyB"). The Group and the Bank are also required to maintain CCB of up to 2.500% of total risk-weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019 onwards. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. The minimum capital adequacy including CCB for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and Total capital ratio for year 2019 onwards are 7.000%, 8.500% and 10.500% respectively.

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

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	
	2020	**2019**	**2020**	**2019**
Before deducting proposed dividends				
CET I capital ratio	**13.950%**	13.627%	**13.761%**	13.266%
Tier I capital ratio	**14.523%**	14.585%	**14.118%**	14.074%
Total capital ratio	**16.750%**	16.839%	**16.245%**	16.203%
After deducting proposed dividends				
CET I capital ratio	**13.657%**	13.113%	**13.395%**	12.640%
Tier I capital ratio	**14.230%**	14.072%	**13.752%**	13.448%
Total capital ratio	**16.456%**	16.326%	**15.879%**	15.577%

Notes to the Financial Statements

for the financial year ended 30 June 2020

53 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CET I capital				
Share capital	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Retained profits	**18,172,806**	16,686,412	**12,661,472**	12,034,337
Other reserves	**1,029,080**	849,361	**433,536**	315,816
Less: Treasury shares	**(723,344)**	(727,817)	**(723,344)**	(727,817)
Less: Deferred tax assets	**(86,578)**	(16,030)	**(55,984)**	-
Less: Other intangible assets	**(187,505)**	(125,225)	**(168,060)**	(110,895)
Less: Goodwill	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)
Less: Investment in subsidiary companies/associated companies/joint venture	**(4,644,527)**	(4,106,375)	**(2,727,486)**	(2,726,932)
Total CET I capital	**19,467,683**	18,468,077	**15,387,650**	14,752,025
Additional Tier I capital				
Multi-currency Additional Tier 1 capital securities	**799,654**	799,523	**799,654**	799,523
Innovative Tier I capital securities	**-**	499,498	**-**	499,498
Additional Tier I capital before regulatory adjustments	**799,654**	1,299,021	**799,654**	1,299,021
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	**-**	-	**(400,000)**	(400,000)
Additional Tier I capital after regulatory adjustments	**799,654**	1,299,021	**399,654**	899,021
Total Tier I capital	**20,267,337**	19,767,098	**15,787,304**	15,651,046
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves #	**1,607,378**	1,554,893	**1,278,446**	1,267,205
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	**3,107,348**	3,054,863	**2,378,416**	2,367,175
Total capital	**23,374,685**	22,821,961	**18,165,720**	18,018,221

\# Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM837,183,000 (2019: RM847,070,000) and RM703,987,000 (2019: RM695,197,000) respectively.

53 CAPITAL ADEQUACY (CONTINUED)

(c) The breakdown of RWA by each major risk category is as follows:

	The Group		The Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Credit risk *	**128,590,231**	124,391,420	**102,275,706**	101,376,433
Market risk	**2,496,060**	2,558,573	**2,562,366**	2,595,185
Operational risk	**8,468,140**	8,577,308	**6,983,001**	7,233,933
Total RWA	**139,554,431**	135,527,301	**111,821,073**	111,205,551

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM238,775,000 (2019: RM1,294,000) is excluded from the calculation of capital adequacy ratio of the Group.

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	2020	2019
Before deducting proposed dividends		
CET I capital ratio	**10.871%**	10.529%
Tier I capital ratio	**12.432%**	12.258%
Total capital ratio	**15.173%**	15.150%
After deducting proposed dividends		
CET I capital ratio	**10.871%**	10.529%
Tier I capital ratio	**12.432%**	12.258%
Total capital ratio	**15.173%**	15.150%

54 SEGMENT REPORTING

Business segment reporting

The business segment results are prepared based on the Group's internal management reporting reflective of the organisation's management reporting structure.

The various business segments are described below:

Personal Financial Services focuses mainly on servicing individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

Business & Corporate Banking focuses mainly on corporate and small medium enterprises. Products offered include trade financing, working capital facilities, other term financing and corporate advisory services.

Global Markets refers to the Group's domestic treasury and capital market operations and includes foreign exchange, money market operations as well as capital market securities trading and investments.

Overseas/International Operations refers to Hong Leong Bank Berhad Overseas Branches, Subsidiaries, Associates, Joint Venture and Representative Office. The overseas operations are mainly in commercial banking and treasury business.

Other operations refers to head office and other subsidiaries.

54 SEGMENT REPORTING (CONTINUED)

Business segment reporting (continued)

The Group	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter-Segment Elimination RM'000	Total RM'000
2020							
Revenue							
- external	2,663,241	675,303	1,440,920	255,479	7,628	(264,215)	4,778,356
- inter-segment ^	(197,603)	495,810	(575,325)	-	277,118	-	-
Segment revenue	2,465,638	1,171,113	865,595	255,479	284,746	(264,215)	4,778,356
Overhead expenses of which:	(1,375,381)	(343,818)	(114,622)	(229,521)	(27,902)	(12,560)	(2,103,804)
Depreciation of property and equipment	53,353	5,513	3,891	6,016	65,482	135	134,390
Amortisation of intangible assets	9,276	1,556	936	9,261	37,996	-	59,025
(Allowance for)/written-back of allowance for impairment losses on loans, advances and financing	40,799	(72,798)	-	(97,655)	(197,415)	(586)	(327,655)
(Allowance for)/written-back of financial investments and other financial assets	-	-	(1,381)	542	-	1,006	167
Share of results of associated companies	-	-	-	642,333	-	-	642,333
Segment results	1,131,056	754,497	749,592	571,178	59,429	(276,355)	2,989,397
Taxation							(494,800)
Net profit for the financial year							2,494,597
Segment assets	101,402,143	36,483,167	61,533,549	15,563,980	-	-	214,982,839
Unallocated assets							6,295,078
Total assets							221,277,917
Segment liabilities	99,009,237	43,863,396	34,056,539	14,571,564	-	-	191,500,736
Unallocated liabilities							2,542,882
Total liabilities							194,043,618
Other significant segment items							
Capital expenditure	39,192	4,876	124	13,853	150,572	-	208,617

^ Inter-segment transfer is based on internally computed cost of funds.

Note:
1. Total segment revenue comprises net interest income, income from Islamic Banking business and non-interest income.
2. Unallocated assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

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

54 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
2019							
Revenue							
- external	2,719,983	651,765	1,227,251	259,519	141,964	(274,647)	4,725,835
- inter-segment ^	(227,330)	536,618	(710,213)	-	400,925	-	-
Segment revenue	2,492,653	1,188,383	517,038	259,519	542,889	(274,647)	4,725,835
Overhead expenses of which:	(1,394,276)	(337,143)	(109,398)	(223,314)	(18,794)	(8,650)	(2,091,575)
Depreciation of property and equipment	47,850	5,413	13,069	10,548	55,275	141	132,296
Amortisation of intangible assets	9,667	1,600	1,160	3,554	38,208	-	54,189
(Allowance for)/written-back of allowance for impairment losses on loans, advances and financing	(33,061)	(23,548)	-	(531)	45,408	(591)	(12,323)
(Allowance for)/written-back of financial investments and other financial assets	-	-	(944)	76	-	1,840	972
Share of results of associated companies	-	-	-	563,111	-	-	563,111
Segment results	1,065,316	827,692	406,696	598,861	569,503	(282,048)	3,186,020
Taxation							(521,513)
Net profit for the financial year							2,664,507
Segment assets	96,394,407	33,131,270	52,948,686	14,335,769	-	-	196,810,132
Unallocated assets							10,559,283
Total assets							207,369,415
Segment liabilities	90,505,466	44,764,228	30,752,678	13,302,441	-	-	179,324,813
Unallocated liabilities							2,570,215
Total liabilities							181,895,028
Other significant segment items							
Capital expenditure	51,355	8,900	1,107	18,220	54,349	-	133,931

^ 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.

54 SEGMENT REPORTING (CONTINUED)

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.

- Overseas operations, which includes branch, subsidiary, associate and joint venture operations in Singapore, Hong Kong, China, Vietnam and Cambodia. The overseas operations are mainly in commercial banking and treasury business.

The Group	Revenue RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
2020				
Malaysia	**4,522,877**	**205,697,109**	**179,449,719**	**194,764**
Overseas operations	**255,479**	**15,580,808**	**14,593,899**	**13,853**
	4,778,356	**221,277,917**	**194,043,618**	**208,617**
2019				
Malaysia	4,466,316	193,027,918	168,575,967	115,711
Overseas operations	259,519	14,341,497	13,319,061	18,220
	4,725,835	207,369,415	181,895,028	133,931

55 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 1 July 2019, the Bank announced that it had placed EB Nominees (Asing) Sendirian Berhad ("EB Nominees (Asing)"), a wholly-owned subsidiary of the Bank, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. EB Nominees (Asing) is dormant.

(b) On 10 September 2019, the Bank had fully redeemed the RM500.0 million nominal value of Innovative Tier 1 Capital Securities bearing coupon rate of 8.25% per annum.

(c) Chew Geok Lin Finance Sdn Bhd and WTB Corporation Sdn Bhd, wholly-owned subsidiaries of HLF Credit (Perak) Bhd which in turn is a wholly-owned subsidiary of the Bank, were dissolved on 18 May 2020.

(d) Pursuant to Section 247(3) of the Companies Act 2016, the Companies Commission of Malaysia had granted its approval for HLBCAM, a wholly-owned subsidiary of the Bank incorporated in the Kingdom of Cambodia, to have a different financial year end from its holding company. The financial year end of HLBCAM is 31 December as required under the Prakas on Annual Audit of Financial Statement of Banks and Financial Institutions issued by the National Bank of Cambodia.

56 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

There are no material subsequent events after the financial year that require disclosure or adjustments to the financial statements.

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

57 EQUITY COMPENSATION BENEFITS

Executive Share Scheme

The Bank has established and implemented an Executive Share Scheme.

(a) Executive Share Scheme ("ESS")

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

The main features of the ESS are, inter alia, as follows:

1. Eligible executives are persons as defined by the ESS Bye-Laws.

2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Bank in the annual general meeting held on 29 October 2013 and 25 October 2012. The Board, as defined by the ESS Bye-Laws, may from time to time at its absolute discretion select and identify suitable eligible executives to be offered options or grants.

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

4. The exercise of the options under the ESOS or the vesting of shares under the ESGS may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESS; or a combination of both new shares and existing shares.

(i) ESOS

The ESOS which was approved by the shareholders of the Bank on 25 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

On 18 September 2012, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the ESOS.

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

57 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(i) ESOS (continued)

The main features of the ESOS are, inter alia, as follows:

1. The option price for the options to be granted under the ESOS shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Bank preceding the Date of Offer as defined by the ESS Bye-Laws, and shall in no event be less than the par value of the shares of the Bank.

2. The options granted to an option holder under the ESOS is exercisable by the option holder during his employment or directorship with the HLB Group and upon meeting the vesting conditions of each ESOS plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.

During the financial year ended 30 June 2020, Nil (2019: Nil) share options have been granted under the ESOS with 13,702,915 (2019: 20,325,861) options remain outstanding.

The ordinary share options of the Bank granted under the ESOS that are still outstanding for the financial year ended 30 June 2020 is as follows:

(A) 37,550,000 share options at an exercise price of RM14.24 (exercise price adjusted to RM13.77 for rights issue):

2020 Grant date	Expiry date	As at 1-Jul-19	Adjustment for rights issue	Forfeited	Exercised	Outstanding As at 30-Jun-20	Exercisable As at 30-Jun-20
2 April 2015	28 July 2019	**73,358**	**-**	**-**	**(73,358)**	**-**	**-**
2 April 2015	28 July 2020	**335,001**	**-**	**-**	**(99,588)**	**235,413**	**-**
2 April 2015	28 July 2021	**167,502**	**-**	**-**	**-**	**167,502**	**-**
		575,861	**-**	**-**	**(172,946)**	**402,915**	**-**

2019 Grant date	Expiry date	As at 1-Jul-18	Adjustment for rights issue	Forfeited	Exercised	Outstanding As at 30-Jun-19	Exercisable As at 30-Jun-19
2 April 2015	28 July 2019	3,949,705	-	(3,614,704)	(261,643)	73,358	-
2 April 2015	28 July 2020	3,949,705	-	(3,614,704)	-	335,001	-
2 April 2015	28 July 2021	1,974,853	-	(1,807,351)	-	167,502	-
		9,874,263	-	(9,036,759)	(261,643)	575,861	-

On 30 November 2015 ("modified grant date"), the options exercise price was adjusted and additional share options of 782,657 were granted due to the rights issue exercise pursuant to the ESS Bye-Laws.

57 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(i) ESOS (continued)

The ordinary share options of the Bank granted under the ESOS that are still outstanding for the financial year ended 30 June 2020 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:

	2020		2019	
	Before Rights Issue	After Rights Issue	Before Rights Issue	After Rights Issue
Fair value of share options (RM)	**1.36-1.48**	**1.52-1.64**	1.22-1.48	1.40-1.64
Share price at grant date/modified grant date (RM)	**14.30**	**13.56**	14.30	13.56
Exercise price (RM)	**14.24**	**13.77**	14.24	13.77
Weighted average option life at grant date/ modified grant date (Years)	**3.40**	**3.00**	5.12	4.46
Expected volatility (%)	**11.74**	**12.21**	11.74	12.21
Weighted average dividend yield (%)	**1.96**	**2.04**	3.20	3.33
Weighted average risk free rate (%)	**2.31**	**2.44**	3.82	4.03

The fair value of share options after the rights issue is inclusive of incremental fair value arising from adjusted exercise price pursuant to the ESS Bye-Laws. The expected volatility reflects the assumption that the historical volatility was indicative of future trends, which may not necessarily be the actual outcome.

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 4.83 to 5.83 years from grant date. The weighted average remaining option life as at 30 June 2020 is 0.25 years.

57 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(i) ESOS (continued)

The ordinary share options of the Bank granted under the ESOS that are still outstanding for the financial year ended 30 June 2020 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:

	2020 After Rights Issue	2019 After Rights Issue
Fair value of share options (RM)	**1.09-1.22**	0.95-1.22
Share price at grant date/modified grant date (RM)	**13.56**	13.56
Exercise price (RM)	**13.77**	13.77
Weighted average option life at grant date (Years)	**3.00**	4.46
Expected volatility (%)	**12.21**	12.21
Weighted average dividend yield (%)	**2.04**	3.33
Weighted average risk free rate (%)	**2.44**	4.03

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 4.16 to 5.17 years from grant date. The weighted average remaining option life as at 30 June 2020 is 0.25 years.

(B) 22,750,000 share options at an exercise price of RM16.46:

2020 Grant date	Expiry date	As at 1-Jul-19	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-20	Exercisable As at 30-Jun-20
30 March 2018	31 August 2019	**2,370,000**	**-**	**(2,370,000)**	**-**	**-**	**-**
30 March 2018	31 August 2020	**2,370,000**	**-**	**(2,370,000)**	**-**	**-**	**-**
30 March 2018	31 August 2021	**1,185,000**	**-**	**(1,185,000)**	**-**	**-**	**-**
30 March 2018	31 August 2021	**5,530,000**	**-**	**(210,000)**	**-**	**5,320,000**	**-**
30 March 2018	31 August 2022	**5,530,000**	**-**	**(210,000)**	**-**	**5,320,000**	**-**
30 March 2018	31 August 2023	**2,765,000**	**-**	**(105,000)**	**-**	**2,660,000**	**-**
		19,750,000	**-**	**(6,450,000)**	**-**	**13,300,000**	**-**

57 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(i) ESOS (continued)

The ordinary share options of the Bank granted under the ESOS that are still outstanding for the financial year ended 30 June 2020 is as follows: (continued)

(B) 22,750,000 share options at an exercise price of RM16.46: (continued)

2019 Grant date	Expiry date	As at 1-Jul-18	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-19	Exercisable As at 30-Jun-19
30 March 2018	31 August 2019	2,370,000	-	-	-	2,370,000	-
30 March 2018	31 August 2020	2,370,000	-	-	-	2,370,000	-
30 March 2018	31 August 2021	1,185,000	-	-	-	1,185,000	-
30 March 2018	31 August 2021	5,530,000	-	-	-	5,530,000	-
30 March 2018	31 August 2022	5,530,000	-	-	-	5,530,000	-
30 March 2018	31 August 2023	2,765,000	-	-	-	2,765,000	-
		19,750,000	-	-	-	19,750,000	-

The estimated fair value of each share option granted is between RM3.91 and RM4.45 per share. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM18.72, weighted average option life at grant date of 3.0 years, exercise price of RM16.46, expected volatility of 17.79%, weighted average expected dividend yield of 1.57% and a weighted average risk free interest rate of 2.70%.

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 3.25 to 5.25 years from grant date. The weighted average remaining option life as at 30 June 2020 is 1.38 years.

(ii) ESGS

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

On 10 September 2013, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve in principle the listing of new ordinary shares of the Bank to be issued pursuant to the ESGS.

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

The shares to be vested to a grant holder under the ESGS will be vested to the grant holder only during his employment or directorship with the HLB Group and subject to any other terms and conditions as may be determined by the Board.

57 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(ii) ESGS (continued)

(A) 696,946 ordinary shares at date of grant:

2020 Grant date	Vesting date	As at 1-Jul-19	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-20	Exercisable As at 30-Jun-20
23 November 2016	29 February 2020	**139,391**	**-**	**-**	**(139,391)**	**-**	**-**

2019 Grant date	Vesting date	As at 1-Jul-18	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-19	Exercisable As at 30-Jun-19
23 November 2016	28 February 2019	181,205	-	-	(181,205)	-	-
23 November 2016	28 February 2020	139,391	-	-	-	139,391	-
		320,596	-	-	(181,205)	139,391	-

(B) 322,580 ordinary shares at date of grant:

2020 Grant date	Vesting date	As at 1-Jul-19	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-20	Exercisable As at 30-Jun-20
18 December 2017	31 January 2020	**161,290**	**-**	**-**	**(161,290)**	**-**	**-**

2019 Grant date	Vesting date	As at 1-Jul-18	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-19	Exercisable As at 30-Jun-19
18 December 2017	31 January 2019	161,290	-	-	(161,290)	-	-
18 December 2017	31 January 2020	161,290	-	-	-	161,290	-
		322,580	-	-	(161,290)	161,290	-

Notes to the Financial Statements

for the financial year ended 30 June 2020

57 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(ii) ESGS (continued)

(C) 267,379 ordinary shares at date of grant:

2020						Outstanding	Exercisable
		As at				As at	As at
Grant date	Vesting date	1-Jul-19	Granted	Forfeited	Exercised	30-Jun-20	30-Jun-20
3 December 2018	31 January 2020	133,689	-	-	(133,689)	-	-
3 December 2018	31 January 2021	133,690	-	-	-	133,690	-
		267,379	-	-	(133,689)	133,690	-

2019						Outstanding	Exercisable
		As at				As at	As at
Grant date	Vesting date	1-Jul-18	Granted	Forfeited	Exercised	30-Jun-19	30-Jun-19
3 December 2018	31 January 2020	-	133,689	-	-	133,689	-
3 December 2018	31 January 2021	-	133,690	-	-	133,690	-
		-	267,379	-	-	267,379	-

(D) 250,514 ordinary shares at date of grant:

2020						Outstanding	Exercisable
		As at				As at	As at
Grant date	Vesting date	1-Jul-19	Granted	Forfeited	Exercised	30-Jun-20	30-Jun-20
8 January 2020	31 December 2020	-	125,257	(9,746)	-	115,511	-
8 January 2020	31 December 2021	-	125,257	-	-	125,257	-
		-	250,514	(9,746)	-	240,768	-

During the financial year ended 30 June 2020, an additional 250,514 ordinary shares have been granted on 8 January 2020 to eligible executives of the Bank.

During the financial year ended 30 June 2020, a total of 434,370 ordinary shares were vested and transferred pursuant to the Bank's ESGS, 9,746 ordinary shares forfeited with 374,458 ordinary shares remain outstanding.

During the financial year ended 30 June 2020, the Group and the Bank had recognised share-based compensation expense arising from ESS amounting to RM23.1 million (2019: RM17.7 million).

57 EQUITY COMPENSATION BENEFITS (CONTINUED)

(b) Treasury shares for ESS

A trust has been set up for the ESOS and ESS (collectively "Schemes") and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the Schemes holdings are recorded as "Treasury Shares for ESS" in the Shareholders' Funds on the statements of financial position. The cost of operating the Schemes is charged to the statements of income.

The number and market values of the ordinary shares held by the Trustee are as follows:

	The Group and The Bank			
	2020		2019	
	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	**39,575**	**557,216**	40,182	763,458

58 CHANGE IN ACCOUNTING POLICIES

Effects of adoption of MFRS 16 Leases

MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

58 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Effects of adoption of MFRS 16 Leases (continued)

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" ("ROU") of the underlying asset and a lease liability reflecting future lease payments for most leases.

The ROU asset is depreciated in accordance with the principle as set out in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in statements of income.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group and the Bank have adopted this standard from its mandatory adoption date of 1 July 2019. As permitted by MFRS 16, the Group and the Bank have applied the modified retrospective approach and will not restate comparative amounts for the financial year prior to the first adoption. ROU assets for property leases will be measured on transition as if the new rules had always been applied. All other ROU assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On adoption of MFRS 16, the Group and the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group and the Bank's borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 for the Group and the Bank was at 4.52% and 4.46% respectively per annum.

(i) The following table summarises the effects upon adoption of MFRS 16 as at 1 July 2019:

	As at 30 June 2019 RM'000	Effect of adoption of MFRS 16 RM'000	As restated 1 July 2019 RM'000
The Group			
Right-of-use assets	-	309,219	309,219
Lease liabilities	-	285,782	285,782
Other liabilities - provision for reinstatement cost	-	23,437	23,437
The Bank			
Right-of-use assets	-	487,342	487,342
Lease liabilities	-	459,572	459,572
Other liabilities - provision for reinstatement cost	-	27,770	27,770

58 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Effects of adoption of MFRS 16 Leases (continued)

(ii) The following table analyses the impact of Capital Adequacy Ratios of the Group and the Bank:

	As at 30 June 2019 RM'000	Effect of adoption of MFRS 16 RM'000	As restated 1 July 2019 RM'000
The Group			
CET I capital ratio	13.113%	-0.030%	13.084%
Tier I capital ratio	14.072%	-0.032%	14.040%
Total capital ratio	16.326%	-0.034%	16.292%
The Bank			
CET I capital ratio	12.640%	-0.055%	12.585%
Tier I capital ratio	13.448%	-0.059%	13.390%
Total capital ratio	15.577%	-0.063%	15.514%

(iii) The reconciliation on the operating lease commitments disclosed under MFRS 117 to MFRS 16 is as follows:

	The Group RM'000	The Bank RM'000
Operating lease commitments as at 30 June 2019	16,200	31,786
Discounted using the incremental borrowing rate	(687)	(886)
	15,513	30,900
Finance lease liabilities recognised under MFRS 117		
Out-of-scope contracts	-	(60)
Low-value lease recognised on a straight-line basis as expenses	(42)	(42)
Add: adjustments as a result of a different treatment of extension and termination options	270,311	428,774
	285,782	459,572
Lease liabilities recognised as at 1 July 2019 of which:		
Current lease liabilities	43,794	61,926
Non-current lease liabilities	241,988	397,646
	285,782	459,572

The recognised right-of-use assets relate to the following type of assets:

Properties	309,219	487,342

59 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 50(d)(viii) to the financial statements.

60 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 11 September 2020.

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 166 to 364 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 2020 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
11 September 2020

Statutory Declaration
Pursuant to Section 251(1) of the Companies Act 2016

I, Malkiat Singh @ Malkit Singh Maan A/L Delbara Singh, the officer primarily responsible for the financial management of Hong Leong Bank Berhad, do solemnly and sincerely declare that the, financial statements set out on pages 166 to 364 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)
11 September 2020)

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 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 30 June 2020 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 166 to 364.

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 Group and the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

Report on the Audit of the Financial Statements (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Impairment of loans, advances and financing for the Group and the Bank Refer to Note N of the summary of significant accounting policies, and Notes 8 and 38 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 65.4% and 63.5% of total assets for the Group and the Bank, respectively. In addition, impairment is a highly subjective area as the Group exercised significant judgement on the following areas: Identification of Stage 2 and Stage 3 loans, advances and financing • Assessment of objective evidence of impairment of loans, advances and financing based on obligatory and judgemental triggers for Stage 3 loans, advances and financing; and • Identification of loans, advances and financing that have experienced a significant increase in credit risk for Stage 2 loans, advances and financing. Individual assessment • Estimates on the amount and timing of future cash flows based on realisation of collateral.	We tested the design and operating effectiveness of the controls over impairment of loans, advances and financing. These controls covered: • Identification of loans, advances and financing that displayed objective evidence of impairment or loans, advances and financing that have experienced significant increase in credit risk; • Governance over the impairment processes, including model development, model approval and model validation; • Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions used in the respective ECL models; and • Review and approval of the ECL calculation. Individual assessment Where the loans, advances and financing are individually assessed, we performed the following procedures: • Examined a sample of loans, advances and financing focused on loans, advances and financing identified by the Group and the Bank as having lower credit quality, rescheduled and restructured, and borrowers with exposures in oil and gas, oil palm plantations, and property development industry and formed our own judgement as to whether there was a significant increase in credit risk or any objective evidence of impairment; and • Where objective evidence of impairment was identified and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group and the Bank in the impairment loss calculation, challenged the assumptions and compared estimates to external evidence where available. Calculations of the discounted cash flows were also re-performed.

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Collective assessment • Choosing the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of model; • Assumptions used in the ECL models, which are expected future cash flows, forward-looking macroeconomic factors and datasets to be used as inputs to the models.	Collective assessment To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the Group and the Bank, we have performed the following procedures: • Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9, including the basis used by the Group and the Bank to determine the key assumptions used in respective ECL models; • Assessed and tested the significant modelling assumptions, including the basis or judgement used for management's overlays; • Assessed and considered reasonableness of forward-looking forecasts assumptions; and • Tested the accuracy of data inputs used in ECL models and checked the calculation of ECL amount, on a sample basis. Based on the procedures performed, the outcome of our independent testing results were not significantly different from the Group's and the Bank's assessment on impairment of loans, advances and financing.

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises of the Group and the Bank's annual report does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on the Audit of the Financial Statements (continued)

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditors' Report

to the members of Hong Leong Bank Berhad

Report on the Audit of the Financial Statements (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 13 to the financial statements.

Other Matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

ONG CHING CHUAN
02907/11/2021 J
Chartered Accountant

Kuala Lumpur
11 September 2020

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

1. INTRODUCTION

This document discloses Hong Leong Bank Berhad (“HLB” or “the Bank”) and its banking subsidiaries' (collectively known as “the Group”) risk profile, risk management practices in accordance with the disclosure requirements as outlined in the Guidelines on Risk-Weighted Capital Adequacy Framework (Basel II) (“RWCAF”) - Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Bank (“CAFIB”) - Disclosure requirements (Pillar 3) issued by BNM.

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM’s Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components), which set out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer (“CCB”) and Counter-Cyclical Capital Buffer (“CCyB”). The Group and the Bank are also required to maintain CCB of up to 2.500% of total risk-weighted assets (“RWA”), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019 onwards. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. The minimum capital adequacy including CCB for Common Equity Tier I (“CET I”) capital ratio, Tier I capital ratio and Total capital ratio for year 2019 onwards are 7.000%, 8.500% and 10.500% respectively.

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

The Group and the Bank have adopted the Standardised Approach for the computation of Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation in deriving the RWA.

The following information concerning the Group's risk exposures, risk management practices and capital adequacy is disclosed as accompanying information to the annual report and does not form part of the audited financial statements.

2. SCOPE OF APPLICATION

The capital adequacy ratios of the Group consist of capital base and RWA derived from the consolidated balances of the Bank and its banking subsidiaries, namely Hong Leong Islamic Bank Berhad (“HLISB”), Hong Leong Bank Vietnam Limited and Hong Leong Bank (Cambodia) PLC.

The Group’s capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, as disclosed in Note 2A to the financial statements, except where deductions from eligible capital are required under BNM’s Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) or where separation requirements (set by BNM) are met by entities.

During the course of the year, the Bank and its banking subsidiaries did not experience any restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

3. CAPITAL STRUCTURE AND ADEQUACY

The Group monitors the capital adequacy position of the Bank and its banking subsidiaries to ensure compliance with the requirements of BNM and to take prompt actions to address projected capital deficiency. The capital position is reviewed on a monthly basis and taking into account the levels and trends of material risks. The sufficiency of capital is assessed against various risks on the balance sheet as well as future capital requirements based on the Group's business plans.

The Group has also formalised an overall capital management and planning policy, which seeks to ensure that it is in line with Basel III Capital Standards.

The following table sets forth details on the capital resources, capital adequacy ratios and risk-weighted assets for the Group and the Bank as at 30 June 2020. 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 2020, the Group's and the Bank's CET I, Tier I capital ratio and Total capital ratio were higher than BNM's minimum requirements.

BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) set out the constituents of the total eligible capital for the Group and the Bank. For the main features of these capital instruments, please refer to Note 26, Note 27 and Note 28 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 2020	**30 June 2019**	**30 June 2020**	**30 June 2019**
Before deducting proposed dividends				
CET I capital ratio	**13.950%**	13.627%	**13.761%**	13.266%
Tier I capital ratio	**14.523%**	14.585%	**14.118%**	14.074%
Total capital ratio	**16.750%**	16.839%	**16.245%**	16.203%
After deducting proposed dividends				
CET I capital ratio	**13.657%**	13.113%	**13.395%**	12.640%
Tier I capital ratio	**14.230%**	14.072%	**13.752%**	13.448%
Total capital ratio	**16.456%**	16.326%	**15.879%**	15.577%

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(b) The components of CET I, Tier I and Tier II capital under the revised Capital Components Framework are as follows:

	The Group		The Bank	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
CET I capital				
Share capital	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Retained profits	**18,172,806**	16,686,412	**12,661,472**	12,034,337
Other reserves	**1,029,080**	849,361	**433,536**	315,816
Less: Treasury shares	**(723,344)**	(727,817)	**(723,344)**	(727,817)
Less: Deferred tax assets	**(86,578)**	(16,030)	**(55,984)**	-
Less: Other intangible assets	**(187,505)**	(125,225)	**(168,060)**	(110,895)
Less: Goodwill	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)
Less: Investment in subsidiary companies/associated companies	**(4,644,527)**	(4,106,375)	**(2,727,486)**	(2,726,932)
Total CET I capital	**19,467,683**	18,468,077	**15,387,650**	14,752,025
Additional Tier I capital				
Multi-currency Additional Tier-1 capital securities	**799,654**	799,523	**799,654**	799,523
Innovative Tier I capital securities	**-**	499,498	**-**	499,498
Additional Tier I capital before regulatory adjustments	**799,654**	1,299,021	**799,654**	1,299,021
Less: Investments in Additional Tier 1 perpetual subordinated sukuk wakalah	**-**	-	**(400,000)**	(400,000)
Additional Tier I capital after regulatory adjustments	**799,654**	1,299,021	**399,654**	899,021
Total Tier I capital	**20,267,337**	19,767,098	**15,787,304**	15,651,046
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves#	**1,607,378**	1,554,893	**1,278,446**	1,267,205
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	**3,107,348**	3,054,863	**2,378,416**	2,367,175
Total Capital	**23,374,685**	22,821,961	**18,165,720**	18,018,221

\# Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM837,183,000 (2019: RM847,070,000) and RM703,987,000 (2019: RM695,197,000) respectively.

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(c) The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

	The Group		The Bank	
	30 June 2020 RM'000	**30 June 2019 RM'000**	**30 June 2020 RM'000**	**30 June 2019 RM'000**
Credit risk*	**128,590,231**	124,391,420	**102,275,706**	101,376,433
Market risk	**2,496,060**	2,558,573	**2,562,366**	2,595,185
Operational risk	**8,468,140**	8,577,308	**6,983,001**	7,233,933
Total RWA	**139,554,431**	135,527,301	**111,821,073**	111,205,551

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM238,775,000 (2019: RM1,294,000) is excluded from the calculation of capital adequacy ratio of the Group.

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	30 June 2020	**30 June 2019**
Before deducting proposed dividends		
CET I capital ratio	**10.871%**	10.529%
Tier I capital ratio	**12.432%**	12.258%
Total capital ratio	**15.173%**	15.150%
After deducting proposed dividends		
CET I capital ratio	**10.871%**	10.529%
Tier I capital ratio	**12.432%**	12.258%
Total capital ratio	**15.173%**	15.150%

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 2020				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	40,954,628	40,954,628	-	-
Public Sector Entities	163,152	163,152	32,630	2,610
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	10,894,274	10,894,274	4,235,745	338,860
Insurance Cos, Securities Firms ("SF") and Fund Managers ("FM")	84,699	83,874	83,874	6,710
Corporates	41,717,461	40,029,696	36,556,929	2,924,554
Regulatory Retail	50,123,920	49,738,250	37,677,275	3,014,182
Residential Mortgages	57,049,871	57,000,634	27,694,609	2,215,569
Higher Risk Assets	75,562	75,562	113,343	9,067
Other Assets	9,589,379	9,589,379	7,273,554	581,884
Defaulted Exposures	696,397	676,675	824,516	65,961
Total On-Balance Sheet Exposures	211,349,343	209,206,124	114,492,475	9,159,397
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") Derivatives	1,657,050	1,657,050	780,556	62,444
Credit Derivatives	14,564	14,564	2,913	233
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	15,510,163	15,310,609	13,274,772	1,061,982
Defaulted Exposures	26,992	26,112	39,515	3,161
Total Off-Balance Sheet Exposures	17,208,769^	17,008,335	14,097,756	1,127,820
Total On and Off-Balance Sheet Exposures	228,558,112	226,214,459	128,590,231	10,287,217
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	61,150,796	58,446,602	2,058,271	164,662
Foreign Currency Risk	378,612	288,015	434,250	34,740
Option Risk	-	-	3,539	283
Total	61,529,408	58,734,617	2,496,060	199,685
Operational Risk			8,468,140	677,451
Total RWA and Capital Requirements			139,554,431	11,164,353

Note:
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 406.

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 2019				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	32,413,829	32,413,829	-	-
Public Sector Entities	349,789	349,789	69,958	5,597
Banks, DFIs and MDBs	10,942,522	10,942,522	3,588,762	287,101
Insurance Cos, SF and FM	26,089	25,789	25,789	2,063
Corporates	38,974,262	37,834,678	34,599,505	2,767,960
Regulatory Retail	57,377,724	56,931,065	43,066,778	3,445,342
Residential Mortgages	44,884,425	44,866,727	19,885,853	1,590,868
Higher Risk Assets	101,117	101,117	151,675	12,134
Other Assets	10,943,545	10,943,545	8,629,040	690,323
Defaulted Exposures	740,357	737,992	897,500	71,800
Total On-Balance Sheet Exposures	196,753,659	195,147,053	110,914,860	8,873,188
Off-Balance Sheet Exposures				
OTC Derivatives	1,522,871	1,522,871	749,869	59,990
Credit Derivatives	5,146	5,146	1,029	82
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	15,068,292	14,885,626	12,685,353	1,014,828
Defaulted Exposures	26,976	26,748	40,309	3,225
Total Off-Balance Sheet Exposures	16,623,285^	16,440,391	13,476,560	1,078,125
Total On and Off-Balance Sheet Exposures	213,376,944	211,587,444	124,391,420	9,951,313
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	70,894,251	67,912,159	2,244,594	179,568
Foreign Currency Risk	275,919	246,955	283,554	22,684
Option Risk	-	-	30,425	2,434
Total	71,170,170	68,159,114	2,558,573	204,686
Operational Risk			8,577,308	686,185
Total RWA and Capital Requirements			135,527,301	10,842,184

Note:
^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 407.

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Bank	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
30 June 2020				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	30,446,930	30,446,930	-	-
Public Sector Entities	163,152	163,152	32,630	2,610
Banks, DFIs and MDBs	11,647,820	11,647,820	4,233,616	338,689
Insurance Cos, SF and FM	83,702	82,876	82,876	6,630
Corporates	33,271,431	31,859,130	28,810,421	2,304,834
Regulatory Retail	38,686,604	38,326,253	28,849,757	2,307,981
Residential Mortgages	44,735,448	44,693,763	21,248,234	1,699,859
Higher Risk Assets	74,237	74,237	111,356	8,908
Other Assets	9,162,467	9,162,467	7,231,979	578,558
Defaulted Exposures	561,364	560,646	700,588	56,047
Total On-Balance Sheet Exposures	168,833,155	167,017,274	91,301,457	7,304,116
Off-Balance Sheet Exposures				
OTC Derivatives	1,432,726	1,432,726	685,121	54,810
Credit Derivatives	14,564	14,564	2,913	233
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,126,150	11,941,311	10,276,307	822,104
Defaulted Exposures	7,391	6,510	9,908	793
Total Off-Balance Sheet Exposures	13,580,831^	13,395,111	10,974,249	877,940
Total On and Off-Balance Sheet Exposures	182,413,986	180,412,385	102,275,706	8,182,056
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	59,860,151	57,177,626	2,218,754	177,500
Foreign Currency Risk	340,073	193,839	340,073	27,206
Option Risk	-	-	3,539	283
Total	60,200,224	57,371,465	2,562,366	204,989
Operational Risk			6,983,001	558,640
Total RWA and Capital Requirements			111,821,073	8,945,685

Note:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 408.

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

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 2019				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	24,812,946	24,812,946	-	-
Public Sector Entities	349,789	349,789	69,958	5,597
Banks, DFIs and MDBs	10,467,756	10,467,756	3,453,840	276,307
Insurance Cos, SF and FM	25,072	24,772	24,772	1,982
Corporates	32,151,874	31,046,040	28,221,344	2,257,707
Regulatory Retail	45,674,263	45,252,363	34,002,873	2,720,230
Residential Mortgages	35,248,083	35,232,074	15,356,050	1,228,484
Higher Risk Assets	89,834	89,834	134,751	10,780
Other Assets	10,395,183	10,395,183	8,775,520	702,042
Defaulted Exposures	633,964	631,952	794,345	63,548
Total On-Balance Sheet Exposures	159,848,764	158,302,709	90,833,453	7,266,677
Off-Balance Sheet Exposures				
OTC Derivatives	1,397,057	1,397,057	682,779	54,622
Credit Derivatives	5,146	5,146	1,029	82
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	11,735,815	11,561,799	9,821,704	785,736
Defaulted Exposures	25,054	24,857	37,468	2,997
Total Off-Balance Sheet Exposures	13,163,072^	12,988,859	10,542,980	843,437
Total On and Off-Balance Sheet Exposures	173,011,836	171,291,568	101,376,433	8,110,114
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	67,656,252	65,189,455	2,320,516	185,641
Foreign Currency Risk	236,609	244,244	244,244	19,540
Option Risk	-	-	30,425	2,434
Total	67,892,861	65,433,699	2,595,185	207,615
Operational Risk			7,233,933	578,715
Total RWA and Capital Requirements			111,205,551	8,896,444

Note:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 409.

4. RISK MANAGEMENT

The Group has implemented a risk management and internal control framework with the objective to ensure the overall financial soundness and stability of the Group's business operations. The risk management and internal control framework outlines the overall governance structure, aspiration, values and risk management strategies that balances between risk profiles and returns 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 and internal control framework, the Group has formulated and implemented an Internal Capital Adequacy Assessment Process ("ICAAP") and a capital management framework to ensure that it maintains the appropriate level of capital, the appropriate quality and structure of capital and the appropriate risk profile to support its strategic objectives. This also includes determining the Group's minimum capital threshold and target capital levels.

From a governance perspective, the Board has the overall responsibility to define the Group's risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is assisted by the Board Risk Management Committee ("BRMC") in approving the risk management and internal control framework as well as the attendant capital management framework, risk appetite statement, risk management and compliance strategies, and risk management and compliance policies.

Dedicated management level committees are established by the Group to oversee the development and the effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

Operationally, the Group operates multiple lines of defences to effect a robust control framework. The business units being the first line of defence are responsible for identifying, mitigating and managing risks within their lines of business. The Group Risk Management ("GRM") function being the second line of defence, is responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and mitigation of risks. In addition, GRM undertakes validation to ensure that the business and operating units are in compliance to the Group's risk appetite thresholds and to the regulatory requirements. The GRM's functions cover the oversight of the following areas: Market Risk, Interest Rate Risk in the Banking Book, Liquidity Risk, Credit Portfolio Risk, Technology Risk, Operational Risk, ICAAP and Integrated Stress Testing and Islamic Banking Risk.

The Group Internal Audit function, being the third line of defence, is responsible to provide independent assurance on the effective functioning of the risk management and internal controls framework for the Group.

The risk management process for each key risk area of the Group and the various risk exposures are described in the following sections of the Pillar 3 disclosures.

(A) Credit risk

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfil their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Group.

The Group has established a credit risk governance policy 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 that are reviewed and concurred by the Management Credit Committee ("MCC"), endorsed by the Credit Supervisory Committee ("CSC") and the BRMC, and approved by the Board. These policies are subject to review and enhancements, at least on an annual basis.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit portfolio strategies and significant exposures are reviewed by both the BRMC and the Board. These portfolio strategies are designed to achieve a desired portfolio risk tolerance level and sector distribution.

The Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While the business units are responsible for credit origination, the credit approving function rests mainly with the Credit Evaluation Departments, the MCC and the CSC. The Board delegates the approving and discretionary authority to the MCC, CSC and the various personnel of the Bank based on job function and designation.

For any new products, credit risk assessment also forms part of the new product sign-off process to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

The Group's exposure to credit risk is mainly from its retail customers, small and medium enterprise ("SME"), commercial and corporate customers. The credit assessment for retail customers is managed on a portfolio basis and the risk scoring models and lending templates are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts.

The SME, commercial and corporate customers are individually assessed and assigned with a credit rating, which is based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered.

Under the Basel II Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk weighted assets. This is applicable for exposures to sovereigns, central banks, public sector entities, banking institutions, corporates as well as certain other specific portfolios.

The approved External Credit Assessment Institutions ("ECAI") ratings and the prescribed risk weights on the above stated asset classes are used in the computation of regulatory capital. An exposure would be deemed to have an external rating if the issuer or the issue has a rating provided by an ECAI. In cases where an exposure does not have an issuer or issue rating, the exposure shall be deemed unrated and shall be accorded a risk weight appropriate for unrated exposures in their respective exposure category.

The ECAI used by the Bank are Fitch Ratings, Moody's Investors Service, Standard & Poor's, Malaysia Rating Corporation Berhad ("MARC") and Rating Agency Malaysia ("RAM"). ECAI ratings are mapped to a common credit quality grade as prescribed by BNM.

In addition, the Bank also conducts periodic stress testing of its credit portfolios to ascertain the credit risk impact to capital under the relevant stress scenarios.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure

(i) The table below sets out the breakdown of gross credit exposures by geographical distribution as follows:

The Group	Malaysia RM'000	Other countries RM'000	Total RM'000
30 June 2020			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	**2,852,986**	**228,736**	**3,081,722**
Financial investments at fair value through other comprehensive income*	**24,015,697**	**3,206,753**	**27,222,450**
Financial investments at amortised cost	**19,499,232**	**602,200**	**20,101,432**
Loans, advances and financing	**136,946,878**	**7,748,072**	**144,694,950**
Derivative financial instruments	**1,046,912**	**64,557**	**1,111,469**
Total On-Balance Sheet Exposures	**184,361,705**	**11,850,318**	**196,212,023**
Off-Balance Sheet Exposures^			
OTC Derivatives	**1,530,584**	**126,466**	**1,657,050**
Credit Derivatives	**14,564**	**-**	**14,564**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**15,351,411**	**185,744**	**15,537,155**
Total Off-Balance Sheet Exposures	**16,896,559**	**312,210**	**17,208,769**
Total On and Off-Balance Sheet Exposures	**201,258,264**	**12,162,528**	**213,420,792**
30 June 2019			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	4,558,918	200,330	4,759,248
Financial investments at fair value through other comprehensive income*	20,925,358	2,884,821	23,810,179
Financial investments at amortised cost	14,621,619	531,580	15,153,199
Loans, advances and financing	129,215,956	7,092,261	136,308,217
Derivative financial instruments	497,996	30,260	528,256
Total On-Balance Sheet Exposures	169,819,847	10,739,252	180,559,099
Off-Balance Sheet Exposures^			
OTC Derivatives	1,434,280	88,591	1,522,871
Credit Derivatives	5,146	-	5,146
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	14,915,044	180,224	15,095,268
Total Off-Balance Sheet Exposures	16,354,470	268,815	16,623,285
Total On and Off-Balance Sheet Exposures	186,174,317	11,008,067	197,182,384

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 406 and page 407.

Basel II Pillar 3 Disclosures
for the financial year ended 30 June 2020

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 2020			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	**2,831,317**	**228,736**	**3,060,053**
Financial investments at fair value through other comprehensive income*	**21,587,413**	**3,090,398**	**24,677,811**
Financial investments at amortised cost	**14,496,079**	**583,002**	**15,079,081**
Loans, advances and financing	**107,581,098**	**5,242,877**	**112,823,975**
Derivative financial instruments	**993,065**	**64,556**	**1,057,621**
Total On-Balance Sheet Exposures	**147,488,972**	**9,209,569**	**156,698,541**
Off-Balance Sheet Exposures^			
OTC Derivatives	**1,310,857**	**121,869**	**1,432,726**
Credit Derivatives	**14,564**	**-**	**14,564**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**12,054,403**	**79,138**	**12,133,541**
Total Off-Balance Sheet Exposures	**13,379,824**	**201,007**	**13,580,831**
Total On and Off-Balance Sheet Exposures	**160,868,796**	**9,410,576**	**170,279,372**
30 June 2019			
On-Balance Sheet Exposures			
Financial assets fair value through profit or loss*	4,043,623	200,330	4,243,953
Financial investments at fair value through other comprehensive income*	17,969,178	2,732,489	20,701,667
Financial investments at amortised cost	10,381,793	512,712	10,894,505
Loans, advances and financing	103,719,693	5,215,277	108,934,970
Derivative financial instruments	492,781	30,214	522,995
Total On-Balance Sheet Exposures	136,607,068	8,691,022	145,298,090
Off-Balance Sheet Exposures^			
OTC Derivatives	1,309,361	87,696	1,397,057
Credit Derivatives	5,146	-	5,146
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	11,681,662	79,207	11,760,869
Total Off-Balance Sheet Exposures	12,996,169	166,903	13,163,072
Total On and Off-Balance Sheet Exposures	149,603,237	8,857,925	158,461,162

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 408 and page 409.

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

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 2020										
Agriculture	-	134,717	-	2,626,822	-	2,761,539	-	385,485	385,485	3,147,024
Mining and quarrying	-	-	-	105,756	-	105,756	-	118,351	118,351	224,107
Manufacturing	-	-	-	11,055,113	-	11,055,113	-	2,866,794	2,866,794	13,921,907
Electricity, gas and water	20,311	2,462,923	814,992	761,401	-	4,059,627	-	71,030	71,030	4,130,657
Construction	-	422,886	-	3,958,560	-	4,381,446	-	1,041,655	1,041,655	5,423,101
Wholesale and retail	-	44,383	-	11,686,123	-	11,730,506	-	2,636,912	2,636,912	14,367,418
Transport, storage and communications	-	393,661	-	4,203,398	-	4,597,059	-	375,505	375,505	4,972,564
Finance, insurance, real estate and business services	468,929	10,952,336	2,073,480	10,119,192	1,111,469	24,725,406	1,671,614	1,892,911	3,564,525	28,289,931
Government and government agencies	2,592,482	12,811,544	17,212,960	-	-	32,616,986	-	78,617	78,617	32,695,603
Education, health and others	-	-	-	1,644,905	-	1,644,905	-	163,264	163,264	1,808,169
Household	-	-	-	97,714,466	-	97,714,466	-	5,897,946	5,897,946	103,612,412
Others	-	-	-	819,214	-	819,214	-	8,685	8,685	827,899
Total On and Off-Balance Sheet Exposures	**3,081,722**	**27,222,450**	**20,101,432**	**144,694,950**	**1,111,469**	**196,212,023**	**1,671,614**	**15,537,155**	**17,208,769**	**213,420,792**

* Excludes equity securities.

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

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 2019										
Agriculture	-	117,121	-	2,537,496	-	2,654,617	-	375,991	375,991	3,030,608
Mining and quarrying	-	85,623	-	109,767	-	195,390	-	84,139	84,139	279,529
Manufacturing	-	-	-	9,995,994	-	9,995,994	-	2,686,836	2,686,836	12,682,830
Electricity, gas and water	15,124	2,123,206	816,281	223,037	-	3,177,648	-	203,484	203,484	3,381,132
Construction	58,076	346,009	-	3,002,638	-	3,406,723	-	922,511	922,511	4,329,234
Wholesale and retail	-	41,996	-	11,275,506	-	11,317,502	-	2,275,710	2,275,710	13,593,212
Transport, storage and communications	-	543,711	-	3,699,673	-	4,243,384	-	303,238	303,238	4,546,622
Finance, insurance, real estate and business services	364,729	10,537,703	2,020,015	10,141,388	511,480	23,575,315	1,528,017	1,553,185	3,081,202	26,656,517
Government and government agencies	4,321,319	10,014,810	12,316,903	-	-	26,653,032	-	17,599	17,599	26,670,631
Education, health and others	-	-	-	1,667,048	-	1,667,048	-	164,451	164,451	1,831,499
Household	-	-	-	92,943,939	15,770	92,959,709	-	6,465,428	6,465,428	99,425,137
Others	-	-	-	711,731	1,006	712,737	-	42,696	42,696	755,433
Total On and Off-Balance Sheet Exposures	4,759,248	23,810,179	15,153,199	136,308,217	528,256	180,559,099	1,528,017	15,095,268	16,623,285	197,182,384

* Excludes equity securities.

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows: (continued)

The Bank	Financial assets at fair value through profit or loss* RM'000	Financial investments at fair value through other comprehensive income* RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2020										
Agriculture	-	134,717	-	1,500,127	-	1,634,844	-	193,647	193,647	1,828,491
Mining and quarrying	-	-	-	94,883	-	94,883	-	18,212	18,212	113,095
Manufacturing	-	-	-	8,689,710	-	8,689,710	-	2,348,169	2,348,169	11,037,879
Electricity, gas and water	20,311	2,436,264	546,738	269,634	-	3,272,947	-	46,445	46,445	3,319,392
Construction	-	422,886	-	3,299,508	-	3,722,394	-	797,176	797,176	4,519,570
Wholesale and retail	-	44,383	-	9,747,436	-	9,791,819	-	2,164,792	2,164,792	11,956,611
Transport, storage and communications	-	393,661	-	3,941,255	-	4,334,916	-	270,798	270,798	4,605,714
Finance, insurance, real estate and business services	468,929	10,279,695	1,909,756	8,210,333	1,057,621	21,926,334	1,447,290	1,137,889	2,585,179	24,511,513
Government and government agencies	2,570,813	10,966,205	12,622,587	-	-	26,159,605	-	78,617	78,617	26,238,222
Education, health and others	-	-	-	812,342	-	812,342	-	66,725	66,725	879,067
Household	-	-	-	76,242,056	-	76,242,056	-	5,008,809	5,008,809	81,250,865
Others	-	-	-	16,691	-	16,691	-	2,262	2,262	18,953
Total On and Off-Balance Sheet Exposures	**3,060,053**	**24,677,811**	**15,079,081**	**112,823,975**	**1,057,621**	**156,698,541**	**1,447,290**	**12,133,541**	**13,580,831**	**170,279,372**

* Excludes equity securities.

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

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 2019										
Agriculture	-	117,121	-	1,712,903	-	1,830,024	-	163,115	163,115	1,993,139
Mining and quarrying	-	85,623	-	96,689	-	182,312	-	79,865	79,865	262,177
Manufacturing	-	-	-	8,250,198	-	8,250,198	-	2,177,507	2,177,507	10,427,705
Electricity, gas and water	15,124	1,674,949	547,639	167,645	-	2,405,357	-	31,144	31,144	2,436,501
Construction	58,076	325,407	-	2,424,506	-	2,807,989	-	714,855	714,855	3,522,844
Wholesale and retail	-	41,996	-	9,856,185	-	9,898,181	-	1,895,944	1,895,944	11,794,125
Transport, storage and communications	-	538,586	-	3,516,933	-	4,055,519	-	263,998	263,998	4,319,517
Finance, insurance, real estate and business services	364,729	9,487,195	1,882,981	8,590,203	506,219	20,831,327	1,402,203	892,480	2,294,683	23,126,010
Government and government agencies	3,806,024	8,430,790	8,463,885	-	-	20,700,699	-	17,599	17,599	20,718,298
Education, health and others	-	-	-	846,902	-	846,902	-	95,710	95,710	942,612
Household	-	-	-	73,410,853	15,770	73,426,623	-	5,393,962	5,393,962	78,820,585
Others	-	-	-	61,953	1,006	62,959	-	34,690	34,690	97,649
Total On and Off-Balance Sheet Exposures	4,243,953	20,701,667	10,894,505	108,934,970	522,995	145,298,090	1,402,203	11,760,869	13,163,072	158,461,162

* 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 2020				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	**1,040,230**	**1,829,145**	**212,347**	**3,081,722**
Financial investments at fair value through other comprehensive income*	**2,947,149**	**16,217,859**	**8,057,442**	**27,222,450**
Financial investments at amortised cost	**1,460,317**	**12,847,669**	**5,793,446**	**20,101,432**
Loans, advances and financing	**25,712,491**	**16,555,903**	**102,426,556**	**144,694,950**
Derivative financial instruments	**433,805**	**519,326**	**158,338**	**1,111,469**
Total On-Balance Sheet Exposures	**31,593,992**	**47,969,902**	**116,648,129**	**196,212,023**
Off-Balance Sheet Exposures^				
OTC Derivatives	**1,452,642**	**100,259**	**104,149**	**1,657,050**
Credit Derivatives	**-**	**-**	**14,564**	**14,564**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**6,683,725**	**8,853,430**	**-**	**15,537,155**
Total Off-Balance Sheet Exposures	**8,136,367**	**8,953,689**	**118,713**	**17,208,769**
Total On and Off-Balance Sheet Exposures	**39,730,359**	**56,923,591**	**116,766,842**	**213,420,792**
30 June 2019				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	342,982	3,542,503	873,763	4,759,248
Financial investments at fair value through other comprehensive income*	3,765,170	16,154,118	3,890,891	23,810,179
Financial investments at amortised cost	78,519	13,163,875	1,910,805	15,153,199
Loans, advances and financing	25,758,347	15,511,681	95,038,189	136,308,217
Derivative financial instruments	214,108	232,572	81,576	528,256
Total On-Balance Sheet Exposures	30,159,126	48,604,749	101,795,224	180,559,099
Off-Balance Sheet Exposures^				
OTC Derivatives	1,283,532	127,794	111,545	1,522,871
Credit Derivatives	-	-	5,146	5,146
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	6,269,467	8,825,801	-	15,095,268
Total Off-Balance Sheet Exposures	7,552,999	8,953,595	116,691	16,623,285
Total On and Off-Balance Sheet Exposures	37,712,125	57,558,344	101,911,915	197,182,384

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 406 and page 407.

Basel II Pillar 3 Disclosures
for the financial year ended 30 June 2020

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 2020				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	**1,040,230**	**1,829,144**	**190,679**	**3,060,053**
Financial investments at fair value through other comprehensive income*	**2,529,849**	**15,862,736**	**6,285,226**	**24,677,811**
Financial investments at amortised cost	**1,078,920**	**9,379,605**	**4,620,556**	**15,079,081**
Loans, advances and financing	**21,884,189**	**11,823,176**	**79,116,610**	**112,823,975**
Derivative financial instruments	**379,581**	**520,811**	**157,229**	**1,057,621**
Total On-Balance Sheet Exposures	**26,912,769**	**39,415,472**	**90,370,300**	**156,698,541**
Off-Balance Sheet Exposures ^				
OTC Derivatives	**1,297,691**	**96,594**	**38,441**	**1,432,726**
Credit Derivatives	**-**	**-**	**14,564**	**14,564**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**5,730,046**	**6,403,495**	**-**	**12,133,541**
Total Off-Balance Sheet Exposures	**7,027,737**	**6,500,089**	**53,005**	**13,580,831**
Total On and Off-Balance Sheet Exposures	**33,940,506**	**45,915,561**	**90,423,305**	**170,279,372**
30 June 2019				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	342,982	3,232,314	668,657	4,243,953
Financial investments at fair value through other comprehensive income*	3,205,235	14,532,712	2,963,720	20,701,667
Financial investments at amortised cost	78,519	9,826,322	989,664	10,894,505
Loans, advances and financing	22,746,662	11,785,238	74,403,070	108,934,970
Derivative financial instruments	208,911	231,632	82,452	522,995
Total On-Balance Sheet Exposures	26,582,309	39,608,218	79,107,563	145,298,090
Off-Balance Sheet Exposures ^				
OTC Derivatives	1,253,106	95,611	48,340	1,397,057
Credit Derivatives	-	-	5,146	5,146
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	5,386,510	6,374,359	-	11,760,869
Total Off-Balance Sheet Exposures	6,639,616	6,469,970	53,486	13,163,072
Total On and Off-Balance Sheet Exposures	33,221,925	46,078,188	79,161,049	158,461,162

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 408 and page 409.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing

(i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, credit impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3), expected credit losses charges/(write back) and write-offs for Stage 3 during the period as follows:

The Group	Past due loans, advances and financing RM'000	Credit impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	Charges/ (write back) lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2020							
Agriculture	37,883	14,226	3,506	3,915	361	(62)	49
Mining and quarrying	1,170	2,889	287	259	900	(1,641)	20,332
Manufacturing	34,214	112,754	36,549	13,308	53,061	(1,186)	47,762
Electricity, gas and water	991	1,416	4,477	205	713	860	313
Construction	126,567	83,381	14,219	8,708	28,578	17,500	4,436
Wholesale and retail	73,277	103,523	44,190	18,150	25,642	101,246	128,173
Transport, storage and communications	10,061	7,399	7,483	2,476	1,329	(627)	9,597
Finance, insurance, real estate and business services	133,958	85,840	43,470	20,263	9,052	52,596	10,582
Education, health and others	13,414	4,857	3,153	1,125	1,036	(25)	72
Household	4,657,884	473,429	389,799	366,180	153,077	216,164	279,705
Others	6,442	40	2,376	1,238	41	(100)	515
	5,095,861	889,754	549,509	435,827	273,790	384,725	501,536

Basel II Pillar 3 Disclosures
for the financial year ended 30 June 2020

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, credit impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3), expected credit losses charges/(write back) and write-offs for Stage 3 during the period as follows: (continued)

The Group	Past due loans, advances and financing RM'000	Credit impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	Charges/ (write back) lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2019							
Agriculture	42,365	13,684	2,056	4,316	594	506	302
Mining and quarrying	937	24,923	162	218	23,076	2,030	1
Manufacturing	130,067	107,149	22,137	15,001	55,565	629	2,619
Electricity, gas and water	3,247	301	1,562	229	171	149	-
Construction	152,151	67,566	6,404	7,687	16,420	9,011	5,798
Wholesale and retail	161,211	151,115	21,861	17,954	55,858	4,110	19,391
Transport, storage and communications	27,620	18,894	2,237	1,301	11,846	877	625
Finance, insurance, real estate and business services	310,171	100,609	16,854	21,004	14,300	5,465	1,531
Education, health and others	33,723	6,181	1,778	1,182	1,243	1,181	782
Household	7,358,648	579,599	288,565	428,732	213,767	234,565	251,150
Others	22,251	1,090	6,099	701	759	436	302
	8,242,391	1,071,111	369,715	498,325	393,599	258,959	282,501

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, credit impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3), expected credit losses charges/(write back) and write-offs for Stage 3 during the period as follows: (continued)

The Bank	Past due loans, advances and financing RM'000	Credit impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	Charges/ (write back) lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2020							
Agriculture	35,719	14,226	1,937	3,348	361	(15)	49
Mining and quarrying	1,150	2,889	238	144	900	(1,641)	-
Manufacturing	29,057	41,623	27,982	12,414	6,230	(796)	47,715
Electricity, gas and water	991	268	1,804	193	189	329	313
Construction	62,601	79,547	11,063	8,000	27,074	15,947	4,205
Wholesale and retail	48,162	93,865	31,351	16,404	24,080	100,582	128,165
Transport, storage and communications	10,033	7,397	6,631	2,409	1,328	(625)	9,597
Finance, insurance, real estate and business services	81,715	80,102	34,607	19,173	8,116	5,230	10,582
Education, health and others	8,178	3,249	1,854	525	843	(245)	42
Household	3,304,518	340,561	291,222	283,242	114,703	164,253	209,426
Others	1,965	40	26	1,232	41	(84)	515
	3,584,089	663,767	408,715	347,084	183,865	282,935	410,609

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, credit impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3), expected credit losses charges/(write back) and write-offs for Stage 3 during the period as follows: (continued)

The Bank	Past due loans, advances and financing RM'000	Credit impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	Charges/ (write back) lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2019							
Agriculture	34,950	13,602	1,585	4,118	547	538	302
Mining and quarrying	847	4,591	144	38	2,744	2,848	1
Manufacturing	101,875	106,927	16,930	14,035	54,602	(368)	2,619
Electricity, gas and water	3,231	301	314	227	171	166	-
Construction	138,059	67,048	5,444	6,698	16,159	9,054	5,695
Wholesale and retail	131,401	145,632	17,984	16,539	54,752	3,987	19,314
Transport, storage and communications	20,410	18,888	1,902	1,229	11,844	839	566
Finance, insurance, real estate and business services	270,348	99,080	22,838	15,218	14,300	5,341	1,426
Education, health and others	20,109	6,140	1,255	584	1,202	1,136	774
Household	5,364,740	424,592	239,865	327,269	156,419	177,513	196,298
Others	22,251	1,063	3,402	701	743	734	62
	6,108,221	887,864	311,663	386,656	313,483	201,788	227,057

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(ii) The table below sets out the breakdown by geographical areas the amount of past due loans, advances and financing, impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3) as follows:

The Group	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2020					
Malaysia	**4,919,597**	**881,407**	**533,567**	**432,546**	**272,144**
Other countries	**176,264**	**8,347**	**15,942**	**3,281**	**1,646**
	5,095,861	**889,754**	**549,509**	**435,827**	**273,790**
The Bank					
30 June 2020					
Malaysia	**3,514,775**	**662,511**	**403,072**	**345,774**	**183,279**
Other countries	**69,314**	**1,256**	**5,643**	**1,310**	**586**
	3,584,089	**663,767**	**408,715**	**347,084**	**183,865**
The Group					
30 June 2019					
Malaysia	7,776,906	1,063,911	354,309	497,445	391,559
Other countries	465,485	7,200	15,406	880	2,040
	8,242,391	1,071,111	369,715	498,325	393,599
The Bank					
30 June 2019					
Malaysia	5,706,413	886,352	304,762	385,945	312,086
Other countries	401,808	1,512	6,901	711	1,397
	6,108,221	887,864	311,663	386,656	313,483

Notes:

(1) A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.

(2) For description of approaches adopted by the Group and the Bank for the determination of expected credit losses/individual and collective assessment impairment allowances, refer to Note 2N to the financial statements.

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

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 2020				
At 1 July	369,715	498,325	393,599	1,261,639
Changes in ECL due to transfer within stages	(89,938)	(133,376)	223,314	-
Transfer to Stage 1	16,035	(15,930)	(105)	-
Transfer to Stage 2	(105,843)	206,821	(100,978)	-
Transfer to Stage 3	(130)	(324,267)	324,397	-
New financial assets originated	55,031	2,236	1,513	58,780
Financial assets derecognised	(19,751)	(40,717)	(22,042)	(82,510)
Changes due to change in credit risk	262,886	117,887	192,808	573,581
Changes in models/risk parameters	(28,743)	(8,852)	(10,855)	(48,450)
Amount written off	-	-	(501,536)	(501,536)
Exchange difference	309	324	1,313	1,946
Other movements	-	-	(4,324)	(4,324)
At 30 June	549,509	435,827	273,790	1,259,126

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows: (continued)

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 30 June 2020				
At 1 July	311,663	386,656	313,483	1,011,802
Changes in ECL due to transfer within stages	(74,495)	(88,115)	162,610	-
Transfer to Stage 1	12,762	(12,674)	(88)	-
Transfer to Stage 2	(87,141)	157,992	(70,851)	-
Transfer to Stage 3	(116)	(233,433)	233,549	-
New financial assets originated	22,920	1,701	1,510	26,131
Financial assets derecognised	(4,889)	(24,163)	(11,830)	(40,882)
Changes due to change in credit risk	178,900	76,802	138,440	394,142
Changes in models/risk parameters	(25,488)	(6,057)	(7,782)	(39,327)
Amount written off	-	-	(410,609)	(410,609)
Exchange difference	104	260	1,370	1,734
Other movements	-	-	(3,327)	(3,327)
At 30 June	408,715	347,084	183,865	939,664

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

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 2019				
At 1 July				1,006,902
Effect of adopting MFRS 9				358,235
At 1 July, as restated	418,235	487,757	459,145	1,365,137
Changes in ECL due to transfer within stages	(101,395)	(144,111)	245,506	-
Transfer to Stage 1	23,070	(22,825)	(245)	-
Transfer to Stage 2	(124,364)	219,679	(95,315)	-
Transfer to Stage 3	(101)	(340,965)	341,066	-
New financial assets originated	53,847	4,018	110	57,975
Financial assets derecognised	(34,796)	(42,683)	(29,024)	(106,503)
Changes due to change in credit risk	33,367	193,217	42,342	268,926
Amount written off	-	-	(282,501)	(282,501)
Exchange difference	457	127	1,578	2,162
Other movements	-	-	(43,557)	(43,557)
At 30 June	369,715	498,325	393,599	1,261,639

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 2019				
At 1 July				801,663
Effect of adopting MFRS 9				329,521
At 1 July, as restated	367,527	388,100	375,557	1,131,184
Changes in ECL due to transfer within stages	(83,815)	(119,839)	203,654	-
Transfer to Stage 1	20,745	(20,533)	(212)	-
Transfer to Stage 2	(104,503)	173,541	(69,038)	-
Transfer to Stage 3	(57)	(272,847)	272,904	-
New financial assets originated	23,715	3,426	72	27,213
Financial assets derecognised	(13,118)	(29,233)	(16,595)	(58,946)
Changes due to change in credit risk	17,052	144,082	14,631	175,765
Amount written off	-	-	(227,057)	(227,057)
Exchange difference	302	120	1,588	2,010
Other movements	-	-	(38,367)	(38,367)
At 30 June	311,663	386,656	313,483	1,011,802

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

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 2020

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
	Exposures after Netting and Credit Risk Mitigation										
0%	40,997,504	-	-	-	-	-	-	-	1,848,611	42,846,115	-
20%	-	338,403	4,646,666	-	3,945,908	-	-	-	614,018	9,544,995	1,987,273
35%	-	-	-	-	-	-	36,011,120	-	-	36,011,120	12,603,892
50%	-	-	7,491,139	-	581,227	19,556	11,744,185	-	-	19,836,107	9,897,310
75%	-	-	-	-	-	55,507,213	87,367	-	-	55,594,580	41,695,935
100%	-	-	-	275,078	42,902,669	2,033,281	9,487,656	-	7,156,751	61,855,435	61,855,435
150%	-	-	-	-	314,681	135,855	-	75,571	-	526,107	789,161
Total	40,997,504	338,403	12,137,805	275,078	47,744,485	57,695,905	57,330,328	75,571	9,619,380	226,214,459	128,829,006
Risk Weighted Assets by Exposure	-	67,681	4,732,432	275,078	44,454,486	43,877,251	28,029,166	113,357	7,279,555	128,829,006	
Average Risk Weight	0%	20.00%	38.99%	100.00%	93.11%	76.05%	48.89%	150.00%	75.68%	56.95%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

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 2019

	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%	32,460,427	-	-	-	-	-	-	-	1,687,423	34,147,850	-
20%	-	433,567	6,478,479	-	3,486,745	-	-	-	783,851	11,182,642	2,229,134
35%	-	-	-	-	-	-	30,649,896	-	-	30,649,896	10,727,464
50%	-	-	5,701,759	-	911,024	50,303	10,161,484	-	-	16,824,570	8,383,184
75%	-	-	-	-	-	63,900,592	94,600	-	-	63,995,192	47,996,394
100%	-	-	-	226,846	39,799,631	1,522,522	4,227,534	-	8,472,273	54,248,806	54,248,806
150%	-	-	-	-	226,211	211,043	-	101,234	-	538,488	807,732
Total	32,460,427	433,567	12,180,238	226,846	44,423,611	65,684,460	45,133,514	101,234	10,943,547	211,587,444	124,392,714
Risk Weighted Assets by Exposure	-	86,713	4,110,080	226,846	41,291,809	49,789,682	20,106,690	151,851	8,629,043	124,392,714	
Average Risk Weight	0%	20.00%	33.74%	100.00%	92.95%	75.80%	44.55%	150.00%	78.85%	58.79%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposures by risk weight (continued)

The breakdown of credit risk exposures by risk weight is as follows: (continued)

The Bank
30 June 2020

	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%	30,489,806	-	-	-	-	-	-	-	1,463,274	31,953,080	-
20%	-	321,012	5,664,948	-	3,506,229	-	-	-	594,018	10,086,207	2,017,241
35%	-	-	-	-	-	-	29,771,046	-	-	29,771,046	10,419,866
50%	-	-	6,997,850	-	577,450	14,007	8,224,677	-	-	15,813,984	7,906,992
75%	-	-	-	-	-	44,107,085	76,458	-	-	44,183,543	33,137,657
100%	-	-	-	222,145	33,541,267	467,930	6,879,164	-	7,115,172	48,225,678	48,225,679
150%	-	-	-	-	192,858	111,751	-	74,238	-	378,847	568,271
Total	30,489,806	321,012	12,662,798	222,145	37,817,804	44,700,773	44,951,345	74,238	9,172,464	180,412,385	102,275,706
Risk Weighted Assets by Exposure	-	64,202	4,631,915	222,145	34,820,525	33,722,874	21,468,712	111,357	7,233,976	102,275,706	
Average Risk Weight	0%	20.00%	36.58%	100.00%	92.07%	75.44%	47.76%	150.00%	78.87%	56.69%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

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 2019

	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%	24,859,544	-	-	-	-	-	-	-	1,449,591	26,309,135	-
20%	-	424,466	6,253,543	-	2,992,631	-	-	-	212,588	9,883,228	1,976,646
35%	-	-	-	-	-	-	24,995,689	-	-	24,995,689	8,748,491
50%	-	-	5,286,532	-	877,823	36,284	7,291,943	-	-	13,492,582	6,746,291
75%	-	-	-	-	-	51,748,073	79,405	-	-	51,827,478	38,870,609
100%	-	-	-	168,135	32,020,983	291,711	3,067,749	-	8,733,001	44,281,579	44,281,579
150%	-	-	-	-	221,875	190,058	-	89,944	-	501,877	752,817
Total	24,859,544	424,466	11,540,075	168,135	36,113,312	52,266,126	35,434,786	89,944	10,395,180	171,291,568	101,376,433
Risk Weighted Assets by Exposure	-	84,893	3,893,975	168,135	33,391,233	39,405,997	15,521,765	134,916	8,775,519	101,376,433	
Average Risk Weight	0%	20.00%	33.74%	100.00%	92.46%	75.39%	43.80%	150.00%	84.42%	59.18%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by External Credit Assessment Institutions ("ECAIs") as follows:

(i) Ratings of Public Sector Entities, Insurance Cos, SF and FM and Corporates by approved ECAIs

	Moody's	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
The Group		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
30 June 2020						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		**163,152**	**-**	**-**	**-**	**175,251**
Insurance Cos, SF and FM		**-**	**-**	**28,179**	**-**	**246,899**
Corporates		**3,724,637**	**574,254**	**363,075**	**100,580**	**42,981,939**
		3,887,789	**574,254**	**391,254**	**100,580**	**43,404,089**
30 June 2019						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		349,789	-	-	-	83,778
Insurance Cos, SF and FM		-	-	-	-	226,846
Corporates		3,486,745	904,080	227,159	-	39,805,627
		3,836,534	904,080	227,159	-	40,116,251

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

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 2020						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		**163,152**	**-**	**-**	**-**	**157,860**
Insurance Cos, SF and FM		**-**	**-**	**28,179**	**-**	**193,966**
Corporates		**3,439,209**	**574,254**	**262,490**	**-**	**33,541,851**
		3,602,361	**574,254**	**290,669**	**-**	**33,893,677**
30 June 2019						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		349,789	-	-	-	74,677
Insurance Cos, SF and FM		-	-	-	-	168,135
Corporates		2,992,632	870,966	227,159	-	32,022,555
		3,342,421	870,966	227,159	-	32,265,367

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs

The Group	Moody's S & P Fitch RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- RM'000	Caa1 to C CCC+ to D CCC+ to D C1 to D C+ to D RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
30 June 2020							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		**1,973,791**	**279,345**	**173,277**	**163,853**	**-**	**38,407,238**
Banks, DFIs and MDBs		**846,548**	**5,468,359**	**1,567,019**	**-**	**-**	**4,255,879**
		2,820,339	**5,747,704**	**1,740,296**	**163,853**	**-**	**42,663,117**
30 June 2019							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		1,308,792	-	201,100	209,674	-	30,740,861
Banks, DFIs and MDBs		2,192,901	4,698,396	2,527,997	-	-	2,760,944
		3,501,693	4,698,396	2,729,097	209,674	-	33,501,805

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs (continued)

The Bank	Moody's S & P Fitch RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- RM'000	Caa1 to C CCC+ to D CCC+ to D C1 to D C+ to D RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
30 June 2020							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		**1,973,791**	**279,345**	**-**	**-**	**-**	**28,236,670**
Banks, DFIs and MDBs		**2,916,883**	**5,304,942**	**1,431,110**	**-**	**-**	**3,009,863**
		4,890,674	**5,584,287**	**1,431,110**	**-**	**-**	**31,246,533**
30 June 2019							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		1,175,925	-	-	-	-	23,683,619
Banks, DFIs and MDBs		3,025,415	4,517,750	2,271,804	-	-	1,725,106
		4,201,340	4,517,750	2,271,804	-	-	25,408,725

Basel II Pillar 3 Disclosures
for the financial year ended 30 June 2020

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation

The Group grants credit facilities on the basis of the borrower's credit standing, repayment and debt servicing ability. Where possible, collateral is taken to mitigate and reduce any credit risk for the particular credit facility extended. The value of the collateral is monitored periodically and where applicable, a revised valuation may be requested from the borrower. The types of collateral accepted include cash, marketable securities, properties, machineries, equipments, inventories and receivables. In certain cases, corporate guarantees are obtained where the credit worthiness of the corporate borrower is insufficient for the amount sought. There are policies and processes in place to monitor collateral concentration. For Credit Risk Management ("CRM") purposes, only collateral or guarantees that are legally enforceable are taken into account. The credit exposures are computed on a net basis only when there is a legally enforceable netting arrangements for loans and deposits. The Group and the Bank use the Comprehensive Approach for computation of the adjusted exposures.

The following table summarises the breakdown of CRM by exposure as follows:

The Group	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2020			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	40,954,628	-	-
Public Sector Entities	163,152	-	-
Banks, DFIs and MDBs	10,894,274	-	-
Insurance Cos, SF and FM	84,699	-	825
Corporates	41,717,461	-	1,687,765
Regulatory Retail	50,123,920	-	385,670
Residential Mortgages	57,049,871	-	49,237
Higher Risk Assets	75,562	-	-
Other Assets	9,589,379	-	-
Defaulted Exposures	696,397	-	19,722
Total On-Balance Sheet Exposures	211,349,343	-	2,143,219
Off-Balance Sheet Exposures			
OTC Derivatives	1,657,050	-	-
Credit Derivatives	14,564	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	15,510,163	-	199,554
Defaulted Exposures	26,992	-	880
Total Off-Balance Sheet Exposures	17,208,769	-	200,434
Total On and Off-Balance Sheet Exposures	228,558,112	-	2,343,653

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 2019			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	32,413,829	-	-
Public Sector Entities	349,789	-	-
Banks, DFIs and MDBs	10,942,522	-	-
Insurance Cos, SF and FM	26,089	-	300
Corporates	38,974,262	-	1,139,584
Regulatory Retail	57,377,724	-	446,659
Residential Mortgages	44,884,425	-	17,698
Higher Risk Assets	101,117	-	-
Other Assets	10,943,545	-	-
Defaulted Exposures	740,357	-	2,365
Total On-Balance Sheet Exposures	196,753,659	-	1,606,606
Off-Balance Sheet Exposures			
OTC Derivatives	1,522,871	-	-
Credit Derivatives	5,146	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	15,068,292	-	182,666
Defaulted Exposures	26,976	-	228
Total Off-Balance Sheet Exposures	16,623,285	-	182,894
Total On and Off-Balance Sheet Exposures	213,376,944	-	1,789,500

Basel II Pillar 3 Disclosures
for the financial year ended 30 June 2020

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (continued)

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Bank	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2020			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	30,446,930	-	-
Public Sector Entities	163,152	-	-
Banks, DFIs and MDBs	11,647,820	-	-
Insurance Cos, SF and FM	83,702	-	826
Corporates	33,271,431	-	1,412,301
Regulatory Retail	38,686,604	-	360,351
Residential Mortgages	44,735,448	-	41,685
Higher Risk Assets	74,237	-	-
Other Assets	9,162,467	-	-
Defaulted Exposures	561,364	-	718
Total On-Balance Sheet Exposures	168,833,155	-	1,815,881
Off-Balance Sheet Exposures			
OTC Derivatives	1,432,726	-	-
Credit Derivatives	14,564	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,126,150	-	184,839
Defaulted Exposures	7,391	-	881
Total Off-Balance Sheet Exposures	13,580,831	-	185,720
Total On and Off-Balance Sheet Exposures	182,413,986	-	2,001,601

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 2019			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	24,812,946	-	-
Public Sector Entities	349,789	-	-
Banks, DFIs and MDBs	10,467,756	-	-
Insurance Cos, SF and FM	25,072	-	300
Corporates	32,151,874	-	1,105,834
Regulatory Retail	45,674,263	-	421,900
Residential Mortgages	35,248,083	-	16,009
Higher Risk Assets	89,834	-	-
Other Assets	10,395,183	-	-
Defaulted Exposures	633,964	-	2,012
Total On-Balance Sheet Exposures	159,848,764	-	1,546,055
Off-Balance Sheet Exposures			
OTC Derivatives	1,397,057	-	-
Credit Derivatives	5,146	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	11,735,815	-	174,016
Defaulted Exposures	25,054	-	197
Total Off-Balance Sheet Exposures	13,163,072	-	174,213
Total On and Off-Balance Sheet Exposures	173,011,836	-	1,720,268

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk

Counterparty credit risk is the risk of trading counterparties' failure to honour its obligations to the Group and the Bank. To control over-exposure of counterparty credit risk, credit limits are established for each trading counterparty. The credit limits are determined individually based on its credit strength and profile, which also takes into consideration the Group's and the Bank's risk appetite and trading strategies.

Appropriate methodologies have been implemented to measure counterparty credit risk against credit limits of each trading counterparty. These measurement methodologies implemented are in line with BNM's Capital Adequacy Framework on the treatment of counterparty credit risk.

The Group and the Bank also engage in netting and margining agreements with major trading counterparties to mitigate counterparty credit risks. Under these agreements, the counterparty credit exposures are mitigated with collaterals whenever the exposures exceed the margin threshold.

Nature of commitments and contingencies

Direct credit substitutes comprise guarantees undertaken by the Group and the Bank to support the financial obligations of their customers to third parties.

Non credit related contingent items represent financial products such as Performance Guarantee whose crystallisations are dependent on specific events other than default payment by the customers.

Short term self liquidating trade-related contingencies relate to bills of exchange which have been accepted by the Group and the Bank and represent liabilities in the event of default by the acceptors and the drawers of the bills.

Assets sold with recourse and commitments with certain drawdown represents assets sold by the Group and the Bank with recourse in the event of defects in the assets, and investment or purchase commitments entered into by the Group and the Bank, where drawdown is certain to occur.

Obligations under underwriting agreements arise from underwriting agreements relating to the issuance of equity and debts securities, where the Group and the Bank are obliged to subscribe or purchase the securities in the event the securities are not taken up when issued.

Irrevocable commitments to extend credit include all obligations on the part of the Group and the Bank to provide funding facilities or the undrawn portion of an approved credit facilities to customers.

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currencies at agreed rates of exchange on a specified future date.

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without the exchange of the underlying principal.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows:

The Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
30 June 2020				
Commitments and Contingent Liabilities				
Direct credit substitutes	133,166	-	133,165	130,943
Transaction related contingent items	1,489,056	-	744,528	701,707
Short term self liquidating trade related contingencies	538,144	-	107,629	104,767
Irrevocable commitments to extend credit:				
- More than one year	17,777,310	-	8,887,808	7,538,635
- Less than one year	20,856,358	-	4,171,272	3,717,435
Unutilised credit card lines	7,463,767	-	1,492,753	1,120,800
	48,257,801	-	15,537,155	13,314,287
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	40,277,996	372,203	1,429,422	629,757
- One year to less than five years	4,089,668	169,709	52,158	50,276
- Five years and above	288,397	5,772	-	-
Interest/profit rate related contracts:				
- Less than one year	18,957,616	49,632	1,700	1,116
- One year to less than five years	32,060,237	373,309	39,453	12,837
- Five years and above	2,609,803	107,391	104,149	70,613
Equity related contracts:				
- Less than one year	264,263	11,970	17,755	9,751
- One year to less than five years	136,115	1,523	12,413	6,206
Credit related contracts:				
- Five years and above	291,272	19,960	14,564	2,913
	98,975,367	1,111,469	1,671,614	783,469
	147,233,168	1,111,469	17,208,769	14,097,756

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

Basel II Pillar 3 Disclosures
for the financial year ended 30 June 2020

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 2019				
Commitments and Contingent Liabilities				
Direct credit substitutes	117,740	-	117,740	115,490
Transaction related contingent items	1,446,851	-	723,426	686,367
Short term self liquidating trade related contingencies	674,511	-	134,902	131,497
Irrevocable commitments to extend credit:				
- More than one year	17,720,606	-	8,859,844	7,295,087
- Less than one year	19,020,280	-	3,804,056	3,404,420
Unutilised credit card lines	7,276,500	-	1,455,300	1,092,801
	46,256,488	-	15,095,268	12,725,662
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	34,829,534	148,044	1,243,412	555,009
- One year to less than five years	3,995,994	112,655	41,933	41,934
- Five years and above	301,327	27,399	-	-
Interest/profit rate related contracts:				
- Less than one year	38,511,811	61,304	3,132	1,523
- One year to less than five years	34,300,635	130,863	72,580	45,231
- Five years and above	3,170,389	39,171	111,546	80,636
Equity related contracts:				
- Less than one year	591,385	4,760	36,988	19,304
- One year to less than five years	127,853	3,052	13,280	6,232
Credit related contracts:				
- Five years and above	82,753	1,008	5,146	1,029
	115,911,681	528,256	1,528,017	750,898
	162,168,169	528,256	16,623,285	13,476,560

* 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 2020				
Commitments and Contingent Liabilities				
Direct credit substitutes	80,144	-	80,144	77,922
Transaction related contingent items	1,283,921	-	641,961	601,579
Short term self liquidating trade related contingencies	508,190	-	101,638	99,090
Irrevocable commitments to extend credit:				
- More than one year	12,807,826	-	6,403,495	5,350,033
- Less than one year	17,067,748	-	3,413,550	3,036,791
Unutilised credit card lines	7,463,767	-	1,492,753	1,120,800
	39,211,596	-	12,133,541	10,286,215
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	33,398,925	317,413	1,279,936	571,325
- One year to less than five years	4,089,668	169,708	48,393	48,393
- Five years and above	288,397	5,772	-	-
Interest/profit rate related contracts:				
- Less than one year	19,457,616	50,198	-	-
- One year to less than five years	32,260,237	349,580	35,788	11,005
- Five years and above	2,571,708	131,497	38,441	38,441
Equity related contracts:				
- Less than one year	264,263	11,970	17,755	9,751
- One year to less than five years	136,115	1,523	12,413	6,206
Credit related contracts:				
- Five years and above	291,272	19,960	14,564	2,913
	92,758,201	1,057,621	1,447,290	688,034
	131,969,797	1,057,621	13,580,831	10,974,249

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

4. RISK MANAGEMENT (CONTINUED)

(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 2019				
Commitments and Contingent Liabilities				
Direct credit substitutes	64,395	-	64,395	62,145
Transaction related contingent items	1,261,524	-	630,762	593,703
Short term self liquidating trade related contingencies	638,625	-	127,725	124,319
Irrevocable commitments to extend credit:				
- More than one year	12,749,585	-	6,374,359	5,211,412
- Less than one year	15,541,640	-	3,108,328	2,774,792
Unutilised credit card lines	7,276,500	-	1,455,300	1,092,801
	37,532,269	-	11,760,869	9,859,172
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	33,337,605	142,860	1,214,682	540,592
- One year to less than five years	3,995,994	112,656	41,933	41,934
- Five years and above	301,327	27,399	-	-
Interest/profit rate related contracts:				
- Less than one year	38,511,811	61,291	1,436	676
- One year to less than five years	35,195,635	115,924	40,398	28,262
- Five years and above	3,320,389	54,045	48,340	45,779
Equity related contracts:				
- Less than one year	591,386	4,760	36,988	19,304
- One year to less than five years	127,852	3,052	13,280	6,232
Credit related contracts:				
- Five years and above	82,753	1,008	5,146	1,029
	115,464,752	522,995	1,402,203	683,808
	152,997,021	522,995	13,163,072	10,542,980

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

4. RISK MANAGEMENT (CONTINUED)

(B) Market risk

Market risk is the risk of loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest rates, foreign exchange rates, equities, spreads, volatilities and/or correlations.

The Bank adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. Value at Risk ("VaR"). The amount of market risk that the Bank is prepared to take for each financial year is based on the budget, business direction, its risk-taking strategies, the impact on earnings and capital utilisation. These factors are used as a basis for setting market risk limits for the Group and the Bank.

Market risk limits, the monitoring and escalation processes, delegation of authority, model validation and valuation methodologies are built into the Bank's market risk policies, which are reviewed and concurred by the Group Assets and Liabilities Management Committee ("Group ALCO"), endorsed by the BRMC and approved by the Board.

The main market risk limits are stop loss limits, VaR limits, counterparty limits, sensitivity limits, position/instrument limits and holding period limits.

VaR is defined as the maximum loss at a specific confidence level over a specified period of time under normal market conditions. The Bank computes the Historical Simulation VaR on a daily basis based on the recent 250-days of market observations at a 99.0% confidence level.

Over the course of the financial year, the VaR of the banking group's trading book ranged between RM2.8 million to RM19.1 million with an average of RM7.0 million.

The Bank performs backtesting on VaR on a hypothetical and actual basis and the results are tabled to the Group ALCO.

In addition, stress tests are conducted regularly on the trading book. In performing stress-testing, the Bank uses the following:

(1) Scenario analysis, which is a combination of expected movements on risk factors.

(2) Historical crisis event, which is based on actual movements that occurred in the relevant risk factors. The main risk factors that are stressed are the KL Financial Bursa Composite Index, interest rates movements (for MYR, USD and other major currencies), ratings migration and Foreign Exchange spot and volatilities.

In managing interest rate risk in the banking book, the Group measures earnings at risk and economic value or capital at risk.

(C) Market Conduct Risk

Market Conduct risk is the risk that arise from either an individual or group of individual dealers of the Bank, who through non-compliant behaviour and/or behaviour that lack integrity or honesty, subjects the Bank to adverse consequences in terms of monetary losses, reputational damage and regulatory fines.

Independent market conduct risk monitoring and surveillance is carried out to detect attempts on market misconduct by Global Markets. Management oversight on market conduct is effected through the Risk and Compliance Governance Committee ("RCGC"). A robust and comprehensive market conduct surveillance policy has been established by the Bank to ensure all activities in Global Markets are in conformity with market best practices and compliance requirements, which is reviewed and concurred by the RCGC, endorsed by the BRMC and approved by the Board.

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

4. RISK MANAGEMENT (CONTINUED)

(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 Requirement, 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 liquidity contingency funding plan and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. Contingency funding plan sets out the crisis escalation process and the various strategies to be employed to preserve liquidity including an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there is adequate liquidity contingency fund to meet any shortfalls during liquidity crisis scenarios.

(E) Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which also include outsourcing and business continuity risks.

Management oversight on Operational Risk Management ("ORM") matters are effected through the RCGC whilst Board oversight is effected through the BRMC.

The Group's ORM strategy is based on a framework of continuous improvements, good governance structure, policies and procedures as well as the employment of risk mitigation strategies. The objective is to create a strong risk and internal control culture by ensuring awareness of the significance of operational risk, its methodology of identification, analysis, assessment, control and monitoring.

The Group adopts ORM tools such as loss event reporting, risk and control self assessment and key risk indicators to manage operational risks and are used to assess risk by taking into consideration key business conditions, strategies and internal controls. The ultimate aim is to enhance economic performance, achievement of corporate goals and the aspirations of stakeholders.

These tools are based on international best practices for the management of operational risks and are explained in more detail below:

(i) Risk and Control Self Assessment ("RCSA") is an assessment process on severity of potential risk and control effectiveness.

(ii) Key Risk Indicators ("KRI") is a set of measures to allow the Group to monitor and facilitate early detection of operational risks.

(iii) Loss Event Reporting ("LER") is a process for collecting and reporting operational risk events. These are further used for analysis of operational risks for the purpose of developing mitigating controls.

4. RISK MANAGEMENT (CONTINUED)

(E) Operational risk (continued)

The operational risk mitigation strategies that are implemented include:

(i) Policies and Standard Operating Procedures that define the roles and responsibilities of personnel and their respective operating limits.

(ii) Insurance against operational losses as a form of risk mitigation especially for risks which are deemed as high severity.

(iii) System of controls, established to provide reasonable assurance of effective and efficient operation.

(iv) Business Continuity Management to facilitate the continuance of business activities in the event of disaster or crisis situations by means of ensuring appropriate redundancy of systems are available.

(v) Outsourcing Management to ensure proper due diligence review is performed prior to engaging outsource service providers and continuous tracking of existing outsource service providers' performance, code of conduct, compliance, and business viability.

(F) Financial hedges to mitigate interest rate risks

The following actions describe the accounting treatment for financial hedges that may be entered into to mitigate the interest rate risk exposures of the Bank.

(i) Financial instruments designated as fair value through profit and loss

The Group and the Bank use derivative hedge instruments, such as interest rate swaps to undertake economic hedges on part of their existing fixed rate loans to reduce the exposure on interest rate risk as part of its risk management strategy.

(ii) Fair value hedges

The Group and the Bank use interest rate swap as the hedge instruments to hedge the interest rate risk of fixed rate loans exposure. The interest rate swap contracts used for the hedging are contracted with other financial institutions.

(iii) Cash flow hedges

The Group and the Bank use interest rate swaps as hedge instruments to hedge the variability of future cash flows on fixed deposits.

Further information relating to the cash flow hedges are disclosed in Note 10(a) to the financial statements.

(iv) The accounting policies on derivative financial instruments and hedge accounting are disclosed in Note 2K to the financial statements.

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2020

5. EQUITY EXPOSURES IN BANKING BOOK

The Group's and the Bank's banking book's equity investments consist of equity holdings in organisations which are set up for specific socio-economic reasons and equity holdings and equity instruments received as a result of loan/financing restructuring or loan/financing conversion.

The Group's and the Bank's banking book's equity investments are classified and measured in accordance with MFRS 9 and are categorised as financial investments at fair value through other comprehensive income. Refer to Note 2D to the financial statements for the accounting policies of the Group and the Bank.

Details of the Group and Bank's financial investments at fair value through other comprehensive income are set out in Note 6 to the financial statements.

The following table summarises the Group's and the Bank's equity exposures in the banking book:

	The Group		The Bank	
	Exposures subject to risk-weighting RM'000	**Risk weights %**	**Exposures subject to risk-weighting RM'000**	**Risk weights %**
30 June 2020				
Financial investments at fair value through other comprehensive income				
Unquoted equity securities	**60,094**	**150%**	**60,094**	**150%**
30 June 2019				
Financial investments available-for-sale				
Unquoted equity securities	44,331	150%	44,331	150%

Realised gains arising from sales and liquidations of equity exposures are as follows:

	The Group and the Bank	
	30 June 2020 RM'000	**30 June 2019 RM'000**
Net gains arising from sales of equity securities	**-**	25,042

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 2020.

6. INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK ("IRRBB"/"RORRBB")

The Group evaluates the impact of IRRBB/RORRBB via the earnings and the underlying economic value perspective.

The earnings perspective provides the impact via the reduction in earning arising from the changes in interest rate/rate of returns. Earnings perspective focuses on the short-term effect of IRRBB/RORRBB. The components affecting the earnings perspective include the timing of the repricing basis, yield curve risk and option positions.

The economic value perspective provides a long-term perspective for the impact of IRRBB/RORRBB. This perspective evaluates the changes in the Group's economic value via the present value of the Group's future cash flow. The future cash flow projections used to estimate the economic exposure provides a pro forma estimate of the future income generated by its current position. In general, the measurement of present value of instruments will be able to give an overview of the Group's economic value of equity ("EVE") over a longer time period.

	Impact on positions 100 basis points parallel shift	
The Group	**Increase/(Decline) in Earnings RM'000**	**Increase/(Decline) in Economic Value RM'000**
30 June 2020		
100 bps upward		
Ringgit Malaysia	**28,711**	**(818,119)**
100 bps downward		
Ringgit Malaysia	**(252,320)**	**870,464**
30 June 2019		
100 bps upward		
Ringgit Malaysia	45,291	(1,097,724)
100 bps downward		
Ringgit Malaysia	(117,315)	1,149,673

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 2020		
100 bps upward		
Ringgit Malaysia	**32,530**	**(523,831)**
100 bps downward		
Ringgit Malaysia	**(222,154)**	**559,071**
30 June 2019		
100 bps upward		
Ringgit Malaysia	83,294	(760,816)
100 bps downward		
Ringgit Malaysia	(134,311)	795,071

7. SHARIAH GOVERNANCE DISCLOSURE

In October 2010, BNM has issued Shariah Governance Framework ("SGF") to guide Islamic financial institutions to establish a comprehensive governance policy framework which sets out the strategic roles and functions of each organ of governance and mechanism in ensuring that the overall Islamic financial system operates in accordance with Shariah principles. On 30 June 2013, Islamic Financial Services Act ("IFSA") 2013 came into force. It is a statute that requires Islamic financial institutions to ensure that their aim, operation, business, affairs and activities are Shariah-compliant at all times. It statutorily enforces the management of Shariah non-compliance risk.

On 20 September 2019, Bank Negara Malaysia has issued the policy document on Shariah Governance ("SGPD") for Islamic financial institutions to replace the SGF. The policy document aims to further strengthen the effectiveness of Shariah governance implementation and reinforce a closer integration of Shariah considerations in the business and risk strategies of the Islamic financial institutions. The policy document takes effect from 1 April 2020.

HLISB has enhanced its own Shariah Governance Board Policy to ensure the structure and management of Shariah Governance matters in the Bank is of the highest standard and in line with SGPD and IFSA.

The Bank's Shariah Governance Board Policy 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.

Other **Information**

1. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Bank and its subsidiaries involving the interest of Directors, chief executives and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020

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 28 AUGUST 2020

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	397	3.28	8,565	0.00
100 – 1,000	3,518	29.09	2,064,559	0.10
1,001 – 10,000	6,511	53.85	21,960,180	1.05
10,001 – 100,000	1,290	10.67	39,677,405	1.90
100,001 – less than 5% of issued shares	374	3.09	447,907,473	21.47
5% and above of issued shares	2	0.02	1,574,998,402	75.48
	12,092	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 28 AUGUST 2020

Name of Shareholder	No. of Shares	%
1. Hong Leong Financial Group Berhad	1,340,137,681	64.23
2. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	234,860,721	11.25
3. MTrustee Berhad - Exempt AN for Hong Leong Bank Berhad (ESOS)	39,339,683	1.88
4. AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	34,000,000	1.63
5. Kumpulan Wang Persaraan (Diperbadankan)	26,355,900	1.26
6. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West Clt OD67)	16,561,180	0.79
7. Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	15,973,900	0.77
8. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Rakaman Anggun Sdn Bhd (PB)	14,294,300	0.68
9. Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	12,285,680	0.59
10. AmanahRaya Trustees Berhad - Amanah Saham Bumiputera 2	11,332,300	0.54

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020 (CONTINUED)

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 28 AUGUST 2020 (CONTINUED)

Name of Shareholder	No. of Shares	%
11. AmanahRaya Trustees Berhad - Amanah Saham Malaysia	11,298,900	0.54
12. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	11,190,182	0.54
13. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	8,506,572	0.41
14. Cartaban Nominees (Asing) Sdn Bhd - GIC Private Limited for Government Of Singapore (C)	6,680,174	0.32
15. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	6,667,600	0.32
16. HLIB Nominees (Tempatan) Sdn Bhd - Chew Brothers Development Corporation Sdn Bhd	6,485,863	0.31
17. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Norges Bank (FI 17)	6,020,500	0.29
18. AmanahRaya Trustees Berhad - Amanah Saham Malaysia 2 – Wawasan	6,000,000	0.29
19. Cartaban Nominees (Asing) Sdn Bhd - BBH And Co Boston for WGI Emerging Markets Smaller Companies Fund, LLC	5,784,208	0.28
20. HLB Nominees (Asing) Sdn Bhd - Kwek Leng Hai (Custodian)	5,510,000	0.26
21. Pertubuhan Keselamatan Sosial	5,005,300	0.24
22. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	4,976,296	0.24
23. DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for People's Bank of China (SICL Asia EM)	4,351,396	0.21
24. DB (Malaysia) Nominee (Asing) Sdn Bhd - State Street London Fund U8T8 for Pinebridge Asia Ex Japan Small Cap Equity Fund (Pinebridge GL F)	3,951,300	0.19
25. Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	3,916,140	0.19
26. HSBC Nominees (Asing) Sdn Bhd - J.P. Morgan Securities PLC	3,732,800	0.18
27. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts	3,710,920	0.18
28. DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund TRJS for Teacher Retirement System of Texas	3,450,700	0.16
29. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 1)	3,110,533	0.15
30. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for MSCI Equity Index Fund B - Malaysia	2,899,380	0.14
	1,858,390,109	**89.06**

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020 (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders, the substantial shareholders of the Bank as at 28 August 2020 are as follows:

	Direct Interest		Indirect Interest	
Name of Shareholders	No. of Shares	%	No. of Shares	%
Hong Leong Financial Group Berhad	1,340,137,681	64.23	3,057,504	0.15[a]
Hong Leong Company (Malaysia) Berhad	–	–	1,345,971,529	64.50[b]
HL Holdings Sdn Bhd	–	–	1,345,971,529	64.50[c]
Tan Sri Quek Leng Chan	–	–	1,346,027,209	64.51[d]
Hong Realty (Private) Limited	–	–	1,345,971,529	64.50[c]
Hong Leong Investment Holdings Pte Ltd	–	–	1,345,971,529	64.50[c]
Kwek Holdings Pte Ltd	–	–	1,345,971,529	64.50[c]
Kwek Leng Beng	–	–	1,345,971,529	64.50[c]
Davos Investment Holdings Private Limited	–	–	1,345,971,529	64.50[c]
Kwek Leng Kee	282,344	0.01	1,345,971,529	64.50[c]
GuoLine Overseas Limited	–	–	1,343,195,185	64.37[e]
Guoco Group Limited	–	–	1,343,195,185	64.37[e]
GuoLine Capital Assets Limited	-	-	1,345,971,529	64.50[b]
Employees Provident Fund Board	246,143,121	11.80	–	–

Notes:
- (a) *Held through subsidiary*
- (b) *Held through subsidiary and Hong Leong Financial Group Berhad ("HLFG")*
- (c) *Held through Hong Leong Company (Malaysia) Berhad ("HLCM")*
- (d) *Held through HLCM and a company in which the substantial shareholder has interest*
- (e) *Held through HLFG*

3. DIRECTORS' INTERESTS AS AT 28 AUGUST 2020

Subsequent to the financial year end, there is no change, as at 28 August 2020, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares of the Bank and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 159 to 161 as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 59 of the Companies Act, 2016 except for the changes set out below:

Indirect Interest	Number of Shares	%
YBhg Tan Sri Quek Leng Chan in:		
GuocoLand Limited	836,631,438	70.70
GL Limited	980,303,634	71.66

4. GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S INTEREST AS AT 28 AUGUST 2020

Direct Interest	Number of ordinary shares/shares issued or to be issued or acquired arising from the exercise of options*	%
Mr Domenic Fuda	435,215	0.02
	249,103#	N/A
	5,600,000*	N/A

Free ordinary shares to be vested pursuant to the Executive Share Scheme of HLB.

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2020

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
1	No. 1, Light Street Georgetown 10200 Pulau Pinang	Freehold	Branch premises	20,594	86	7,422	30/12/1986
2	No. 15-G-1, 15-1-1 & 15-2-1 Medan Kampung Relau Bayan Point 11900 Pulau Pinang	Freehold	Branch premises	9,968	21	2,027	26/06/1997
3	No. 42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 859 years (31/12/2779)	Branch premises	4,425	38	1,386	27/12/1983
4	No. 133, 135 & 137 Jalan Kampong Nyabor 96000 Sibu Sarawak	Freehold	Branch premises	4,871	28	2,835	28/12/1992
5	Jungle land at Sungai Limut Rajang Sarawak Occupation Ticket 612 of 1931	Leasehold - 99 years (31/12/2026)	Jungle land	1,217,938	n/a	1	31/12/1938
6	No. 25 & 27, Jalan Tun Ismail 25000 Kuantan Pahang Darul Makmur	Freehold	Branch premises	1,600	29	1,094	29/06/1996
7	No. 69, 70 & 71, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,387	27/12/1994
8	No. 26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	34	487	30/12/1986
9	No. 120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/08/2063)	Branch premises	3,355	54	513	31/05/1990
10	No. 100, Jalan Gurney 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	34	2,011	25/06/1992

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2020 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
11	No. 12, 14 & 16, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	29	3,438	25/06/1992
12	No. 63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant	4,760	25	3,115	28/04/1997
13	No. 24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	24	943	28/04/1997
14	No. 1, Jalan Takal 15/21 Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/06/2086)	Branch premises	2,625	33	1,092	26/06/1997
15	Lot 3594 & 3595 Jalan Baru Pak Sabah 23000 Dungun Terengganu Darul Iman	Leasehold - 84 years (02/02/2079)	Branch premises	3,199	26	186	26/06/1997
16	Lot 3073 & 3074, Jalan Abang Galau, 97000 Bintulu, Sarawak	Leasehold - 60 years (12/02/2056)	Branch premises	2,582	23	926	26/06/1997
17	Lot 34, Putra Industrial Park 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	24	2,567	26/01/1995
18	No. 1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 60 years (19/07/2030)	Vacant	10,619	45	21	30/06/1977
19	No. 9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	27	735	01/01/1994
20	No. 45, Jalan Burma 10500 Pulau Pinang	Freehold	Vacant	14,277	42	1,773	24/11/1978

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2020 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
21	No. 33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (08/04/2082)	Vacant	4,394	25	332	26/12/1995
22	No. 55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Vacant	11,720	41	926	01/10/1984
23	No. 27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/02/2078)	Branch premises	4,694	25	234	24/11/1995
24	No. 75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	1,900	23	588	15/06/1998
25	No. 80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/06/2089)	Branch premises	9,062	30	822	01/06/1994
26	No. 19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (08/03/2081)	Branch premises	5,859	38	311	29/11/1985
27	Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Vacant	4,978	40	383	31/07/1988
28	No. 161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	2,454	24	2,673	14/02/1996
29	No. 8A-D, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Vacant	12,854	27	325	22/10/1977
30	No. 109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	32	200	01/09/1988

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2020 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
31	No. 1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	52	30	30/06/1977
32	No. 36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	80	83	30/08/1982
33	W-1-0, W-2-0 & W-1-1 Subang Square Business Centre Jalan SS15/4G 47500 Subang Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,545	21	1,122	18/12/1999
34	No. 2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Vacant	12,173	21	2,134	18/12/1999
35	Plot No. 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	21	449	23/11/1999
36	No. 1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	20	1,432	23/11/1999
37	Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/02/2084)	Branch premises	5,988	21	1,079	31/05/1991
38	No. 1 & 2 Jalan Raya, 09800 Serdang Kedah Darul Aman	Freehold	Branch premises	5,840	19	344	20/09/2000
39	No. 133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	19	318	13/12/2000
40	No. 65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	HLB's CSR Community Center	2,223	24	4,676	14/10/1996

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2020 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
41	No. 64, Jalan Tun Mustapha 87007 Labuan	Leasehold - 999 years (28/12/2881)	Branch premises	1,370	29	383	30/05/1991
42	No. 159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	15	2,532	25/11/2005
43	No. 163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	15	2,609	25/10/2005
44	No. 114 & 116, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch premises	12,200	14	3,451	07/06/2006
45	Lot A08-A09 Jalan SS 6/5A Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya	Freehold	Branch premises	9,800	14	2,548	06/07/2006
46	No. 2 Jalan Puteri 2/4 Bandar Puteri Puchong 47100 Selangor Darul Ehsan	Freehold	Branch premises	11,850	13	4,960	28/06/2007
47	Tower A PJ City Development 46100 Petaling Jaya Selangor	Leasehold - 99 years (14/08/2094)	Branch premises	194,489	12	71,177	21/07/2008
48	OUG No. 2, Lorong 2/137C Off Jalan Kelang Lama 58200 Kuala Lumpur	Leasehold - 99 years (year 2088)	Branch premises	17,300	10	4,646	01/04/2011
49	KEP Lot No. 77C & 77D Lot No.58529 Jalan Kepong 52100 Kuala Lumpur	Leasehold - 99 years (07/01/2101)	Branch premises	30,613	10	8,095	01/05/2011
50	No. 122, Kapit By-Pass 96807 Kapit, Sarawak	Leasehold - 60 years (29/04/2045)	Branch premises	1,200	27	151	30/04/1985

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2020 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
51	No. 12A, Block B Level 2, Fraser's Hill Condominium 49000 Bukit Fraser's Pahang Darul Makmur	Leasehold - 99 years (23/05/2082)	1 unit apartment	1,792	33	102	24/05/1983
52	No. 9, Jalan Cheng Lock 50000 Kuala Lumpur Wilayah Persekutuan	Freehold	Vacant	2,199	47	262	18/09/1972
53	No. 3, Jalan Bandar Satu Pusat Bandar Puchong 47100 Puchong Selangor Darul Ehsan	Freehold	Branch premises	4,687	25	1,688	03/04/1997
54	No. 32 & 34, Jalan 21/19 Sea Park 46300 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant	3,080	57	2,099	19/08/1997
55	No. 26 & 27, Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Freehold	Branch premises	3,600	24	1,343	22/01/1999
56	No. 2, Jalan PJU 5/8 Dataran Sunway, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (23/11/2100)	Branch premises	12,892	16	3,254	12/02/2005
57	No. J09-6 and J02-06 Paradise Lagoon Holiday Apartment, Batu 3 1/2 Jalan Pantai 70100 Port Dickson Negeri Sembilan Darul Khusus	Leasehold - 99 years (06/07/2087)	2 units apartment	2,088	24	174	21/04/1994
58	No. S-3, Kompleks Negeri Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan Darul Khusus	Leasehold - 99 years (30/01/2078)	Vacant	1,680	36	232	29/06/1981
59	No. 105 & 107, Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Leasehold - 99 years (20/03/2094)	Vacant	3,132	24	462	17/04/1998

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2020 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
60	No. 67 & 69, Jalan Merdeka 75000 Taman Merdeka Raya Melaka	Leasehold - 99 years (07/07/2093)	Branch premises	3,080	25	620	15/08/1999
61	No. 21 & 23, Jalan Indah 15/1 Bukit Indah, 81200 Johor Bahru Johor Darul Takzim	Freehold	Vacant	5,090	18	1,304	27/05/2002
62	No. 35, 37 & 39 Jalan Johor Satu Taman Desa Cemerlang 81800 Ulu Tiram Johor Darul Takzim	Freehold	Branch premises	13,965	17	1,880	12/02/2003
63	No. 21, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai Johor Darul Takzim	Freehold	Branch premises	2,624	23	930	05/04/1999
64	No. B-278 & B-280 Jalan Beserah 25300 Kuantan Pahang Darul Makmur	Freehold	Branch premises	3,208	19	1,332	04/08/1999
65	No. 31, 33, 35 & 37 Jalan Usahaniaga 1 Taman Niagajaya 14000 Bukit Mertajam Seberang Perai Tengah, Penang	Freehold	Branch premises	15,844	17	1,113	10/07/2003
66	Lot 171, Jalan Council 95000 Bandar Sri aman Sarawak	Leasehold - 60 years (20/06/2050)	Branch premises	1,740	24	127	21/06/1990
67	Lot No. 2013, Jalan Pisang Barat 93150 Kuching Sarawak	Leasehold - 99 years (31/12/2038)	Storage	1,390	27	-	23/09/1992
68	No. 3/G14, 3/G15 & 3/G16 Block 3, Lorong Api-Api 2 Api-Api Centre 88000 Kota Kinabalu Sabah	Leasehold - 99 years (31/12/2086)	Branch premises	4,141	25	1,582	04/02/1997

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2020 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
69	No. 177, Limbok Hill 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	Single-storey Detached house	6,730	47	10	16/08/1972
70	No. 11, Jalan Emas 2 Taman Emas Cheras 43200 Cheras, Selangor	Freehold	Vacant	5,804	27	-	25/05/1993
71	No. 53 & 55, Jalan Sultan Ismail 50250 Kuala Lumpur	Freehold	Branch premises	9,600	23	17,454	01/06/2015
72	No. 9, Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Vacant	7,060	38	2,586	01/06/2015
73	No. 300, Jalan Jelutong 11600 Pulau Pinang	Freehold	Branch premises	16,652	18	13,421	23/06/2015
74	Lot 1, Block 35 Fajar Commercial Complex Jalan Lembaga 91000 Tawau, Sabah	Leasehold - 998 years (31/12/2895)	Branch premises	13,880	48	4,764	17/08/2015
75	Menara Hong Leong No. 6, Jalan Damanlela Bukit Damansara 50490 Kuala Lumpur	Freehold	Head Office/ Branch	668,331	5	567,845	03/07/2015
76	01-01, 01-02, 01-03, 01-05 Block D Komersil Southkey Mozek Persiaran Southkey 1 Kota Southkey, 80150 Johor Bahru	Leasehold -99 years (21/02/2100)	Branch	18,317	2	16,031	16/11/2018
77	No. 8, Jalan 3/5-C, Taman Setapak Indah Jaya, Off Jalan Genting Klang 53300 Kuala Lumpur	Leasehold -99 years (28/08/2086)	Branch	6,908	2	2,071	13/09/2018

Local & Overseas **Branches**

As At 30 June 2020

KUALA LUMPUR

1 53 & 55, Jalan Sultan Ismail
50250 Kuala Lumpur

2 No. 50, Jalan Merlimau
Off Jalan Kenanga
55200 Kuala Lumpur

3 Ground & Mezzanine Floors
Wisma Sin Heap Lee
No. 346, Jalan Tun Razak
50400 Kuala Lumpur

4 Level 1, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur

5 Suite G2.01, Menara Raja Laut
No. 288, Jalan Raja Laut
50350 Kuala Lumpur

6 No. 34, 36 and 38, Jalan Petaling
50000 Kuala Lumpur

7 E-1-2 Level 1 Blok E
Southgate Commercial Centre
No. 2 Jalan Dua
Off Jalan Chan Sow Lin
55200, Kuala Lumpur

8 No. 468-B2(A), Block B
Ground Floor
Rivercity 3rd Mile
Jalan Ipoh
51200 Kuala Lumpur

9 150, Jalan Tun Sambanthan
50470 Kuala Lumpur

10 114 and 116, Jalan Cerdas
Taman Connaught, Cheras
56000 Kuala Lumpur

11 No. 180-0-7 and 180-0-8
Wisma Mahkota
Taman Maluri, Cheras
55100 Kuala Lumpur

12 Ground Floor, No. 111
Jalan Dwitasik 1
Bandar Sri Permaisuri
56100 Kuala Lumpur

13 No. 15, 16 & 17, Jalan Midah Satu
Tmn Midah, Cheras
56000 Kuala Lumpur

14 No. 50, Jalan Manis 1
Taman Segar, Cheras
56100 Kuala Lumpur

15 Level 1, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur

16 26, Lorong Rahim Kajai 14
Taman Tun Dr Ismail
60000 Kuala Lumpur

17 Lot 2-21A & 2-21A1
Jalan Desa 1/1
Desa Aman Puri
52100 Kuala Lumpur

18 No. 77C & D, Lot 58529
Jalan Kepong
52100 Kuala Lumpur

19 166 & 168, Jalan 2/3A
Off KM 12, Jalan Ipoh
68100 Batu Caves, Kuala Lumpur

20 No. 44 & 46
Block A Plaza Sinar
Jalan 8/38D
Tmn Sri Sinar, Segambut
51200 Kuala Lumpur

21 Ground & 1st Floor
No. 63 Jalan Medan Putra 1
Medan Putra Business Centre
Menjalara
52200 Kuala Lumpur

22 Ground Floor, No. 6 & 8
Block 5, Jalil Link
Jalan Jalil Jaya 6, Bukit Jalil
57000 Kuala Lumpur

23 Ground & 1st Floor
Unit 25-G & 25-1
Signature Office, Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

24 37, Jalan Telawi 3
Bangsar Baru
59100 Kuala Lumpur

25 No. 2, Jalan 22A/70A
Desa Sri Hartamas
50480 Kuala Lumpur

26 Lot No. 70, Level G2
Publika Shopping Gallery
Solaris Dutamas
Jalan Dutamas 1
50480 Kuala Lumpur

27 No. 31 and 33, Jalan 1/116B
Kuchai Entrepreneurs Park
Off Jalan Kuchai Lama
58200 Kuala Lumpur

28 No. 2-0 Lorong 2/137C
Off Jalan Kelang Lama
58200 Kuala Lumpur

29 71 and 73
Jalan Radin Tengah Zone J 4
Bandar Baru Seri Petaling
57000 Kuala Lumpur

30 A54 Jalan Tuanku 4
Salak South Garden
Off Jalan Sg Besi
57100 Kuala Lumpur

31 No. 7 and 9, Jalan 2/109 F
Plaza Danau 2
Taman Danau Desa
Off Jalan Klang Lama
58100 Kuala Lumpur

32 No. 8 and 10, Jalan 3/50C
Taman Setapak Indah Jaya
Off Jalan Genting Kelang
53300 Kuala Lumpur

33 No. 266 and 267
Jalan Bandar 12, Taman Melawati
53100 Kuala Lumpur

34 No. 2, Jalan Rampai Niaga 1
Rampai Business Park
Taman Sri Rampai
53300 Kuala Lumpur

35 Ground & 1st Floor, No. 10-G-1
Jalan 14/48A, The Boulevard
Shopoffice Off Jalan Sentul
51000 Kuala Lumpur

36 **Hong Leong Islamic Bank Berhad**
No 28, Ground & First Floor
Jalan Setiawangsa 10/55A
Taman Setiawangsa
54200 Kuala Lumpur

Local & Overseas Branches

As At 30 June 2020

SELANGOR DARUL EHSAN

37 2-G, 2-1 & 2A-G
Jalan Cheras Maju
Pusat Perniagaan Cheras Maju
43200 Balakong Selangor

38 No. 24, Medan Taming 2
Taman Taming Jaya
43300 Balakong, Selangor

39 No. 1, Jalan Temenggung 21/9
Bandar Mahkota Cheras
43200 Cheras, Selangor

40 3 and 5, Jalan Sl 1/4, Bandar Sg Long
43000 Kajang, Selangor

41 No. 1 and 3, Jalan Seri Tanming 1F
Taman Seri Tanming, Batu 9
43200 Cheras, Selangor

42 Ground & First Floor
No. 8 Jalan Suarasa 8/5
Bandar Tun Hussein Onn
43200 Cheras, Selangor

43 Ground & 1st Floor
No. 19 Jalan Kijang
Taman Suntex, Batu 9
43200 Cheras, Selangor

44 No. 11 and 13, Jalan M/J 1
Taman Majlis Jaya
Jalan Sungai Chua
43000 Kajang, Selangor

45 No. 7 and 9, Jalan Pasar Baru 2
Seksyen 3, Bandar Semenyih
43500 Semenyih, Selangor

46 Ground Floor, 36, Jalan Sulaiman
43000 Kajang, Selangor

47 No. 2, Jalan Bangi Avenue 1/8
Taman Bangi Avenue
43000 Kajang, Selangor

48 No. 1 & 3, Jalan Pju 1/43
Aman Suria
47301 Petaling Jaya, Selangor

49 No. 25-G, 27-G, 29-G and 29-1
Jalan SS21/60
47400 Damansara Utama
Petaling Jaya, Selangor

50 No. 18 and 20, Jalan 20/16A
Taman Paramount
46300 Petaling Jaya, Selangor

51 No. 80 and 82
Jalan Othman 1/14
46000 Petaling Jaya, Selangor

52 Ground Floor, Tower A
PJ City Development
15A, Jalan 219, Sec 51A
46100 Petaling Jaya, Selangor

53 No. 9 & 11, Jalan 52/2
PJ New Town
46200 Petaling Jaya, Selangor

54 No. 22 & 24, Jalan 14/14
46100 Petaling Jaya, Selangor

55 No. 28 & 30, Jalan SS2/67
47300 Petaling Jaya, Selangor

56 2, Jalan PJU 5/8, Dataran Sunway
Kota Damansara
47810 Petaling Jaya, Selangor

57 Lot G-18 and G-19
Perdana The Place
Damansara Perdana
47820 Petaling Jaya

58 A-G-08, A-1-08, A-2-08
A-G-09, A-1-09, A-2-09
Glomac Square, Jalan SS6/54
Dataran Glomac
Pusat Bandar Kelana Jaya
47301 Petaling Jaya, Selangor

59 12 and 14, Jalan PJS 11/28A
Metro Bandar Sunway
Bandar Sunway
46150 Petaling Jaya, Selangor

60 No. 68 Lorong Batu Nilam 4A
Bandar Bukit Tinggi
41200 Klang, Selangor

61 No. 119 and 121
Jalan Sultan Abdul Samad
42700 Banting, Selangor

62 26-32, Jalan Kapar
41400 Klang, Selangor

63 Wisma Meru
1 Lintang Pekan Baru
Off Jalan Meru
41050 Klang, Selangor

64 90, Persiaran Raja Muda Musa
42000 Pelabuhan Klang, Selangor

65 No. 1 and 3
Jalan Sri Sarawak 17
Taman Sri Andalas
41200 Klang, Selangor

66 169, Jalan Teluk Pulai
41100 Klang Selangor

67 No. 36, Jalan Dato Shahbudin 30
Taman Sentosa
41200 Klang, Selangor

68 No. 174 and 174A
Jalan Besar
42800 Tanjung Sepat
Kuala Langat, Selangor

69 Ground Floor, No. 109 & 111
Jalan Mahogani 5, Bandar Botanic
41200 Klang, Selangor

70 Ground & First Floor, Lot 529
Jalan Besar Kapar, KU13
42200 Klang, Selangor

71 No. 15 and 16
Jalan Menteri Besar 2
New Sekinchan Business Centre
45400 Sekinchan, Selangor

72 No. 64 Jalan Stesen
45000 Kuala Selangor, Selangor

73 No. 64 Jalan BRP 1/2
Bukit Rahman Putra
47000 Sungai Buloh, Selangor

74 51 & 53, Jalan TSB 10A
Taman Industri Sg Buloh
47000 Sg Buloh, Selangor

75 19 Jalan 54, Desa Jaya
52100 Kepong Selangor

76 No. 23 and 24, Jalan KIP 1
Taman Perindustrian KIP
52200 Selangor

77 59A, Jalan Welman
48000 Rawang, Selangor

Local & Overseas Branches

As At 30 June 2020

78 No. 2 Jalan Public
Kampung Baru
Sungai Buloh
40160 Shah Alam, Selangor

79 No. 39 and 41, Jalan SJ 17
Taman Selayang Jaya
68100 Batu Caves, Selangor

80 No. 5 & 7, Jalan Cempaka 1
Taman Cempaka, 48200 Serendah
Hulu Selangor, Selangor

81 No.G-16, 1-16, 2-16, G-17
1-17 & 2-17, Jalan Prima SG1
Taman Prima Sri Gombak
68100 Batu Caves, Selangor

82 Wisma Keringat 2
No. 17 Lorong Batu Caves 2
68100 Batu Caves, Selangor

83 No. 5 & 7 Jalan Besar Susur 1
43300 Seri Kembangan, Selangor

84 Ground Floor, No.4G & 6G
Jalan Equine 1B
Taman Equine Boulevard
43300 Seri Kembangan, Selangor

85 No. 21 Jalan BS10/6
Seksyen 10, Bukit Serdang
43300 Seri Kembangan, Selangor

86 3, Jalan Bandar Satu
Pusat Bandar Puchong
47100 Puchong, Selangor

87 No. 2 Jalan Puteri 2/4
Bandar Puteri
47100 Puchong, Selangor

88 2, Jalan Kinrara
Taman Kinrara, Jalan Puchong
47100 Selangor

89 No. 26 & 27, Jalan Kenari 1
Bandar Puchong Jaya
47100 Puchong, Selangor

90 No. E-01-07 and E-01-08
Jalan Puchong Prima 5/3
Puchong Prima
47100 Puchong, Selangor

91 No. 120 Jalan PUJ 3/2
Taman Puncak Jalil
Bandar Putra Permai
43300 Seri Kembangan, Selangor

92 Lot 43 & 45, Jalan USJ 10/1G
47620 UEP Subang Jaya, Selangor

93 W-1-0, W-2-0 and W-1-1
Subang Square Business Centre
Jalan SS15/4G
47500 Subang Jaya, Selangor

94 Ground Floor, Lot G01
Giant Hypermarket Putra Heights
Persiaran Putra Perdana
47560 Putra Heights, Selangor

95 No. 3-G, Jalan Anggerik Vanilla
N31/N, Kota Kemuning
40460 Shah Alam, Selangor

96 3, Jalan Takal 15/21, Seksyen 15
40000 Shah Alam, Selangor

97 30, 32 and 34, Jalan Perbahan Satu
Section 26/2A
40000 Shah Alam, Selangor

98 19, Jalan Setia Prima RU 13/R
Setia Alam
40170 Shah Alam, Selangor

99 1G-3G, Jalan Wawasan 2/10
Bandar Baru Ampang
68000 Ampang, Selangor

100 No. 91, Lorong Mamanda 1
Ampang Point
68000 Ampang, Selangor

101 No. 7 and 9
Jalan Bunga Tanjong 6A
Taman Putra
68000 Ampang, Selangor

102 Ground Floor No. 8
Jalan UP 1/5, Taman Ukay Perdana
68000 Ampang, Selangor

103 No. 1-GM, Jalan Perdana 4/6
Pandan Perdana
55300 Kuala Lumpur

104 No. 1 & 3, Jalan Pandan 3/5
Pandan Jaya
55100 Kuala Lumpur

105 No. 23GM and 25GM
Jalan Pandan Indah 4/8
Pandan Indah
55100 Kuala Lumpur

106 **Hong Leong Islamic Bank Berhad**
Lot G13A (Ground Floor) D'pulze
Shopping Centre, P-01, D'pulze
Lingkaran Cyber Point Timur
Cyberjaya 12, Cyberjaya
63000 Selangor

PAHANG DARUL MAKMUR

107 No. 1 Bentong Heights
28700 Bentong, Pahang

108 No. 39 and 41, Jalan Tun Razak
27600 Raub Pahang

109 No. 113, Jalan Inderapura 1
Bandar Inderapura
27000 Jerantut, Pahang

110 No. B278 & B280, Jalan Beserah
25300 Kuantan, Pahang

111 No. 25, 27 and 29, Jalan Tun Ismail
25000 Kuantan, Pahang

112 59 and 60, Jalan Temerloh
Locked Bag No. 9
28409 Mentakab, Pahang

113 F105 and F106, Jalan Kuantan
28000 Temerloh Pahang

114 No. 36 Main Road Tanah Rata
39000 Cameron Highlands Pahang

TERENGGANU DARUL IMAN

115 Lot 3594 and 3595
Jalan Baru Pak Sabah
23000 Dungun, Terengganu

116 No. 5686 & 5694-B
Jalan Kubang Kurus
24000 Kemaman, Terengganu

117 No. 1107-R, S & T, Jalan Pejabat
20200 Kuala Terengganu
Terengganu

118 **Hong Leong Islamic Bank Berhad**
No. 31, Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu

Local & Overseas Branches
As At 30 June 2020

KELANTAN DARUL NAIM

119 PT 320 & 321, Seksyen 25
Jalan Sultan Yahya Petra
15200 Kota Bahru, Kelantan

120 **Hong Leong Islamic Bank Berhad**
No. 1121A & 1121B
Jalan Padang Garong, Seksyen 12
15000 Kota Bahru, Kelantan

FEDERAL TERRITORY LABUAN

121 64 Jalan Tun Mustapha
87007 Labuan

SABAH

122 Ground and 1st Floor
Lot No. 1 Block 35
Fajar Commercial Complex
Jalan Lembaga
91013 Tawau, Sabah

123 No. 5 and 6 (Aras Bawah)
Lorong Lintas Plaza 1, Lintas Plaza
88300 Kota Kinabalu, Sabah

124 Lots 1, 2 and 3, Block 18, Mile 4
North Road, Bandar Indah
90722 Sandakan, Sabah

125 Ground Floor, Wisma Sandaraya
Humphrey Street
90000 Sandakan, Sabah

126 19 Jalan Haji Saman
P.O. Box 11989
88821 Kota Kinabalu, Sabah

127 Lot 38, Block E
Alamesra Plaza Permai
88400 Kota Kinabalu, Sabah

128 Lot 3-0-14 To 3-0-16, Block 3
Lorong Api-Api 2, Api-Api Centre
88000 Kota Kinabalu, Sabah

129 No. 8, Jalan Pantai
Locked Bag No. 124
88999 Kota Kinabalu, Sabah

130 Lot No 4, 5 & 6, Block C
Lorong KK Taipan 2
Inanam New Township
88450 Kota Kinabalu, Sabah

131 MDLD 4712, Lot 4
Jalan Kastam Lama
91100 Lahad Datu, Sabah

SARAWAK

132 Sub Lot 6, Lot 538
Jalan Lee Kai Teng, P.O. Box 34
95700 Betong, Sarawak

133 345-347
Central Park Commercial Centre
Jalan Tun Ahmad Zaidi Adruce
93200 Kuching

134 Lot 122, 123 & 124
Jalan Song Thian Cheok
93100 Kuching, Sarawak

135 42, Jalan Pending
93450 Kuching, Sarawak

136 35 Jalan Khoo Hun Yeang
93000 Kuching

137 Lot 10901 & 10902
Jalan Tun Jugah
93350 Kuching

138 No. 127-129, RH Plaza
Jalan Lapangan Terbang
93350 Kuching

139 No. 155C, Jalan Satok
93400 Kuching, Sarawak

140 Lot 171, Jalan Council
95000 Bdr Sri Aman, Sarawak

141 Lot 13 and 14, Olive Garden
7th Mile Bazaar, Jalan Pensrissen
93250 Kuching, Sarawak

142 175, Serian Bazaar
94700 Serian, Sarawak

143 Lot 124, Saratok Bazaar
P.O. Box 71
95407 Saratok, Sarawak

144 Lot 3073 and 3074
Jalan Abang Galau
97000 Bintulu, Sarawak

145 Lot 2499 & 2500
Ground & 1st Floor
Boulevard Commercial Centre
Jalan Miri-Pujut, KM 3
98000 Miri, Sarawak

146 Lot 1078-1079, Buangsiol Road
P.O. Box 69
98707 Limbang, Sarawak

147 No. 722, Jalan Masjid
P.O. Box 19
96400 Mukah, Sarawak

148 Ground & First Floor, Lot 715
Merbau Road
98000 Miri, Sarawak

149 8-10, Lorong Maju
P.O. Box 279
96508 Bintangor, Sarawak

150 18, Chew Geok Lin Street
P.O. BOX 1461
96000 Sibu, Sarawak

151 122, Jalan Yong Moo Chai
P.O. Box 15
96807 Kapit, Sarawak

152 No. 22 & 23, Suria Permata
Commercial Centre, Jalan Lanang
96000 Sibu, Sarawak

153 No. 133, 135 and 137
Jalan Kampung Nyabor
96000 Sibu, Sarawak

154 10, 12, 14, 16 & 18, Mission Road
P.O. Box 656
96007 Sibu, Sarawak

155 No. 18C & 20, Lorong Tun Razak 1
Jalan Masjid Lama
96100 Sarikei, Sarawak

Local & Overseas Branches

As At 30 June 2020

KEDAH DARUL AMAN

156 167 & 168
Susuran Sultan Abdul Hamid 11
Kompleks Perniagaan Sultan Abdul Hamid Fasa 2
05050, Alor Setar, Kedah

157 No. 212-212A, Jalan Gangsa
Seberang Jalan Putra
05150 Alor Setar, Kedah

158 18K & 18L, Jalan Raya
08300 Gurun, Kedah

159 No. 62 and 63, Jalan Bayu 1
09000 Kulim, Kedah Darul Aman

160 No. 93, Langkawi Mall
Jalan Kelibang
07000, Langkawi, Kedah

161 No. 1 and 2, Jalan Raya
09800 Serdang, Kedah Darul Aman

162 Ground and First Floor
No. 64 and 65 Jalan Pengkalan
Taman Pekan Baru
08000 Sungai Petani, Kedah

163 No. 255, Jalan Legenda 10
Legenda Heights
08000 Sg Petani, Kedah

164 9A and 9B Jalan Kampong Baru
08000 Sungai Petani, Kedah

165 Ground Floor, Lot 1520-2A
Pantai Halban
06000 Jitra, Kedah

PULAU PINANG

166 19 Jalan Bertam
13200 Kepala Batas
Seberang Prai, Pulau Pinang

167 15-G-1 (Bayan Point)
Medan Kampong Relau
11900 Pulau Pinang

168 No. 300, Jalan Jelutong
11600 Pulau Pinang

169 98-G-15 Prima Tanjong
Jalan Fettes 10470 Tanjong Tokong
Pulau Pinang

170 No. 1, Light Street, Georgetown
10200 Pulau Pinang

171 Unit G-02, Mezzanine & 2-02B
Burmah House, No. 405
Jalan Burma, 10350, Penang

172 No. 723-G-G, 723-H-G
and 723-I-G Jalan Sungai Dua
11700 Pulau Pinang

173 Lot G17 & G18
Penang Times Square
Jalan Dato Keramat
10150 Pulau Pinang

174 306-F, Jalan Dato Ismail Hashim
11900 Bayan Lepas, Pulau Pinang

175 No. 16A & 16B
Lebuhraya Thean Teik
Bandar Baru Ayer Itam
11500 Pulau Pinang

176 Ground Floor & 1st Floor
No. 82 Jalan Besar, Balik Pulau
11000 Pulau Pinang

177 No. 1, Lebuh Kurau 1
Taman Chai Leng
13700 Prai, Pulau Pinang

178 No. 9 and 10, Jalan Todak 2
Pusat Bandar, Seberang Jaya
13700 Prai, Pulau Pinang

179 No. 26, 28 & 30, Lorong Murni 1
Taman Desa Murni, Sg. Dua
13800 Butterworth, Pulau Pinang

180 No. 3350 & 3351
Jalan Rozhan
Taman Industri Alma Jaya
14000 Bukit Mertajam
Pulau Pinang

181 No. 31, 33, 35
Jalan Usahaniaga 1
Taman Niagajaya
14000 Bukit Mertajam, Penang

182 No. 6963 and 6964
Jalan Ong Yi How
Kawasan Perindustrian Raja Uda
13400 Butterworth, Pulau Pinang

183 No. 1781 Jalan Nibong Tebal
Taman Panchor Indah
14300 Nibong Tebal, Pulau Pinang

184 No. 1, Jalan Besar
Taman Tempua
14000 Simpang Ampat
Pulau Pinang

185 1435 & 1436, Jalan Besar
14200 Sg Bakap
Seberang Prai Selatan
Pulau Pinang

186 No. 1823-G1
Jalan Perusahaan Auto City
North-South Highway Juru
Interchange, 13600 Prai
Pulau Pinang

187 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

188 75 Jalan Sultan Idris Shah
30000 Ipoh, Perak

189 No. 91 and 93
Jalan Dato Lau Pak Khuan
Ipoh Garden 31400 Ipoh
Perak

190 Lot A-G-2, A-1-2 and A-1-4, No. 1
Persiaran Greentown 2
Greentown Business Centre
30450 Ipoh, Perak

191 579 and 579A Jalan Pasir Puteh
31650 Ipoh Perak

192 No. 396 & 398, Taman Saujana
34600 Kamunting, Perak

193 39 and 41, Jalan Taiping
34200 Parit Buntar, Perak

194 No. 53, 55 and 57, Jalan Stesyen
34000 Taiping, Perak

195 No. 254, Jalan Raja Dr Nazrin Shah
Gunung Rapat
31350 Ipoh, Perak

Local & Overseas Branches

As At 30 June 2020

196 Ground & First Floor
No. 362, Medan Bercham
Jalan Bercham
31400 Ipoh, Perak

197 86 & 88, Jalan Besar
32400 Ayer Tawar, Perak

198 N-20, Jalan Bidor Raya
Off Jalan Persatuan
35500 Bidor, Perak

199 27 Jalan Dewangsa
31000 Batu Gajah, Perak

200 133 and 135 Jalan Gopeng
31900 Kampar, Perak

201 No. PT 1167 & 1168
Jalan Chui Chak
36700 Langkap, Perak

202 No. 116 & 117, Jalan Besar
31450 Menglembu, Ipoh, Perak

203 No. 28, Medan Silibin
30100 Ipoh, Perak

204 No. 16 and 17, Taman Sitiawan
Maju, Jalan Lumut
32000 Sitiawan, Perak

205 No. 25 & 27, Jalan Bunga
Anggerik, Taman Bunga Raya
35900 Tanjong Malim, Perak

206 11 and 12
Kompleks Menara Condong
Jalan Bandar
36000 Teluk Intan, Perak

NEGERI SEMBILAN DARUL KHUSUS

207 100, Jalan Gurney
72100 Bahau, Negeri Sembilan

208 112 Jalan Yam Tuan Raden
72000 Kuala Pilah, Negeri Sembilan

209 Lot 3120 & 3121
Jalan Besar Lukut
71010 Port Dickson
Negeri Sembilan

210 Lot PT 5759 & 5730
Jalan TS 2/1D, Taman Semarak
71800 Nilai, Negeri Sembilan

211 No. 69, 70 and 71
Jalan Dato Bandar Tunggal
70000 Seremban, Negeri Sembilan

212 1278 Jalan Rasah
70300 Seremban, Negeri Sembilan

213 No. 145-G, 145-1 & 146-G
Block M Taipan Senawang
Jalan Taman Komersil Senawang 1
70450 Seremban, Negeri Sembilan

214 No. 7 & 8, Jalan S2 B15
Biz Avenue, Seremban 2
70300 Seremban, Negeri Sembilan

MELAKA

215 Lot 215 & 130, Jalan Besar
78300 Masjid Tanah, Melaka

216 345, Jalan Ong Kim Wee
75300 Melaka

217 No. 67 & 69, Jalan Merdeka
Taman Melaka Raya
75000 Melaka

218 150 and 152
Kompleks Munshi Abdullah
Jalan Munshi Abdullah
75100 Melaka

219 Lot BB-371A & B
Taman Melaka Baru
Batu Berendam
75350 Melaka

220 No. 1, 1-1 & 3
Jalan Malim Jaya 2/7A
Taman Malim Permai
75250 Melaka

221 No. 76 Jalan Inang 4
Taman Paya Rumput Utama
76300 Paya Rumput, Melaka

JOHOR DARUL TAKZIM

222 Ground Floor, Penggaram Complex
No. 1 Jalan Abdul Rahman
Off Jalan Rahmat
83000 Batu Pahat, Johor

223 120 and 122, Jalan Mersing
86000 Kluang, Johor

224 No. 70, Jalan Segamat
85300 Labis, Johor

225 No. 2 and 3, Pusat Dagangan Bakri
Jalan Bakri
84000 Muar Johor

226 No. 43A & 45
Jalan Genuang Kampung
Kampung Abdullah
85000 Segamat, Johor

227 No. LC531, Jalan Payamas
84900 Tangkak, Johor

228 108, 109 & 110 Main Road
83700 Yong Peng, Johor

229 No. 345A, Jalan Ismail
86800 Mersing, Johor

230 No. 6 and 7, Jalan Anggerik 1
Taman Kulai Utama
81000 Kulai, Johor

231 No. 25 & 25A
Jalan Kenanga 29/1, Indahpura
81000 Kulai, Johor

232 Ground Floor, No. 121 & 123
Jalan Austin Heights 3
Taman Mount Austin
81100 Johor Bahru, Johor

233 No. 8-10, Jalan Nusaria 11/7
Taman Nusantara
81550 Gelang Patah, Johor

234 No. 24-25, Jalan Ahmad Ujan
Taman Kota Besar
81900 Kota Tinggi, Johor

235 No. 2 Jalan Jati Satu
Taman Nusa Bestari Jaya
81300 Skudai, Johor Bahru, Johor

236 1, 1A, 1B & 1C, Jalan Belimbing
81400 Senai, Johor

Local & Overseas Branches

As At 30 June 2020

237 6 & 8, Jalan Nakhoda 12
Taman Ungku Tun Aminah
81300 Skudai, Johor

238 Ground Floor, No. 1
Jalan Setia Tropika 1/15
Taman Setia Tropika
81200 Johor Bahru, Johor

239 1 & 3
Jalan Persiaran Tanjung Susur 1
Taman Bukit Alif, Tampoi
81200 Johor Bahru, Johor

240 No. 39 & 41
Jalan Kebudayaan 1
Taman Universiti
81300 Skudai, Johor

241 No. 5 Jalan Camar 1/3
Taman Perling
81200 Johor Bahru, Johor

242 No. 30 & 31, Jalan Delima
Pusat Perdagangan Pontian
82000 Pontian, Johor

243 37 & 39, Jalan Johar 1
Taman Desa Cemerlang
81800 Ulu Tiram, Johor

244 12-16, Jalan Wong Ah Fook
80000 Johor Bahru, Johor

245 105-106, Jalan Besar
81750 Masai, Johor

246 30 & 31, Jalan Mawar 1
Taman Mawar
81700 Pasir Gudang, Johor

247 No. 173 & 175, Jalan Sri Pelangi
Taman Pelangi
80400 Johor Bahru, Johor

248 No. 21, Jalan Permas 10/1
Bandar Baru Permas Jaya
81750 Masai, Johor

249 No. 20 & 21
Jalan Harimau Tarum, Taman Abad
80250 Johor Bahru, Johor

250 80, Jalan Dedap 13
Taman Johor Jaya
81100 Johor Bahru Johor

251 No. 29 & 31, Jalan Molek 2/4
Taman Molek
81100 Johor Bahru, Johor

252 Ground Floor
Bangunan Persekutuan
Tiong Hua JB, No. 8, Jalan Keris
Taman Sri Tebrau
80050 Johor Bahru, Johor

PERLIS

253 No. 40 and 42, Jalan Bukit Lagi
01000 Kangar, Perlis

FEDERAL TERRITORY PUTRAJAYA

254 **Hong Leong Islamic Bank Berhad**
Lot T00-U01, No. 5
Jalan 16, Precint 16
62150 Putrajaya
Wilayah Persekutuan

BUREAU DE CHANGE

1 **Bureau De Change KLIA2**
Lot S2-3-L34
Departure Level Public Concourse
KLIA2 Airport
64000 Sepang
Selangor Darul Ehsan

2 **Bureau De Change Bukit Bintang**
No. 53 & 55 Jalan Sultan Ismail
50250 Kuala Lumpur

3 **Bureau De Change Kuantan**
No. 25, Jalan Tun Ismail
25000 Kuantan
Pahang Darul Makmur

SINGAPORE

1 **Main Office**
1 Wallich Street
#29-01 Guoco Tower
Singapore 078881

Banking Hall
7 Wallich Street
#B1-25 & B1-26
Tanjong Pagar Center
Singapore 078884

HONG KONG

1 Rm 1504 & 50/F
The Center
99 Queen's Road Central
Central, Hong Kong

VIETNAM

1 **Hong Leong Bank Vietnam Limited**
Ground Floor, Centec Tower
72-74 Nguyen Thi Minh Khai Street
District 3, Ho Chi Minh City

2 **Hong Leong Bank Vietnam Limited**
Pacific Place, GF, Unit 08-09
83B Ly Thuong Kiet Str
Tran Hung Dao Ward
Hoan Kiem District
Hanoi, Vietnam

3 **Hong Leong Bank Vietnam Limited**
Binh Duong Branch
Unit 102, 103 Canary Plaza
Binh Duong Boulevard
Thuan An District, Binh Duong
Vietnam

4 **Hong Leong Bank Vietnam Limited**
Transaction Office
62-62A Hau Giang, District 6
Ho Chi Minh City, Vietnam

Local & Overseas Branches

As At 30 June 2020

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:
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 and 67, St1003, Phum Bayab,
Sangkat Phnom Penh Thmey, Khan
Sen Sok, Phnom Penh, Cambodia

LABUAN OFFSHORE

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

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 Seventy-Ninth Annual General Meeting of the Bank to be held at Wau Bulan Ballroom, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Friday, 30 October 2020 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 declare a final single-tier dividend of 20 sen per share		
2.	To approve the payment of Director Fees and Directors' Other Benefits		
3.	To re-elect YBhg Tan Sri Quek Leng Chan as Director		
4.	To re-elect Ms Chok Kwee Bee as Director		
5.	To re-elect YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah as Director		
6.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
7.	To approve the ordinary resolution on Authority to Directors to Allot Shares		
8.	To approve the ordinary resolution on Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and Persons Connected with HLCM		

Dated this________day of____________________2020

____________________ Number of shares held

____________________ Signature(s) of Member

Notes:-

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 22 October 2020 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the 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 lodge 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.*

Fold this flap for sealing

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AFFIX STAMP

The Group Company Secretary

HONG LEONG BANK BERHAD
Registration No. 193401000023 (97141-X)

Level 30, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

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Hong Leong Bank Berhad
Registration No. 193401000023 (97141-X)

Level 19, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2081 8888
Fax : 03-2081 7801

www.hlb.com.my

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