Hong Leong Bank Berhad

ANNUAL REPORT 2018

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CORPORATE

WHAT'S INSIDE

FINANCIALS

ADDITIONAL INFORMATION


Just Three Words

VISION

Highly digital and innovative ASEAN financial services company

THE BUSINESS

Digital and innovation is part of the Hong Leong Bank culture, in line with our vision to be a highly digital and innovative financial service provider guided by its ethos of being digital-at-the-core, centred around customer experiences and the growing demand and expectation for digital based services, products and solutions.

Hong Leong Bank ("HLB") stands proudly as a leading financial-services institution based in Malaysia, providing regional services of a wide range of comprehensive and innovative financial solutions. These services are delivered through both digital and traditional means, via online and mobile banking, as well as its digital branch concept designed to provide customers with an efficient and seamless experience aided by technology.

HLB's extensive branch network extends beyond Malaysian borders with one branch each in Singapore and Hong Kong respectively, four branches in Vietnam, five branches in Cambodia, and a representative office in Nanjing, China, as well as a full-service call centre and more than 1,100 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.

As the service and financial landscape changes rapidly with the ever-increasing use of technology, staying attuned to customers' needs and desires becomes even more critical to HLB's operations. To stay ahead of these dynamic changes, the Bank has adopted the approach of reimagining banking by embedding digital considerations and customer centricity in every aspect of our operations, from products and services as well as customer care and engagement.

HLB's ethos of being Digital-At-The-Core that is powered by customers-at-the-forefront has led and will continue to lead us to innovate offerings in line with our aspiration of being a highly digital and innovative financial services organization. The Bank constantly looks at ways to leverage on technology to increase efficiency and productivity towards improving the overall customer experience, as well as to upskill employees' competencies and skill sets in this ever-changing financial industry landscape, so that we have a "fit for the future" workforce.

The digital ambition of HLB is to enable the customers to live life uninterrupted, able to perform their banking and financial needs – simpler, better, intuitively and tailored to their preferences.

HONG LEONG BANK'S KEY BUSINESS PILLARS ARE:

Personal Financial Services	Business and Corporate Banking	Global Markets	Islamic Financial Services
Providing financial products, wealth management, and priority banking services to individuals including property, auto and personal loans, payment products, share financing, investment and insurance, as well as deposit and remittance services.	Principal business activities include the provision of banking solutions such as deposit and loan services covering business current account, interest-bearing auto-sweep as well as fixed deposit, and financing options ranging from asset acquisition, working capital, and debt capital market structures, for our corporate, commercial and SME client base. HLB also specializes in the provision of transaction banking solutions via cash management, trade financing and services.	Principal activities include assisting customers to meet their investment and hedging needs through various treasury products, ranging from foreign exchange, money market, derivatives including interest rate swaps and interest rate swap options, to structured investment products.	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.

THE BUSINESS

REGIONAL FOOTPRINT

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

Singapore Operations

HL Bank, Singapore is a full banking license branch offering wealth management, treasury services, deposit products and auto loan services. We have embarked on a transformational journey towards an integrated business model, expanding into health banking, corporate banking for commercial clients and expanded consumer lending propositions.

Hong Kong Operations

The Bank's branch in Hong Kong offers Treasury and Wealth Management products and services. It is also the first bank in Hong Kong to launch an Islamic banking window.

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 transaction office located in Ho Chi Minh City, and a branch each in Bin 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 five 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. In March 2010, the joint venture company between HLB and the Bank of Chengdu obtained regulatory approval to establish a consumer finance business in Chengdu. In November 2013, HLB had set up a representative office in Nanjing which commenced operations in February the following year.

"To stay ahead of these dynamic changes, the Bank has adopted the approach of reimagining banking by embedding digital considerations and customer centricity in every aspect of our operations, from products and services as well as customer care and engagement."

AWARDS & ACCOLADES

1. **MALAYSIA'S BEST BANK AWARDS FOR EXCELLENCE 2017**
   EuroMoney

2. **BEST BANK IN MALAYSIA CASH MANAGEMENT CUSTOMER SATISFACTION AWARD, 2017**
   AsiaMoney

3. **BEST INNOVATION IN RETAIL BANKING MALAYSIA, 2017**
   The International Banker

4. **HIGHEST RETURNS TO SHAREHOLDERS OVER 3 YEARS – GOLD AWARD, 2017**
   The Edge – Billion Ringgit Club

5. **HIGHEST RETURN ON EQUITY OVER 3 YEARS – SILVER AWARD, 2017**
   The Edge – Billion Ringgit Club

6. **MOST INNOVATIVE TECHNOLOGY ADOPTION – GOLD AWARD MALAYSIAN CONTACT CENTRE AWARDS 2017**
   Contact Centre Association of Malaysia

7. **BEST SOCIAL MEDIA OF A CONTACT CENTRE – GOLD AWARD MALAYSIAN CONTACT CENTRE AWARDS 2017**
   Contact Centre Association of Malaysia

8. **BEST NEW CONTACT CENTRE – GOLD AWARD MALAYSIAN CONTACT CENTRE AWARDS 2017**
   Contact Centre Association of Malaysia

9. **BEST INBOUND CONTACT CENTRE ABOVE 100 SEATS – MERIT AWARD MALAYSIAN CONTACT CENTRE AWARDS 2017**
   Contact Centre Association of Malaysia

10. **BEST USE OF CEM TECHNOLOGY – GOLD AWARD, 2017**
    International Quality and Productivity Centre

AWARDS & ACCOLADES

11. ASIA'S BEST FIRST TIME SUSTAINABILITY REPORT FINALISTS 2017
Asia Sustainability Reporting Awards

12. ASIA'S BEST DIGITAL WORKFORCE FINANCIAL INSIGHTS INNOVATION AWARDS 2018
IDC Financial Insights

13. FINTECH PERSONALITY OF THE YEAR, 2018
Malaysia Fintech Awards

14. OUTSTANDING CONTRIBUTION TO MYDEBIT MALAYSIAN E-PAYMENTS EXCELLENCE AWARDS 2018
PayNet

15. BEST GRADUATE RECRUITMENT PROGRAMME – BRONZE AWARD RECRUITMENT AWARDS 2018
Human Resource Asia

16. THE BEST CASH MANAGEMENT PROJECT IN MALAYSIA BANKER'S CHOICE AWARDS 2018
The Asian Banker

17. THE BEST FINANCIAL SUPPLY CHAIN MANAGEMENT IN MALAYSIA BANKER'S CHOICE AWARDS 2018
The Asian Banker

18. MALAYSIA'S BEST BRAND, 2018
CMO Asia

19. TOP BANK IN THE SECONDARY MARKET CORPORATE BONDS MALAYSIA – RANK 3 ASIAN LOCAL CURRENCY BOND BENCHMARK REVIEW 2017
The Asset

20. TOP BANK IN THE SECONDARY MARKET GOVERNMENT BONDS MALAYSIA – RANK 3 ASIAN LOCAL CURRENCY BOND BENCHMARK REVIEW 2017
The Asset

HONG LEONG BANK STORY

Hong Leong Bank Berhad ("HLB" or "the Bank") 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.

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 by leaps and bounds, organically as well as through mergers and acquisitions. Its merger with EON Bank Group in 2011 placed HLB as Malaysia's fifth largest banking group; with over RM200 billion in assets as at 30 June 2018.

HongLeong Bank

- PERSONAL FINANCIAL SERVICES
- BUSINESS & CORPORATE BANKING
- GLOBAL MARKETS
- ISLAMIC BANKING

INCORPORATED IN 1905:

Kwong Lee Mortgage and Remittance Company in Kuching, Sarawak

LOCATIONS:

- Malaysia (HQ) *(Listed on Bursa Malaysia)*
- Singapore
- Hong Kong
- Vietnam
- Cambodia
- China

KEY FOCUS AREAS

Talent

Customers

Community

Entrepreneurship

TECHNOLOGICALLY FOCUSED:

Digital at the Core,
People at the Forefront

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 Hong Leong Bank Berhad

2008
Entered China Banking Sector with a 20% strategic stake in Bank of Chengdu Co., Ltd.

20%

2009
Hong Leong Bank Vietnam opened its doors in Ho Chi Minh City

2011
Hong Leong Bank completed merger with EON Bank Group

2012
Launched Mach by Hong Leong Bank, a next generation Banking sub-brand

2013
- Hong Leong Bank Cambodia commenced its operations
- Set up representative office in Nanjing, China

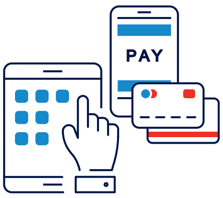
Intensified digitization of Hong Leong Bank's products and services

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

CORPORATE MILESTONES

2015

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



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

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

2018

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

HongLeong connectFirst

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

HongLeong smartup

- Established the first Hong Leong Bank Digital Concept flagship branch in Damansara City, featuring Personalized 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.

CHAIRMAN'S STATEMENT

Hong Leong Bank ("HLB" or "Bank") made important strides both financially and digitally in the 2018 Financial Year ("FY2018"). During the year, we achieved new milestones in profits and total assets. The Bank made RM2,638 million in net profit in FY2018, our highest ever and 23% better than the previous year.

This was largely due to our robust growth in non-interest income and prudent loan pricing coupled with improved cost management. Total assets stood at RM202.9 billion, crossing the RM200 billion mark for the first time. The Bank's careful and responsible stewardship continues to deliver sustainable growth with steady top-line performance and effective cost control. This includes intensifying our income diversification and implementing our sustainability and digitization initiatives, which improved our cost-to-income ratio.

We expect that the group's performance during FY2019 will benefit from steady growth in both the global and Malaysian economies. The Malaysian economy remained healthy and expanded at a good pace of 5% in the first half of 2018, underpinned by continued expansion in private consumption and exports. The global economy is expected to continue to grow in 2018 and support demand for Malaysian exports. This export demand should have spill-over benefits to other domestic sectors.

35.5% over 5 years

SHARE PRICE

RM18.20
for FY2018

OUTPERFORMED

FBM KLCI Index by
40.1%

FBM KLFin Index by
36.9%

The Malaysian economy is expected to continue its growth momentum, albeit at a more moderate level in the second half of 2018 despite potentially challenging domestic and external conditions. However we expect policy reforms and prudent fiscal management to strengthen the Malaysian economy which augurs well for the future. We are also mindful of geopolitical and other risks, chiefly the development of new US trade policies which could possibly precipitate a trade war between the US and China and/or other economies around the world.

ECONOMIC CONDITIONS

The global and Malaysian economy remained in good shape in FY2018. The Malaysian economy remained fundamentally sound, supported by domestic demand and continuous expansion in exports. Inflation also stayed benign and the nation's current account surplus and ample foreign reserves should help the nation weather any unforeseen external shocks. The country's financial markets also demonstrated resilience in the face of volatilities such as the sell-down that rocked global equity markets in March. The Malaysian banking sector remained healthy and well capitalized. This allowed the banking sector to play a vital role in supporting national economic growth over the past year.

There were however also significant political and economic developments in Malaysia and across the world in FY2018. Malaysia experienced an unprecedented change in government in May 2018, its first since gaining independence in 1957. Some major European countries such as France also experienced a change of guard. Globally influential central banks – namely the US Federal Reserve and Bank of England – opted to normalize their very low interest rates, impacting capital flows to emerging markets. During the year, Malaysia also adjusted its Overnight Policy Rate ("OPR") upwards by 25bps to 3.25% in January 2018.

CHAIRMAN'S STATEMENT

BUILDING LONG-TERM VALUE

The year was not without its challenges as an array of regulatory and economic factors came into play. As a bank, we were ready to meet higher capital adequacy requirements on top of increasingly stringent compliance standards. Our competitive landscape too has shifted. No longer are we competing only with conventional financial institutions, but now have to increasingly respond to the disruption posed by FinTech start-ups.

The Group is however well positioned to not only overcome these challenges but grow stronger from it. For example, rather than viewing FinTech as a threat, we are learning, and in some cases, collaborating with FinTech, becoming even more entrepreneurial and competitive in the process. Our underlying key operating metrics remain solid. They are underpinned by a combination of prudent loan pricing and judicious funding cost management. Our results also showed a healthy non-interest income contribution and benefited strongly from our carefully embedded culture of uncompromising discipline with regards to operating efficiencies.

For the year, the Group's total assets expanded by 3.8% from RM195.6 billion as at 30 June 2017 to RM202.9 billion as at 30 June 2018. The Bank's total gross loans and financing meanwhile rose 3.1% year-on-year ("y-o-y") to RM129.1 billion as compared to RM125.1 billion the previous year. The growth, despite cautious business sentiments, reflects the strength of our domestic retail and SME business. Total customer deposits expanded 1.4% y-o-y to RM157.4 billion with growth coming from core customer deposits.

I am delighted to announce that our earnings per share ("EPS") was 129.0 sen, while our return on equity ("ROE") stood at 11.3% for FY2018. The value represented by the Bank has been recognized by the market with our stock doing appreciably better than key indices. Our share price closed at RM18.20 for FY2018 representing a 35.5% appreciation over five years and out-performing both the FBM KLCI index and FBM KLFin index by 40.1% and 36.9% respectively.

NET PROFIT
+ 23%
RM2,638 million

TOTAL GROSS LOANS AND FINANCING
+ 3.1%
RM129.1 billion

GROUP TOTAL ASSETS
+ 3.8%
RM202.9 billion

CHAIRMAN'S STATEMENT

For FY2018, the Board has proposed a final dividend of 32.0 sen per share subject to the approval of shareholders during the forthcoming Annual General Meeting on 29 October 2018. This brings the total dividend for FY18 to 48.0 sen per share, 3.0 sen per share higher than last year.

In another noteworthy development during the year, RAM Ratings upgraded the long-term financial institution ratings of Hong Leong Bank Berhad from AA_1 to AAA in recognition of our superior asset quality. It also reflected the Bank's sustained track record of having robust funding and liquidity positions, as well as our respectable domestic retail and SME franchises.

ISLAMIC BANKING

Malaysia ranks as a global leader in Islamic Banking and Islamic Finance is a key element of its economic growth. The growth of Islamic banking in Malaysia continues to be encouraging, registering a steady 10% growth in financing assets in 2017. The market share of Islamic banking assets of the total banking assets accounted for 26% of the total banking assets in Malaysia as at 30 June 2018.

As one of the country's Islamic Financing institutions, Hong Leong Islamic Bank Berhad ("HLISB") is committed to deliver sustainable growth of its business and participate with the other Islamic finance providers in the industry to help Malaysia remain at the forefront of Islamic Finance.

"In another noteworthy development during the year, RAM Ratings upgraded the long-term financial institution ratings of Hong Leong Bank Berhad from AA_1 to AAA in recognition of our superior asset quality."

HLISB performed well in FY2018. The expansion in Profit after Tax and Zakat was more than commendable, growing 27% to RM282 million over the previous year. Gross Islamic financing assets also expanded by 10% to RM22.9 billion, making up 18% of Hong Leong Bank Group's total financing.

As the Islamic banking arm of the Hong Leong Group, HLISB will continue to contribute significantly by providing holistic Islamic financial solutions to the Group's customer base. HLISB is also undergoing a digital transformation of its business and Shariah governance to drive growth whilst at the same time addressing competitive threats from FinTech players.

HLISB will continue to adopt Value Based Intermediation ("VBI") principles in our business. This is to realize the full potential of VBI and the way it can strengthen the beneficial impact of Islamic Banking in the nation's economy and society.

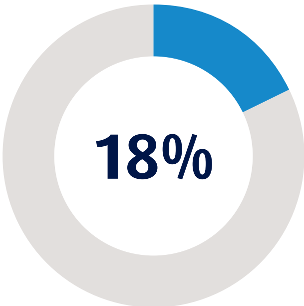
CHAIRMAN'S STATEMENT

PROFIT AFTER TAX AND ZAKAT

+ 27%

RM282 million

HLB GROUP GROSS ISLAMIC FINANCING ASSETS



"Our associate in China, Bank of Chengdu ("BOCD") became the first city commercial bank in Sichuan Province to be listed on the Shanghai Stock Exchange on 31 January 2018."

PROGRESS ACROSS THE REGION

The Group views our regional footprint as integral to our expansion strategy. Our regional presence will also support our commitment to deliver long-term growth and returns to our shareholders in a sustainable manner. To this end, our efforts have shown itself in our results as the total profit contribution from international operations accounted for 18.2% of the Group's pre-tax profit in FY2018, up from 14.6% in the previous financial year.

Our Singapore operation, through HL Bank Singapore ("HLBS") represents an important franchise for the Group as it is located in a leading global financial hub. The branch has transformed from a pure Private Banking proposition to a more comprehensive business. It now encompasses other niche segments such as Health Banking, Auto Financing and SME Banking. In the coming year, HLBS will look to progress its business even further to stay relevant to the younger generation of wealth builders and SME businesses. This includes using digital technology and leveraging on the Head Office's ("HO") digital transformation roadmap.

For the fifth year in a row, Hong Leong Bank (Cambodia) PLC ("HLBCAM") had another outstanding performance in FY2018. Our Cambodian operation's net profit grew an impressive 130% y-o-y to RM14.2 million. Its total assets meanwhile grew by 37% y-o-y to RM1.7 billion. To meet the minimum net worth requirement set by the National Bank of Cambodia as well as to support our own growth agenda, Hong Leong Bank Berhad injected RM16 million in sub debt into HLBCAM in June 2018.

Our associate in China, Bank of Chengdu ("BOCD") became the first city commercial bank in Sichuan Province to be listed on the Shanghai Stock Exchange on 31 January 2018. We look forward to BOCD's continued growth despite the uncertain implications of trade tensions between US and China.

CHAIRMAN'S STATEMENT

COMMITTED TO SUSTAINABLE PERFORMANCE

The Group has crafted a vision of going beyond the balance sheet to play a role to help our stakeholders, customers and the communities we operate in to benefit economically, environmentally and socially from our investments. We are here to be a responsible banker and help our customers succeed in a sustainable way.

To achieve this, we operate our business so as to be more than a banker but to actually be a valued partner to our clients. This means that we help our customers adopt practices that strengthen their business while at the same time achieve two other sustainability goals: enhancing the developmental impact of investments and influencing nation building for the better.

HLB Group undertook a broad spectrum of initiatives designed to catalyze and bring about the desired sustainability outcomes. We ramped up the technical assistance and advisory resources we make available to clients. We provided tailored guidance to companies through our corporate governance programs. Our digitization strategy helped to reimagine the banking experience while reducing environmental impact. We promoted sustainable business development through innovations in our products and services provided to SMEs. We launched initiatives to enhance energy efficiency in our operations. We also implemented prudent and stringent policies to ensure clean and responsible financing offerings to customers.

We publish a sustainability report to better communicate our strategies and progress. This report details our efforts and initiatives across the group to promote environmentally sustainable and inclusive growth as well as to reduce our carbon footprint. In this regard, we are pleased to have met the globally recognized standards for inclusion in the FTSE4Good Bursa Malaysia Index.

CHAIRMAN'S STATEMENT

LOOKING AHEAD

We expect major central banks to maintain their gradual monetary policy normalization in the coming year. This is due to sustained growth in the global economy, underpinned by continuous expansion in both advanced and emerging market economies.

In the US, we see any fiscal boosts arising from the US tax plans as likely to wane moving forward. Ongoing trade tensions between the US and China meanwhile is expected to cast a shadow on the growth outlook of the world's largest economy.

With this in mind, we will continue to stay vigilant and exercise caution in executing our strategy of prudent and responsible growth.

We expect Malaysia to stay on a moderate growth path thanks to its diverse economic structure, sound macro fundamentals and policy flexibility. These features suggest the country is well-positioned to weather any undesirable shocks.

Going forward, the Group is committed to deliver long-term sustainable growth and shareholder value by continuing to execute our business and digital strategies. We are however, cognizant of the challenges and potential economic headwinds that lie ahead. To ensure sustainable success, we will focus on improving our operational efficiency with innovation and increase our capacity through strategic cost and portfolio management. We will also strengthen our digital offerings to transform our customer engagement process and reimagine banking through customer journeys. We will also grow our customer base both through our community focused branch network and through digital channels.

ACKNOWLEDGEMENTS

Last but not least, I would like to express my heartfelt appreciation to my fellow Board members for their support, guidance and wisdom. I would also like to thank our customers, business partners and shareholders for placing their trust in us as well as for their loyalty and support over the years. We also would not be where we are today without the tireless efforts of our people and I would like to express my appreciation to senior management and all our employees for embodying the twin ideals of the Bank of being ethical and entrepreneurial in carrying out their duties. My deepest appreciation also goes out to Bank Negara Malaysia, the Ministry of Finance, government agencies and other regulatory authorities for their assistance, guidance and support.

QUEK LENG CHAN
Chairman

19 September 2018

FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

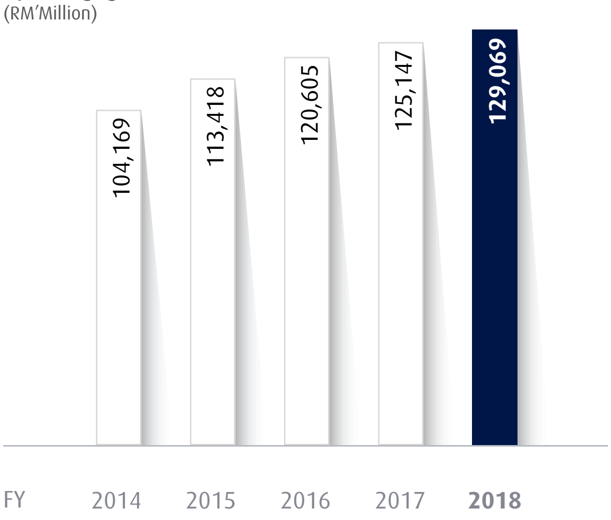
Group	FY14 RM'Million	FY15 RM'Million	FY16 RM'Million	FY17 RM'Million	FY18 RM'Million
Total Assets	170,351	184,020	189,828	195,553	**202,891**
Gross Loans	104,169	113,418	120,605	125,147	**129,069**
Customer Deposits	130,252	140,276	148,524	155,233	**157,414**
Shareholders' Fund	14,530	16,790	21,117	22,685	**23,892**
Profit Before Tax	2,613	2,746	2,382	2,748	**3,246**
Profit After Tax	2,102	2,233	1,903	2,145	**2,638**
Earnings per share (sen)	119	126	100	105	**129**
Net dividend per share (sen)	41.0	41.0	41.0	45.0	**48.0**
Dividend payout ratio (%)	34.4%	32.4%	44.1%	42.9%	**37.2%**

Bank	FY14 RM'Million	FY15 RM'Million	FY16 RM'Million	FY17 RM'Million	FY18 RM'Million
Total Assets	148,822	160,681	162,238	164,817	**169,111**
Gross Loans	89,225	96,691	101,054	103,516	**105,079**
Customer Deposits	114,099	122,337	126,241	129,859	**129,583**
Shareholders' Fund	12,330	13,428	17,431	18,442	**19,263**
Profit Before Tax	2,058	2,279	2,025	2,347	**2,518**
Profit After Tax	1,591	1,776	1,605	1,744	**1,972**

GROSS LOANS, ADVANCES AND FINANCING

Growth led predominantly by mortgages and SME
(RM'Million)

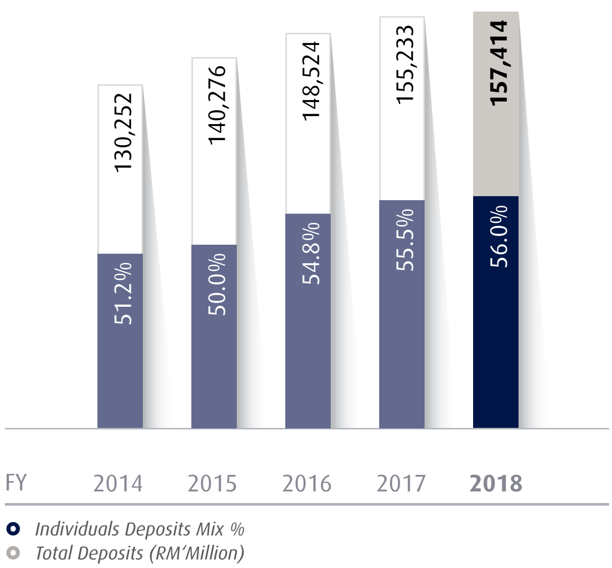
YoY +3.1%



DEPOSITS FROM CUSTOMERS

Healthy growth with individuals deposit mix of 56%

YoY +1.4%

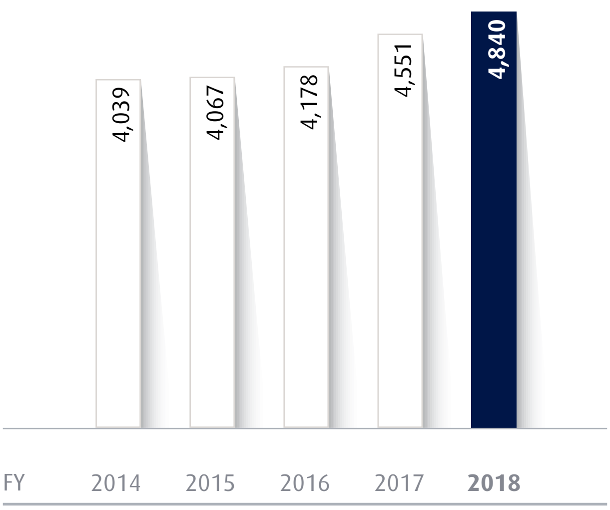


FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

TOTAL INCOME

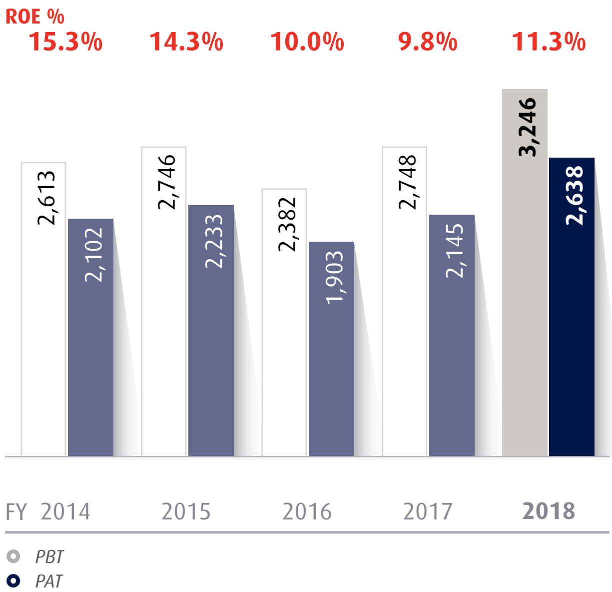
Underlying revenue remained solid
(RM'Million)

YoY +6.3%



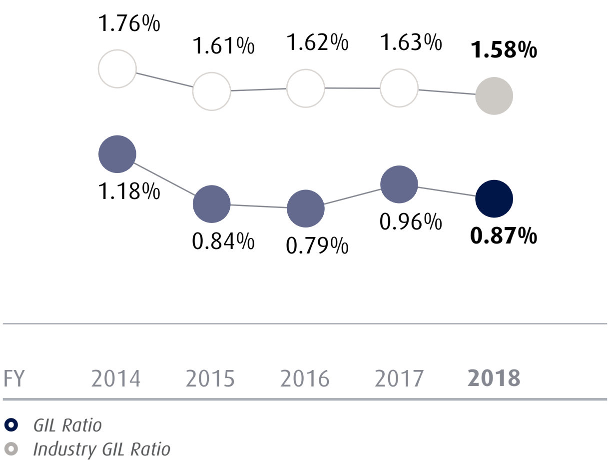
PROFITABILITY

Record-breaking PBT and PAT
(RM'Million)



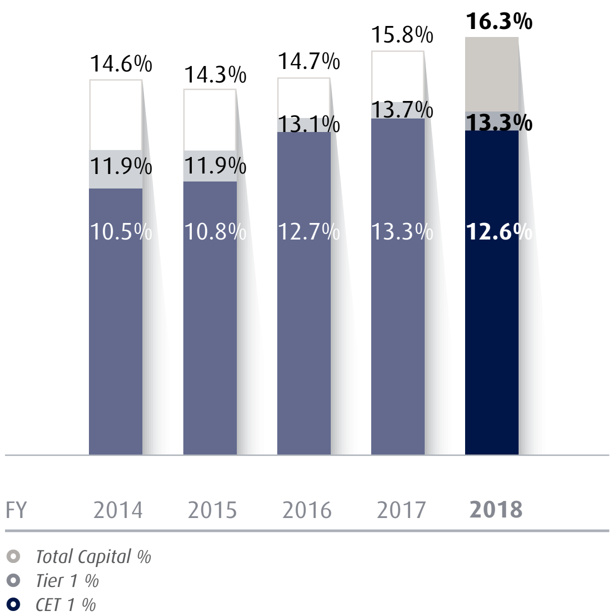
ASSET QUALITY

Consistently out-performed the industry average of 1.58%



CAPITAL RATIOS

Robust capital positions, supportive of growth



GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholders, Customers and Business Partners,

The Bank turned in another strong performance across key fronts in FY2018. Our profits were record breaking, our asset quality remained superior and our financial ratios were strong.

Our success extended beyond domestic shores as our regional entities and associates chalked up impressive growth numbers. We also broke new ground in our journey to reimagine our bank as a digital enterprise. We are the first bank in country to offer chat-based banking – utilizing the ubiquitous and popular chat technology to allow customers to now also perform banking transactions. We also embarked on artificial intelligence and automation to ramp up our productivity and speed of execution.

The weaving of digital into our DNA has yielded valuable outcomes ranging from monetary benefits such as cost savings to more intangible ones such as superior customer experiences. But while a superior customer experience may at first glance be intangible, we believe it contributes to customer loyalty and goodwill that in the long run will translate to better business outcomes.

A deeper look at our numbers shows that the Bank has continued to do well thanks to its prudent policies and diverse and stable funding profile. Apart from our record net profit for the year, total income also grew by 6.3% to RM4,840 million from RM4,551 million the prior year. Our regional operations were a key contributor with significant profit growth from our associate company in China. Our sustainability initiatives also helped improve our bottom line with cost and efficiency gains realized from our ongoing digital transformation.

The overall macro environment remains favourable due to continuous moderate growth in the advanced economies and faster expansion in emerging market ("EM") economies. The US economy continued to hold up well. The other major economies however, notably the Eurozone and Japan are seeing softer momentum.

As a result of the US economy's strength, the Fed remains on the forefront of monetary policy normalization, triggering shifts in portfolio flows out of the EMs back to the US. This prompted some EM central banks to raise interest rates to reduce volatility and ensure stability in the domestic financial markets. In Malaysia, Bank Negara made the pre-emptive move to raise the Overnight Policy Rate ("OPR") by 25bps in January 2018. This hike was in anticipation of further interest rate increases in the US amid the steady growth and inflation outlook locally.

On the local front, we expect growth prospects to remain intact, albeit at a slower pace, on the back of domestic and external demand. The new government installed in May 2018 is reviewing spending on mega-projects that could cause some transitory setback in investments. We expect however that the shortfall could be cushioned by a potential boost in private consumption and investments.

I am delighted with the Group's performance and the many achievements our people accomplished over the year. It is my pleasure therefore, to present to you the Annual Report and Financial Statements of Hong Leong Bank Berhad for the financial year ended 30 June 2018.

TOTAL INCOME + 6.3%

RM4,840 million

NON-INTEREST INCOME + 12.5%

RM1,344 million

NET INTEREST INCOME + 4.2%

RM3,495 million

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

"Our success extended beyond domestic shores as our regional entities and associates chalked up impressive growth numbers. We also broke new ground in our journey to reimagine our bank as a digital enterprise. We are the first bank in country to offer chat-based banking – utilizing the ubiquitous and popular chat technology to allow customers to now also perform banking transactions. We also embarked on artificial intelligence and automation to ramp up our productivity and speed of execution."

OPERATING PERFORMANCE

Total income for the Group for FY2018 stood at a record RM4,840 million, which is a 6.3% increase from the previous year. This achievement was driven by prudent loan pricing, effective funding cost management and good growth in non-interest income.

Non-interest income rose significantly by 12.5% to RM1,344 million as the Bank redoubled efforts to diversify its income sources. The key contributors to the higher non-interest income were increases in wealth management income and higher gains from treasury operations. This led to an improvement in our non-interest income ratio to 27.8%.

Contributions from net interest income also expanded steadily by 4.2% y-o-y to RM3,495 million. For the financial year, our net interest margin ("NIM") increased to 2.10% compared to 2.09% the previous year.

International operations were also key, contributing 18.2% of the Group's pre-tax profit in FY2018, versus 14.6% the previous year. Regional contributions were led by BOCD which were higher by 50.5% y-o-y at RM516 million. Profits from BOCD made up 15.9% of the Bank's pre-tax profit.

Operating expenses improved over the year, reflecting the gains realized from our efficiency and productivity measures. Our cost-to-income ratio ("CIR") dipped to a six-year low of 42.6%, bettering last year's mark of 44.1%. The lower CIR helped boost operating profit for FY2018 by 9.3% y-o-y to RM2,779 million from RM2,543 million the previous year. We also saw positive JAWS (income growth rate exceeding expenses growth rate) for eight consecutive quarters as costs and productivity improved due to efficiencies derived from our digitization and strategic cost management initiatives.

In FY2018, gross loans and financing grew 3.1% y-o-y to RM129.1 billion despite a relatively cautious consumer and business environment. The increase was predominantly due to contributions from our key segments of mortgages and Small and Medium Enterprises ("SMEs").

Domestic loans to the retail segment rose steadily by 3.3% y-o-y to RM91.0 billion. The fastest growth in loans and financing was seen in residential mortgages, which expanded 7.9% y-o-y to RM61.4 billion. The robust increase was supported by a healthy home loan pipeline. Transport vehicle loans however, were lower at RM16.9 billion, reflecting softer industry growth.

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

SMEs are a key market for the Bank and loans and financing to SMEs was higher at RM20.5 billion, comprising 15.9% of the Bank's loan base. This was mainly driven by a 22.4% growth in the Bank's Group SME Banking ("GSME") portfolio. GSME is a new community banking initiative focusing solely on the SME market segment.

The Bank maintained its strong position in terms of funding and liquidity which remained healthy and prudent with a loans-to-deposit ratio of 82.0%. Liquidity coverage ratio meanwhile came in at 126%, which puts us ahead of schedule as well as far exceeding regulatory requirements of 100% by 2019.

The Bank continued to enjoy a stable funding base backed by a strong individual deposit base which tops the industry at 56.0%.

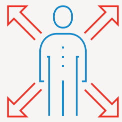
Customer deposits for FY2018 increased by 1.4% y-o-y to RM157.4 billion supported by strong CASA expansion of 6.3% y-o-y to RM41.2 billion. As a result, CASA ratio improved to 26.2% as compared to 25.0% last year.

The Bank has always been uncompromising about maintaining strong asset quality. FY2018 was no different as the gross impaired loan ratio and the loan impairment coverage ratio remained solid at 0.87% and 89% respectively. If the regulatory reserve set aside as at 30 June 2018 is included, the Bank's coverage ratio would be even higher at 155%.

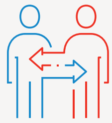
The Bank's capital position remains robust with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 12.6%, 13.3% and 16.3% respectively.

FOUR KEY PILLARS

1 **Strategic Workforce Planning**

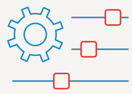


2 **Strong Employee-Employer Proposition**



3 **Focus on Employee Potential**

4 **Leverage on Technology**



Cost-to-Income Ratio
42.6%

Operating Profit
+9.3% YoY

Loans-to-Deposit Ratio
82.0%

Liquidity Coverage Ratio
126.0%

HUMAN RESOURCES

We at Hong Leong believe our people are our most valuable asset. Our ambition to be a highly digital and innovative ASEAN financial services enterprise puts us in a unique position to attract, develop and retain a diverse pool of talented people. To build this fit for future talent pool, we have put in place a strategic roadmap to drive the people agenda.

Guided by the four key pillars of Strategic Workforce Planning, Strong Employee-Employer Proposition, Focus on Employee Potential and Leverage on Technology, we have made significant progress over the past 12 months in advancing each of these four pillars.

This year's annual report present stories that reflect on the initiatives we carried out based on the four guiding pillars. These stories illustrate our commitment to creating a conducive work environment, one that genuinely takes into account our employees' needs and ambitions. We do this by giving our employees the best possible opportunities for learning and personal growth and equipping them to face the new and evolving challenges of today's dynamic environment.

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

SUSTAINABILITY

We have a proud heritage of creating value for our stakeholders, customers and communities in which we operate. To maintain this over the long term, we have integrated sustainability practices in our business to become stronger and more resilient as well as to deliver on our social, economic and environmental obligations.

In this report we will show how our sustainability practices have enhanced efficiency and supported SMEs – the backbone of our economy. We will also show how our compliance efforts and corporate governance enhance and protect stakeholder value. And last but not least, our report will present how our Corporate Social Responsibility ("CSR") efforts reach beyond our Group to help our customers succeed.

Digital innovation is a key component to our sustainability as an enterprise as it helps us remain relevant and competitive in an era of increasing technological sophistication. Our digitalization exercise has reaped positive returns and significant savings for the group since its launch in 2016. In this report, you will see that the launch of "Digital at the Core" in both business and human resource operations has increased efficiency significantly and enhanced effectiveness in our business facilities.

We also showcase how our corporate banking products and services facilitated SME development by providing value-added services and programs that go beyond financial services. SMEs account for over 98% of enterprises in Malaysia and contribute significantly to Malaysia's GDP. Similar to other emerging markets however, Malaysian SMEs commonly face barriers to finance. Or they may be held back by a business environment due to the challenges that come with size limitations.

Supporting small business growth is essential for long term economic growth. We want to help small firms to thrive and become larger firms. This not only increases market competition and innovation but most importantly creates sustainable job opportunities.

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

In line with this view and given that SME development is a core component of the Bank's corporate strategy, we have helped many of our SME customers overcome their limitations with our value propositions. This means that their limitations in terms of Human Resource, Administrative, Supply Chain and Logistics were all addressed with our innovative products and services. This serves as means of operationalizing our end goal to promote sustainable SME development locally and in the South East Asian region.

"These awards are a recognition for the Bank's resiliency in a challenging operating environment and also a spotlight on our ongoing digital transformation and commitment towards the provisioning of innovative digital financial services solutions. We also emerged winners in competitions that highlight our excellence in attracting and grooming top-flight talent."

In this report, we also present in a transparent way, the stringent processes implemented internally to ensure our products and services are customers' needs focused and adhere to stringent ethics and professional norms. This includes our corporate governance processes and the necessary due diligence reviews that ensure HLB is compliant to the code and conduct of the banking industry and operates as a responsible financial institution.

We believe very much in promoting CSR in client companies as well as our own organization. Our CSR focuses on three areas. The first is helping the Group's clients and communities better recognize and seize opportunities. The second is helping them avoid any risks arising from environmental and social areas relevant to their business. And the third is helping them to engage more effectively with local stakeholders.

Recognition of our digital efforts

A number of the Bank's initiatives were selected for prestigious awards and accolades over the past year. These awards are a recognition for the Bank's resiliency in a challenging operating environment and also a spotlight on our ongoing digital transformation and commitment towards the provisioning of innovative digital financial services solutions. We also emerged winners in competitions that highlight our excellence in attracting and grooming top-flight talent.

The awards are also a testament to how our investments have enhanced the customer experience. The benefits were especially apparent from our investments in our multi-platform banking channels, in particular our push to increase our reach through digital and mobile banking, as well as through our community focused branch network.

One of the highlights of the year was when we were selected as one of Asia's best employers for graduates by Human Resources Asia Recruitment Awards 2018. The award was for Best Graduate Recruitment Programme and is a recognition of our commitment to developing the next generation of exceptional bankers for the Group. The Bank outshone many strong competitors from across Asia to be selected. The award is a clear recognition of our program's comprehensive approach to recruiting graduate talent and developing them into first-class banking professionals.

Another award the Bank clinched was for Best Innovation in Retail Banking Malaysia 2017 by International Banker 2017 Banking Awards. This was in recognition of our constant drive to improve products and services and make them customer focused through state-of-the-art banking solutions.

The Group's intensive efforts to transform customer experience as a digital bank was recognized by Asiamoney when it gave us the Best Bank in Malaysia – Cash Management Customer Satisfaction Award 2017. In winning the award, Asiamoney noted our unmatched customer centric approach which included several first-in-Malaysia innovations focused on improving overall customer experience. These included the use of Artificial Intelligence to support customer service through chat software and a robot concierge to help guide customers at branches, and the launch of "Loan2Go" being a straight-through-processing mobile auto loan application platform.

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

"Our shareholders enjoyed commendable capital gains when our stock appreciated by 25.4%, which was the period of review for The Edge Billion Ringgit Club."

The Bank also clinched the Gold Award for Highest Returns to Shareholders Over 3 Years and Silver Award for Highest Return on Equity Over 3 Years as awarded in The Edge – Billion Ringgit Club 2017 edition. These two awards are a recognition of the outstanding returns that we generated for our shareholders. Our shareholders enjoyed commendable capital gains when our stock appreciated by 25.4%, from RM12.49 to RM15.66, between April 1, 2014, and June 30, 2017, which was the period of review for The Edge Billion Ringgit Club ("EBRC"). The return was the highest among all our banking peers in the EBRC.

STRATEGIC PRIORITIES

We are transforming to be a highly digital and innovative ASEAN financial services enterprise and executing our digital strategy is a top priority. When discussing our strategic priorities, it is important to keep in mind that we hold our well embedded values as the guiding principles that have led us to where we are today – standing tall as one of Malaysia's leading banks. We, therefore, remain steadfast in our commitment to build momentum with carefully developed initiatives that are based on our strategic priorities.

In formulating our strategic priorities, we will focus on: ever expanding digital capabilities, increase customer engagement and transformation of the entire customer experience whenever they interact with us, capabilities enhancement in the segments we serve; culture transformation to ensure our work environment remains conducive to business growth in a highly evolving competitive landscape and finally, physical locations and distribution network transformation to ensure that we are able to engage customers with value add conversations rather than simple transactional interactions. I will go into greater detail about each of our strategic tenets on the following page.

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

1. EXPANDING DIGITAL CAPABILITIES, INCREASE CUSTOMER ENGAGEMENT AND TRANSFORMATION OF THE ENTIRE CUSTOMER EXPERIENCE

As part of our bank-wide strategic initiative of embracing a mindset of being Digital at the Core, we have committed to do the following. Firstly, we will digitize the Bank so that we can acquire new customers seamlessly. Secondly, we will transform our customer engagement process to ensure that we get to know customers better, anticipating their needs and providing solutions that correspond to those needs. We are spending time and resources to reimagining how banking can be throughout customer journeys and hence driving new experiences centred on making it simple for customers when they deal with us. We are streamlining customer interactions over multiple channels to provide a seamless and personalized customer experience across all the various touch-points.

To make the above happen, it is crucial that we sharpen our focus on the digital business model by enhancing five key capabilities:

- ✓ Leverage on digital technologies to broaden our reach and acquire new customers.
- ✓ Enable customers to transact anytime and anywhere instantly and digitally.
- ✓ Engage with our customers through contextual marketing.
- ✓ Re-platform our technology stack and build inhouse digital expertise.
- ✓ Step up utilization of data to create insights and drive action.

Our people are exploring impactful new ideas around customer interaction and engagement. One of the outcomes of this is the improvement of the overall customer experience through the use of innovative and cutting-edge technologies. For example, we introduced online application capabilities for a range of products. These include current and savings accounts, personal loans, credit cards and mortgages. By offering this online application functionality, we make things easier and simpler for our customers as they can now submit applications at their convenience.

We have also launched a game-changing new mobile banking app with an enhanced interface and innovative '3-word-banking' functions. The latter is a smart feature which makes banking simpler and even more convenient for our customers. It allows them to type in just three words to complete an entire banking transaction, anytime and anywhere. The three words just need to state the desired Action, Name and Amount and the transaction will be completed instantly and digitally. The app is also built to give customers a more secure and seamless mobile banking experience.

To improve the experience for our corporate, commercial and SME customers, we launched Hong Leong ConnectFirst in November 2017. Hong Leong ConnectFirst offers a single sign-on access to a comprehensive suite of advanced cash, trade and foreign exchange solutions. It is a comprehensive platform that also provides for high levels of customization. This allows us to serve our customers better by catering to individual needs across the entire range of our business clients, each of whom may have different requirements.

To strengthen our position as society goes increasingly cashless, we partnered with China's mobile ecommerce giant TenCent. This partnership involves using WeChat pay to enable online and offline (O2O) digital payments from retail merchants in Malaysia with an easy-to-adopt, fully integrated cross-border payment solution. This is our first foray as an acquirer of the very popular Chinese digital wallet-based payment methodology. By partnering with TenCent, we can ride on the WeChat Pay platform which has over 600 million monthly active users in China.

Our goal to utilize technology to raise levels of customer satisfaction extends to the frontier of using Big Data. To deliver products and services that enhance customer experience, we need meaningful insights to help us improve our offerings. The Bank is increasingly leveraging on a combination of structured and unstructured data to derive the required insights. Our teams are at the same time improving our service quality by constantly monitoring customer interactions through real-time analytics. We are also enhancing our cross selling and customer acquisition effectiveness by the strategic use of data analytics to generate targeted leads.

In short, over the long term, we want customers to enjoy simplicity, speed and control by offering a digital journey like no other. One that is completely on-line, paperless and hassle-free with real-time approvals. And this will be done by effectively harnessing the power of digital capabilities and big data analytics.

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

2. CULTURE TRANSFORMATION TO ENSURE OUR WORK ENVIRONMENT REMAINS CONDUCIVE TO BUSINESS GROWTH IN A HIGHLY EVOLVING COMPETITIVE LANDSCAPE

We are cognizant of the evolving digital trends that shape consumer behaviour and business models that are transforming the financial services industry. Rather than trying to resist the tide, we are utilizing these latest digital technologies and emerging business models to be more competitive by designing products and services that can cater to the needs of even our most discerning customers.

To build the requisite capabilities, we have strengthened our technological readiness and invested in in-house proprietary digital capabilities. Our technology team reconfigured our systems to optimize our technology infrastructure. We made the strategic decision to move from proprietary technology to open source platforms. The Bank also adopted the agile development cycle. These last two initiatives paved the way for us to build internal digital capabilities that can develop solutions in significantly shorter time frames and at lower cost levels than was previously possible through the outsource model. As a result, we have become more competitive against aggressive and innovative non-financial service players such as FinTech start-ups.

Now that we are armed with better in-house technical capabilities, enhanced front-end digital tools and improved speed to market, we can collaborate better with our business partners. Our collaborations, in the form of shared banking services capabilities, help us build an edge against future competition.

Our belief in the power of collaboration also led us to initiate a mentorship and developmental program named HLB LaunchPad. This strategic program is aimed at nurturing young Malaysian entrepreneurs and fostering collaboration with the emerging generation of FinTech practitioners and other tech-savvy start-ups. The program has been a success and is a testament to our belief that working with start-ups is the way forward. Working with FinTech players taught us to be more agile, nimble and adaptive to current market needs.

It also inspired us to accelerate the pace of improvement in our products and services.

In order to remain relevant for the future and achieve long term sustainability, we continue to invest and build capabilities that take advantage of new and emerging technologies such as digitization and software robotics or also known as robotics process automation ("RPA"). Through digitization of our products and services we are able to achieve operational excellence and transform the cost of acquiring and servicing customers. This in turn allows us to direct savings from the existing cost base into investment in digital initiatives. A key example of this would be the introduction of RPA. Development work on this exciting innovation is currently underway at our processing center and operations unit. We foresee that the use of robotics will drive productivity and efficiency in the Retail and Wholesale Bank Operations divisions. It is also expected to improve cycle times and lower error rates.

We also worked on making banking a more pleasurable experience for both our customers and employees. We did this by seamlessly integrating our services into online and mobile platforms. We inspire our employees to be agile and adopt a start-up mentality by empowering our employees with the following digital tools:

- ✓ **SmartUp**: Our knowledge sharing platform that provides bite sized learning programs to our employees to facilitate continuous acquisition of new knowledge and development of their skills base.
- ✓ **HALI**: Our AI chatbot that answers questions relating to Human Resources ("HR") and branch operations support. The chatbot is also accessible through the mobile phone for questions pertaining to HR policies.
- ✓ **Big Data dashboard**: Our platform that provides real time information to channel owners and other stakeholders. It is a single data source for us to view operational performance, service levels and customer satisfaction levels.

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

3. PHYSICAL LOCATIONS AND DISTRIBUTION NETWORK TRANSFORMATION TO ENSURE THAT WE ARE ABLE TO ENGAGE CUSTOMERS WITH VALUE ADD CONVERSATIONS RATHER THAN SIMPLE TRANSACTIONAL INTERACTIONS

We believe mobile and Internet banking will account for more than 75% of the Bank's total transactions over the next couple of years. This is in line with evolving customer preferences and hence our initiatives to transfer banking transactions to online platforms.

In fact, we saw tremendous growth in internet and mobile banking customers over the year. We are therefore actively re-platforming our branches to ensure relevancy and efficiency as we continue to embed our branches into the communities they serve.

We are confident that robust digital capabilities will help us accelerate branch transformation by moving away from low-value transactions to more complex products sales that require human assistance. Our branches will complement their service offerings with our digital platforms. Towards this end, we are reconfiguring banking halls and equipping branches with digital devices for better customer centricity.

The most exciting development in our journey to recast and reshape our premises for the digital era was the opening of our flagship branch in Damansara City in November 2017. Strategically located in the dynamic and upscale Damansara Heights business district, the flagship branch is part of our new green certified corporate headquarters – Menara Hong Leong, which we officially moved into in October 2017.

As befitting a flagship experience that will serve as a template for our other branches, the Damansara City location features optimal deployment of digital technologies that will shift our customer experience to make it more rewarding and engaging. To minimize queue lines, we installed wireless terminals and applications. These facilities allow customers the flexibility of performing speedy and personalized banking transactions anywhere within the premises. A new Discovery Zone was also introduced in Damansara City. In the zone, visitors can interact with our digital platforms to customize solutions for their financial planning needs. Damansara City is also the first branch to offer a dozen meeting rooms for use by our entrepreneur and business associates. Our Priority Banking customers will also enjoy an upgraded experience with complimentary valet parking, state-of-the-art facilities as well as exclusive art and furnishings. Do drop-in to have a coffee on us!

The Bank has allocated RM30 million of our capex to convert 50 out of 250 existing branches to the new digital format over the next couple of years. This initiative will lead to operational cost savings. For instance, in our Burmah House branch in Penang, the new digital format reduced space that was previously dedicated for backroom operations such as deposit machines to 25% of the original area. This opened up additional space for customer servicing as well as at the Discovery Zone, which is aimed at enhancing the customer experience; whilst reducing overall space, hence, reducing running costs.

Our in-branch sales and service tablet devices will also assist our branch relationship officers in servicing their customers more effectively. The devices have enabled our officers to offer customers personalized sales, after-sales and customer service. It helps them perform digital banking transactions and at the same time offer new products that meet customers' specific needs.

This enhanced productivity means that we can reposition our branches to perform more higher value activities. We can now deploy focused resources for Wealth Management, Insurance and high value secured lending and offer advisory services to our customers. The branch will also focus on building deeper relationships with the business community around the catchment area of the branch. This community based approach will anchor our SME offering going forward. We are also installing Teller Assist Units to facilitate the handling of cash anywhere in the branch. The units significantly increase the security of holding cash in branches, as well as, enhance the employee experience as they come with auditable trails to shorten reconciliation times.

We are building a best-in-class SME business to more effectively engage and serve SMEs. We are doing this by leveraging dedicated SME coverage teams. These teams include specially trained senior executives and are stationed at our top branches and business centres. This allows us to grow our presence in the SME segment and increase our market share by embedding ourselves in the community to improve engagement and service delivery, as mentioned above.

Thanks to our understanding of the small business community and the challenges that SMEs face operating in a competitive market, the Bank is playing a role to help them be more agile and nimble. To cater to the needs of the SME market, we launched an innovative and comprehensive suite of digital business and financing solutions tailored specifically to serve the needs of SMEs. The suite encompasses everything from cash management to advertising and promotion (A&P) solutions as well as property financing and working capital schemes to support day-to-day business operations; employee and tax management digital tools and an innovative invoice financing offering through a FinTech partner.

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

While digitization is our principal priority, we remain cognizant of the cyber-security risks involved. To address this, we have strengthened our cyber-security capabilities to create a highly secured digital environment. We did this through active monitoring and ethical hacking to identify any weakness in our technology capabilities and organization set-up. We also created awareness through threat intelligence and internal training. We made sure that our robust and automated processes are backed by comprehensive security controls that enable real-time service delivery while managing future threats. We continue to run educational campaigns to ensure that customers are aware of cyber security risks and play a part in safeguarding digital offerings and capabilities.

OUTLOOK

The global economy is expected to grow steadily in 2019, underpinned by continuous but slower growth in advanced economies and faster growth in the emerging market economies.

While global demand is expected to remain healthy, there are potentially disruptive risks in the coming year that we will keep a close watch on. The first is any escalation in trade tensions between the US and its major trading partners. The second is monetary policy shifts by global central banks. The third are geopolitical risks, especially in Europe with Brexit expected to happen in March 2019, and last but not least, the latest Turkish crisis that raised fear of a spill-over to Europe and other emerging markets. Each of these developments could have major repercussions on the global economy and financial markets.

Major central bankers, including the US Federal Reserve and the Bank of England, have warned of downside risks to global growth prospects should trade protectionism and geopolitical risks continue to manifest. This is in addition to policy normalization that is more aggressive than expected, which could stymie growth and liquidity.

In the local context, the Malaysian economy is expected to track the outlook of the global economy. Growth will continue to be supported by private consumption and external demand. These two economic drivers might have to pick up the slack from any transitory setback in investment due to the postponement and review of numerous mega domestic projects as the new government reprioritizes and streamlines its fiscal agenda. That said, overall growth is expected to remain on a steady trajectory, barring outbreak of any global crisis.

ACKNOWLEDGEMENTS

Many parties have played a part in our success. I want to thank our customers first and foremost for their trust in us and for their loyal patronage. I also want to thank our shareholders for their strong support and belief in us and what we are doing. My deepest appreciation also goes to the Board of Directors for their invaluable wisdom and guidance.

The Hong Leong Group family – all the employees and my management team – have given selflessly of their energy and talents to ensure the Bank's progress and sustainability. I want to thank them for their dedication, commitment and hard work in the execution of their duties.

I also want to extend my appreciation to Bank Negara Malaysia, the Ministry of Finance, related government agencies and other regulatory authorities for their guidance and assistance during the year.

For a deeper look at the Bank's performance in FY2018, please refer to the Management Discussion and Analysis ("MD&A") section.

DOMENIC FUDA
Group Managing Director/
Chief Executive Officer

19 September 2018

MANAGEMENT DISCUSSION & ANALYSIS
FINANCIAL REVIEW

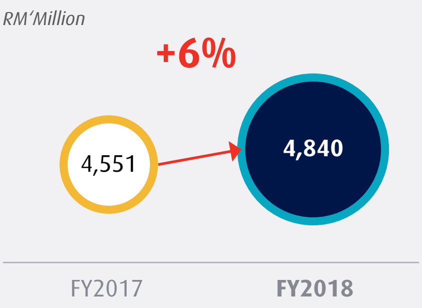
1. FINANCIAL HIGHLIGHTS

SUMMARY OF GROUP PERFORMANCE

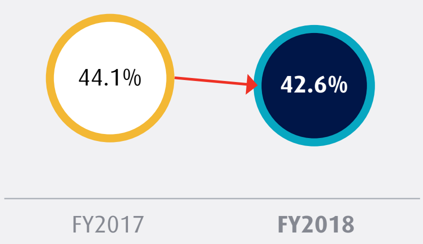
	FY2017	FY2018	Growth %
Profitability & Efficiency (RM'million)			
Total Income	4,551	**4,840**	6.3
Operating Profit	2,543	**2,779**	9.3
Profit Before Tax ("PBT")	2,748	**3,246**	18.1
Profit After Tax ("PAT")	2,145	**2,638**	23.0
Earnings Per Share (sen)	105	**129**	23.0
Net Interest Margin (%)	2.09%	**2.10%**	0.01
Cost-to-Income Ratio (%)	44.1%	**42.6%**	(1.5)
Return on Assets (%)	1.11%	**1.32%**	0.21
Return on Equity (%)	9.8%	**11.3%**	1.5
Balance Sheet (RM'million)			
Total Assets	195,553	**202,891**	3.8
Gross Loans, Advances and Financing	125,147	**129,069**	3.1
Customer Deposits	155,233	**157,414**	1.4
Asset Quality			
Gross Impaired Loan Ratio	0.96%	**0.87%**	(0.09)
Loan Impairment Coverage Ratio	96%	**89%**	(7)
Loan Impairment Coverage Ratio (including Regulatory Reserve)	151%	**155%**	4
Liquidity and Capital Ratios			
Loan-to-Deposit Ratio	80.6%	**82.0%**	1.4
Common Equity Tier-1 Capital Ratio	13.3%	**12.6%**	(0.7)
Tier-1 Capital Ratio	13.7%	**13.3%**	(0.4)
Total Capital Ratio	15.8%	**16.3%**	0.5

SELECTED KEY INDICATORS

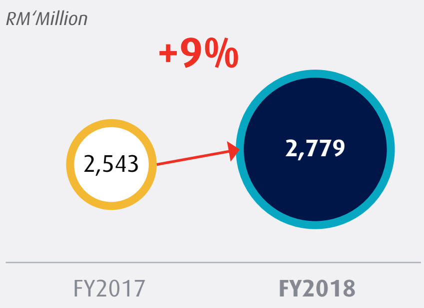
Total Income
Record total income underpinned by stable NIM and robust non interest income contribution



Cost-to-income Ratio
CIR ratio at 6-year record low, with continued positive JAWS attained



Operating Profit
Strong operating profit growth on solid underlying business performance



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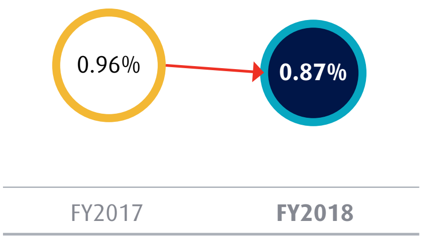
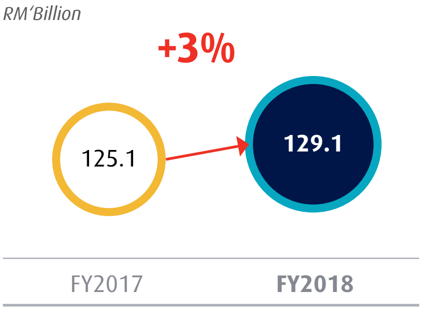
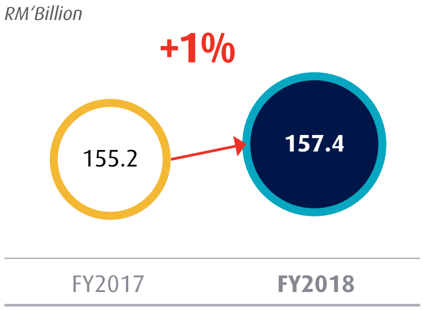
Gross Impaired Loan Ratio
Solid asset quality with no major stress on any portfolio



Gross Loans
Growth was led by key segments of mortgages and SME



Deposits
Deposit growth driven by healthy CASA expansion



OUTSTANDING OPERATING METRICS & PROFITABILITY

All of our key financial indicators have shown improvements from the previous year despite a challenging business environment that has affected the banking industry.

Total income for FY2018 sustained its growth momentum, improving by 6.3% y-o-y to RM4,840 million. The growth was supported by a combination of prudent loan pricing and funding cost management coupled with strong growth in non-interest income contribution.

Operating expenses for FY2018 remained well managed, at RM2,060 million. This sets a new milestone for the Bank as cost-to-income ratio ("CIR") dipped to 42.6%, the lowest in six years, with positive JAWs affirmed for eight consecutive quarters. This is a result of our continuing drive to realize efficiencies from our digitization and strategic cost management initiatives.

Operating profit for FY2018 expanded 9.3% y-o-y to RM2,779 million versus RM2,543 million in the same period last year on the back of solid top-line growth coupled with improved efficiencies. Correspondingly, PBT and PAT accelerated 18.1% and 23.0% to a record RM3,246 million and RM2,638 million respectively.

Earnings per share ("EPS") has improved to 129 sen compared to 105 sen the last financial year. Return on equity ("ROE") was also further enhanced to 11.3% for FY2018 as compared to 9.8% the previous year.

STRONG BALANCE SHEET

Although operating in a relatively cautious consumer and business environment, our gross loans, advances and financing grew commendably by 3.1% y-o-y to RM129.1 billion, predominantly led by growth in our key segments of mortgages and SME. At the same time, our customer deposits for FY2018 increased by 1.4% y-o-y to RM157.4 billion. Our customer deposits had an industry highest individual deposit mix of 56.0% - a testament to our strong retail deposit franchise. As a result, the Bank's loans-to-deposits ratio ("LD ratio") was a prudent 82.0% and supportive of growth going forward. As at 30 June 2018, the Bank's Liquidity Coverage Ratio ("LCR") position was at 126%, surpassing the minimum regulatory requirement of 90% for year 2018.

INDUSTRY LEADING ASSET QUALITY METRICS

The Bank's asset quality metrics has remained solid with an industry leading gross impaired loan ("GIL") ratio of 0.87% while loan impairment coverage ("LIC") stood at 89%. When including the regulatory reserve set aside as at 30 June 2018, the Bank's loan impairment coverage ratio stands at a very robust level of 155%. The adoption of MFRS 9 on 1 July 2018 is expected to increase provisioning requirements. Nevertheless, the Bank has sufficient buffer to alleviate any increase in provisioning due to MFRS 9.

HEALTHY CAPITAL POSITION

The Bank's capital position remains robust with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 12.6%, 13.3% and 16.3% respectively.

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2. KEY PERFORMANCE INDICATORS (KPIs)

FY2018 KPI ACHIEVEMENT

	Target FY18	Achieved FY18
Gross Loan Growth	3% – 4% (revised)	3.1% ✓
LD Ratio	~82%	82.0% ✓
Net Interest Margin	>2.1%	2.1% ✓
Non-Interest Income Ratio	~26%	27.8% ✓
Cost-to-income Ratio	<44%	42.6% ✓
Gross Impaired Loan Ratio	<1%	0.87% ✓
Return on Equity	10% – 11%	11.3% ✓

The Bank's achievements for the year is a testament of its strong underlying operating performance as all targets set for FY2018 were met. We are encouraged by these solid achievements and expect that this will set the pace for a continued strong performance in the new financial year.

- Loans growth of 3.1% was led predominantly by growth in key segments of mortgages and SME, albeit still operating in a relatively cautious consumer and business environment.
- Liquidity remains healthy with a LD ratio of 82.0% and LCR of 126%, in line with our view that maintaining ample liquidity remains a top priority, especially in a dynamic operating environment influenced by macro global uncertainties.
- Net interest margin ("NIM") for FY2018 improved to 2.1% on prudent funding costs management and loan pricing.
- Non-interest income ("NII") expanded 12.5% y-o-y which was complemented mainly by stronger wealth management income and higher gains from treasury operations. This has led to a strong NII ratio of 27.8% for FY2018.
- For FY2018, CIR improved further to a 6-year record low of 42.6%, as we continue to place emphasis on efficiency and productivity gains.
- Asset quality indicators remains solid with GIL <1% as per our guidance.
- Our continued strong performance further underlines the strength of the Bank and reinforces our commitment towards delivering consistent results and sustainable profits as we achieved a ROE of 11.3% for FY2018.

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FY2019 TARGETS

- For FY2019, the Group is guiding for loan growth to be in-line with industry trends with a ROE of ~11%. The Bank intends to continue maintaining a strong liquidity position and keep to a LD ratio of approximately 82.0%. We target NIM and NII ratios to be above 2.0% and 27%, respectively.
- Management expects to derive further efficiency gains going forward as well as maintaining our strong asset quality. With that, CIR is expected to be maintained below 43% whilst GIL ratio is expected to be sustained below 1%.

	FY18 Actual	Target FY19
Gross Loan Growth	3.1%	in line with industry growth
LD Ratio	82.0%	~82%
Net Interest Margin	2.1%	>2%
Non-Interest Income Ratio	27.8%	>27%
Cost-to-income Ratio	42.6%	<43%
Gross Impaired Loan Ratio	0.87%	<1%
Return on Equity	11.3%	~11%

3. INCOME STATEMENT ANALYSIS

Total income for FY2018 improved 6.3% y-o-y to RM4,840 million on the back of healthy expansion of net interest income coupled with solid franchise-led non-interest income contribution.

FY2018 operating expenses rose slightly by 2.6% y-o-y. This is lower than revenue growth as we continue to gain traction on operating efficiency through our strategic cost management initiatives and digitization efforts. As a result, CIR improved further to 42.6% versus 44.1% in FY2017. Our CIR is at its lowest level in six years.

Consequently, operating profit before allowances rose to RM2,779 million, up 9.3% y-o-y. Loan and other impairment allowances in FY2018 were lower at RM70 million compared to RM159 million last year due to improved asset quality metrics.

Profit contributions from our associates & JVs, mainly from BOCD, continued to be solid with contributions improving 47% y-o-y to RM537 million.

With this solid underlying performance, we achieved another significant milestone for FY2018 as both PBT and PAT accelerated 18% and 23% to a record high of RM3,246 million and RM2,638 million respectively.

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INCOME STATEMENT SUMMARY

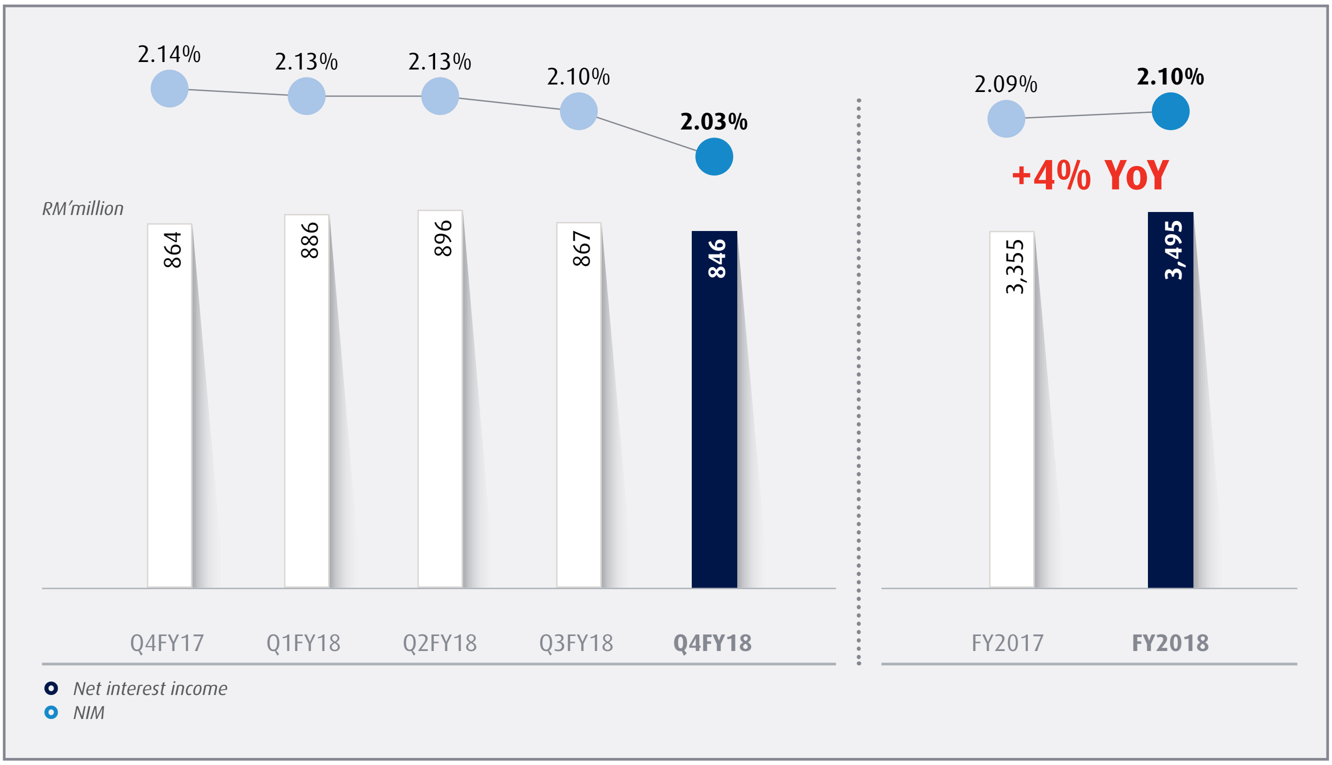
RM'million	FY2017	FY2018	Change % (YoY)
Net interest income	3,355	**3,495**	4.2%
Non interest income	1,196	**1,344**	12.5%
Total income	4,551	**4,840**	6.3%
Operating expenses	(2,008)	**(2,060)**	2.6%
Operating profit before allowances	2,543	**2,779**	9.3%
Allowances for loans and other impairments	(159)	**(70)**	(56.3%)
Share of profits from associate & JV	364	**537**	47.4%
Profit before tax	2,748	**3,246**	18.1%
Profit after tax	2,145	**2,638**	23.0%
Profit after tax (underlying)*	2,247	**2,638**	17.4%

Note:
- *Excluding one-off tax impact of RM102 million in FY17*

a) Net Interest Income

Net interest income for FY2018 continued to grow at a healthy pace of 4.2% y-o-y to RM3,495 million due to healthy loan expansion and prudent asset-liability management. Consequently, NIM for FY2018 improved to 2.10%.

Yields for FY2018 were up 5bps, benefitting from the OPR hike by 25bps in January 2018 whilst cost of funds for the year was 7 bps higher mainly attributed to more expensive treasury and wholesale deposit costs.



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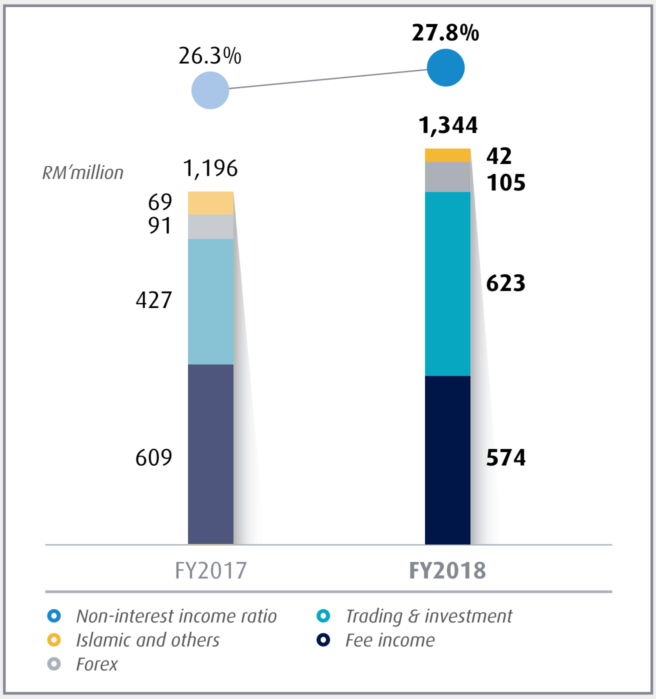
b) Non-interest Income

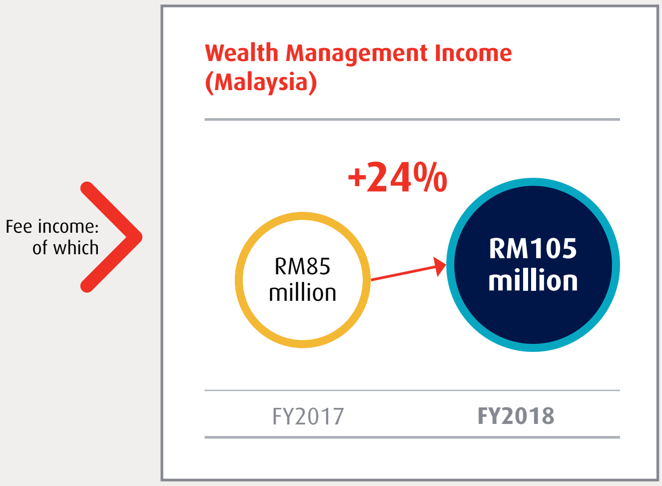
Non-interest income for FY2018 saw a 12.5% y-o-y improvement to RM1,344 million. This gave us a higher non-interest income ratio of 27.8%. The growth in non-interest income follows stronger wealth management income, dividend income from investments as well as robust gains from treasury operations.

Wealth management income for Malaysia grew 24% y-o-y driven mainly by growth in Unit Trust and Banca whilst structured product contribution remained relatively stable. Fee income came in lower at RM574 million mainly due to lower credit card fees and loan syndication fees.

Trading and Investment income grew 45.9% to RM623 million. This growth was driven mainly by higher dividend income received from our investments in wholesale funds coupled with higher gains from sale of securities.

Foreign exchange ("FX") income was higher at RM105 million compared to the previous financial year due mainly to the reduction in FX swap activities that resulted in lower swap costs. FX income also benefited from higher FX franchise income from increased client hedging volumes arising from the increase in RM/USD FX volatility more towards the second half of the financial year.





c) Operating Expenses

Operating expenses for FY2018 remained well managed. Operating expenses rose 2.6% y-o-y to RM2,060 million as revenue continued to outpace expenses growth for the 8th consecutive quarter. The favorable differential in growth led to an improved CIR of 42.6% as our digitalization efforts and strategic cost management initiatives continue to improve efficiency and productivity.

Personnel costs accounted for 54% of total operating expenses and was marginally lower at RM1,106 million in FY2018. In line with our commitment to talent management, personnel expenditure continued to be focused on investment in talent acquisition.

Establishment costs rose 10.3% y-o-y to RM534 million, representing 26% of total operating expenses. The increase was primarily due to higher investment in information technology to support the Bank's digitization transformation initiatives. More specifically, expenses for digitization initiatives accounted for RM97 million or approximately 5% of the total cost base. The on-going digitization exercise however, is expected to yield numerous medium-to-long term benefits. These include in cost savings due to better efficiency and productivity. The benefits of the digitization initiatives range from process simplification, redundancy reduction and turn-around time ("TAT") reduction, all of which will increase efficiency levels across the Group. Digitization will also allow us to reach customer segments, both in Malaysia and in the other markets we operate, that the usual physical branch presence would not, increasing the prospects for future business growth.

Marketing expenses in FY2018 rose 3.2% y-o-y to RM161 million, making up 8% of total operating expenses. Administration and general expenses for FY2018 were relatively stable at RM260 million and accounted for the remaining 12% of the Bank's total operating expenses.

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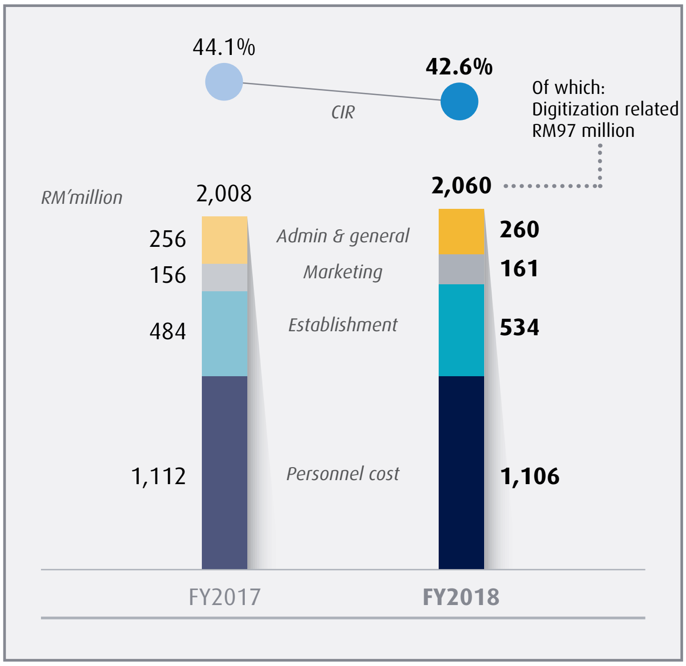

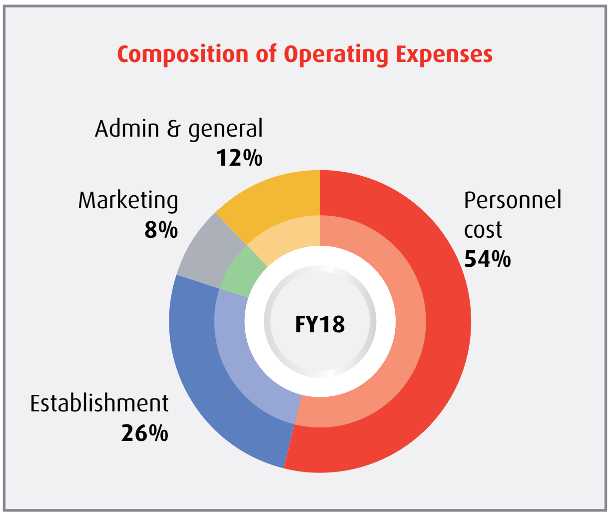

4. GROSS LOANS, ADVANCES AND FINANCING

HEALTHY LOAN GROWTH DRIVEN BY DEVELOPMENT IN OUR KEY SEGMENTS

Gross Loans, Advances and Financing by Domicile	FY2017		FY2018		
	RM'million	% Contribution	RM'million	% Contribution	Growth %
Total Domestic Operations	118,561	95%	122,543	95%	3.4%
International Operations	6,585	5%	6,526	5%	-0.9%
of which					
Singapore	5,379	4%	5,098	4%	-5.2%
Hong Kong	–	–	–	–	–
Vietnam	398	0.3%	405	0.3%	1.8%
Cambodia	808	0.6%	1,023	0.8%	26.5%
Total Group	**125,147**	**100%**	**129,069**	**100%**	**3.1%**

Loan growth expanded healthily during the year despite the relatively cautious consumer and business environment. This was partly thanks to new initiatives to tap the SME market as well as a healthy residential loan pipeline. Gross loans, advances and financing grew 3.1% y-o-y to RM129.1 billion in FY2018, predominantly led by growth in our key segments of mortgages and SMEs.

In terms of breakdown by country, domestic loans, which represented 95% of the Bank's total loan book, grew 3.4% y-o-y to RM122.5 billion in FY2018. Cambodia was the fastest growing foreign operation and saw its loans expand 26.5% y-o-y to RM1.0 billion as at 30 June 2018.

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Gross Loans, Advances and Financing by Key Segments	FY2017 RM'million	FY2017 % Contribution to Group	FY2018 RM'million	FY2018 % Contribution to Group	Growth %	Domestic Market Share %
Residential Properties (Group)	56,861	45%	61,370	48%	7.9%	11%
Transport Vehicles (Group)	17,584	14%	16,894	13%	-3.9%	9%
SME (Group)	20,377	16%	20,480	16%	0.5%	7%

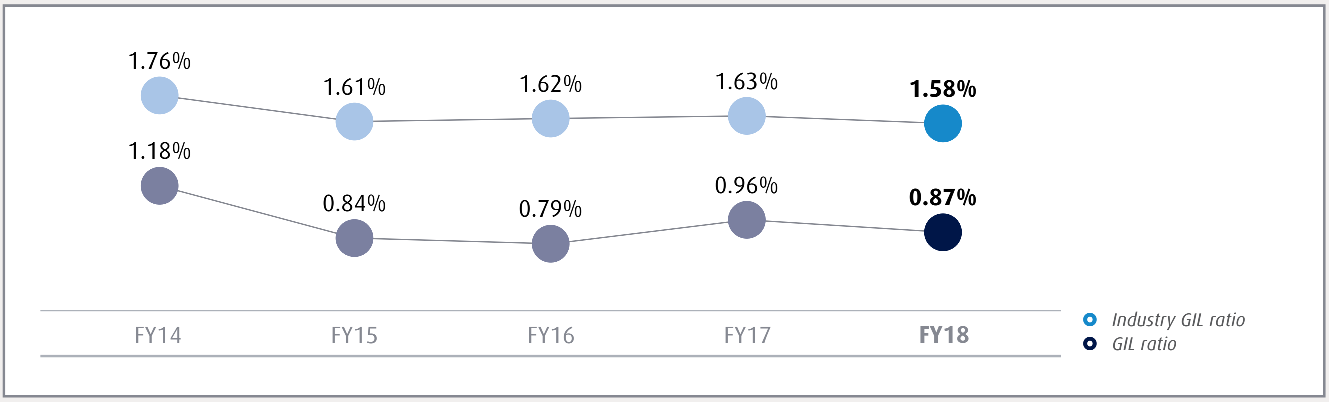
Residential mortgages contributed 48% of the Bank's total loan portfolio and grew 7.9% y-o-y to RM61.4 billion. The growth was underpinned by a healthy home loan pipeline. It also performed better than the industry average despite the softening property market. The Bank currently has a domestic market share of 11%.

Transport vehicle loans represented 13% of total loans and were lower at RM16.9 billion as a result of softer industry growth during the financial year. The Bank has a domestic market share of 9%.

Loans and financing to SMEs was higher at RM20.5 billion, representing 16% of the Bank's loan base. This was mainly driven by a 22.4% growth in the Bank's Group SME Banking ("GSME") portfolio, a new community banking initiative focusing solely on the SME market segment. It is worth noting that the overall SME base was affected by the re-tagging of SME accounts in accordance with BNM's new guidelines on SME definition. Before this re-tagging, SME loans would have grown 5.1% y-o-y.

5. ASSET QUALITY

SOLID ASSET QUALITY METRICS WITH NO MAJOR STRESS IN ANY PORTFOLIO



The Bank's asset quality remained broadly stable with no particular stress in any portfolio segments. The Bank's solid GIL ratio of 0.87% has consistently out-performed the industry average of 1.58%. Maintaining the Bank's strong asset quality remains a key emphasis as the Bank strives to keep its GIL ratio below 1% in the new financial year.

Asset Quality by Key Segments	FY2017	FY2018	Industry Average as at June 2018
Residential Properties (Group)	0.54%	0.58%	1.10%
Transport Vehicles (Group)	0.81%	0.79%	1.02%
SME (Group)	1.49%	1.72%	2.79%*

*Note: * Industry average as at latest available (March 18)*

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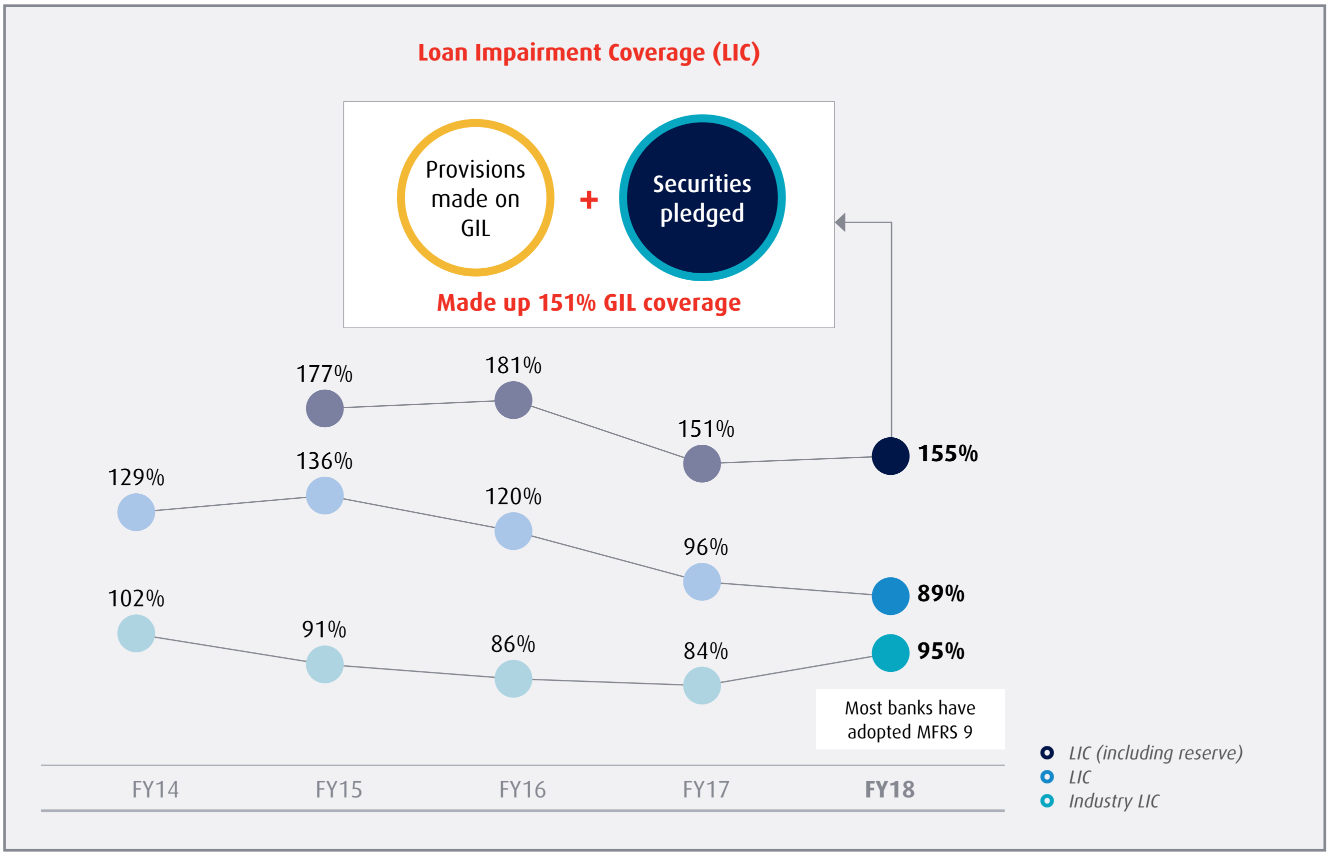

Asset quality of our key segments – residential properties, transport vehicles and SME, continued to show healthy GIL ratios of 0.58%, 0.79% and 1.72% respectively. The GIL ratios remain below the industry average.

LIC was at 89%. When the regulatory reserve set aside as at 30 June 2018 is included, the Group's LIC would be higher at 155%.

With regards to the new requirements under MFRS 9, the Bank has sufficient buffer to alleviate the expected increase in provisioning due to the adoption of MFRS 9 on 1 July 2018.

6. CUSTOMER DEPOSITS

EXPANSION IN DEPOSIT GROWTH DRIVEN BY STRONG RETAIL FRANCHISE AND CASA IMPROVEMENT

	FY2017		FY2018		
Customer Deposits by Domicile	**RM'million**	**% Contribution**	**RM'million**	**% Contribution**	**Growth %**
Total Domestic Operations	146,470	94%	148,152	94%	1.1%
International Operations	8,763	6%	9,262	6%	5.7%
of which					
Singapore	7,035	5%	7,556	5%	7.4%
Hong Kong	362	0.2%	250	0.2%	-30.8%
Vietnam	514	0.3%	461	0.3%	-10.3%
Cambodia	852	0.5%	995	0.6%	16.8%
Total Group	**155,233**	**100%**	**157,414**	**100%**	**1.4%**

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Deposits from customers grew 1.4% y-o-y to RM157.4 billion. This growth was driven mainly by core customer deposits growth both domestically and regionally. The improved deposits was also spurred in part by the Bank's deposit initiatives carried out via digital channels.

Domestic customer deposits represented 94% of the Bank's total deposits and grew 1.1% y-o-y to RM148.2 billion. International operation customer deposits expanded by a robust 5.7% y-o-y. This growth was driven mainly by Singapore at 7.4% y-o-y and Cambodia at 16.8% y-o-y.

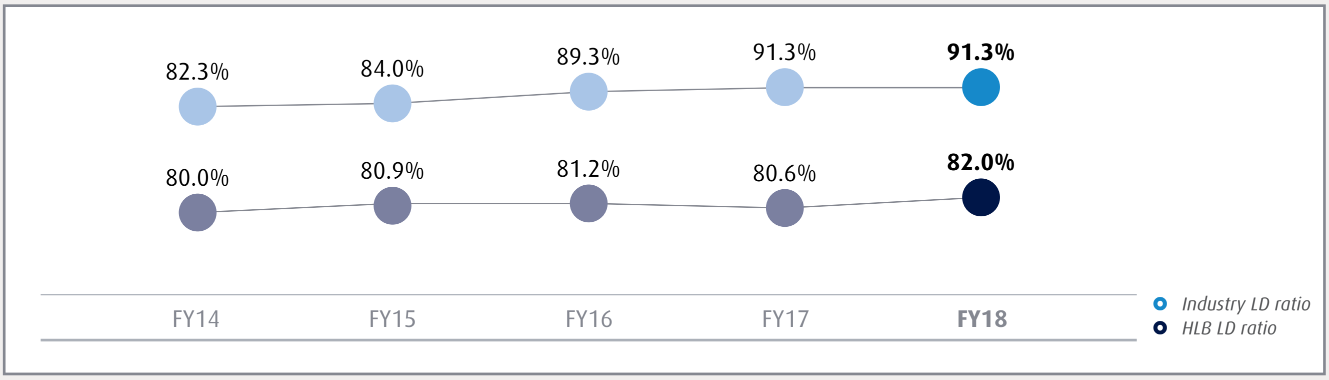
Customer Deposits by Key Product and Customer Type	FY2017		FY2018		Growth %	Domestic Market Share %
	RM'million	% Contribution to Group	RM'million	% Contribution to Group		
By key product type of deposits						
Demand and Savings Deposits (CASA)	38,765	25%	41,203	26%	6.3%	8%
Fixed Deposits	87,976	57%	88,222	56%	0.3%	8%
Total Core Deposits (Group)	**126,741**	**82%**	**129,425**	**82%**	**2.1%**	**8%**
By customer type of deposits						
Individual	86,176	56%	88,159	56%	2.3%	12%
Business enterprises	63,340	41%	62,745	40%	-0.9%	7%
Total Customer Deposits (Group)	**155,233**	**100%**	**157,414**	**100%**	**1.4%**	**8%**

Core customer deposits comprising demand deposits, savings deposits and fixed deposits made up 82% of our total customer deposits base. Our core deposits expanded 2.1% y-o-y for an 8% market share. CASA, which are low cost deposits, grew at 6.3% y-o-y to RM41.2 billion, which puts it ahead of the industry growth. CASA now comprises an improved 26% of our total customer deposits.

The Bank's stable funding base continued to be supported by its strong retail deposit franchise, with individual deposits expanding 2.3% y-o-y to RM88.2 billion. This represents an individual deposit mix of 56%, which is the highest in the country.

7. LIQUIDITY

ASTUTE LIQUIDITY MANAGEMENT PROVIDES BUFFER AND SUPPORTS FUTURE GROWTH



The Bank continues to adopt a prudent LD ratio of 82.0% which provides a balance between liquidity needs and at the same time remains supportive of future business growth.

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The Basel III liquidity requirement - Liquidity Coverage Ratio ("LCR"), was designed to ensure that a bank maintains an adequate level of unencumbered, high quality assets that can be converted into cash to meet liquidity needs for a 30-day window when it occurs during an acute liquidity stress scenario as specified by the regulators. The full implementation of LCR would require banks to have a minimum of 100% by year 2019.

As at 30 June 2018, the Bank exceeded the Basel III requirements with a LCR of 126%, far surpassing the minimum requirement of 90% for Year 2018.

	FY2017	FY2018	Minimum requirement in year 2018	Minimum requirement in year 2019 and thereafter
LCR	**137%**	**126%**	90%	100%

8. CREDIT RATINGS

During the year, Rating Agency Malaysia has upgraded the Bank's long-term rating to AAA and reaffirmed its short-term rating at P1, with a stable outlook. The Bank's AAA rating upgrade is anchored by the Bank's sustained track record of excellent asset quality across credit cycles, robust funding and liquidity positions. Moody's Investors Services and Fitch Ratings have also reaffirmed our long-term and short-term ratings, underpinned by our solid retail franchise, conservative risk appetite and sound asset quality.

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	2-Nov-17	Long-Term Rating: AAA Short-Term Rating: P1 Subordinated Notes: AA1 Tier 1 Capital Securities: AA2	Stable
Moody's Investors Services Ltd	17-Jan-18	Long-Term Rating: A3 Short-Term Rating: P2	Stable
Fitch Ratings Ltd	6-Aug-18	Long-Term Rating: A- Short-Term Rating: F2	Stable

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9. CAPITAL MANAGEMENT

INTRODUCTION

The Hong Leong Banking Group capital management framework was designed to ensure that the Group and its principal subsidiaries maintain sufficient capital consistent with each entity's respective risk profile, management targets and all applicable regulatory standards as well as guidelines.

The Group is pro-active in the assessment and management of its capital adequacy against a series of internal quantitative capital goals. The goals are designed to evaluate the Group's capital levels in expected and stressed economic environments under the Internal Capital Adequacy Assessment Framework ("ICAAP").

The capital management framework aims to:

- Maintain capital ratios at levels above the regulatory minimum or internal capital threshold, whichever is higher.
- Support the Group's strong credit ratings.
- Be flexible towards future strategic opportunities.
- Deploy capital efficiently to business and optimize return on capital.
- Be resilient during stressful economic and financial conditions.

CAPITAL MANAGEMENT FRAMEWORK

The Group's capital management is guided by robust policies and procedures across the group. The Group's approach to managing capital is detailed out in the ICAAP which are approved by the Senior Management, Risk Management Committee ("RMC") and the Board.

i) Comprehensive Risk Assessment under ICAAP

The Group achieves its capital management objectives through the ICAAP. ICAAP involves a comprehensive assessment of all material risks that the Group is exposed. It also evaluates whether the Group's capital is adequate to support its business activities in relation to those risks.

As part of ICAAP, a range of stress scenarios are applied onto the Group's base case derived from annual budget business growth. The stress test will assess the level of capital required to weather stressful economic situations or an economic downturn.

Based on these assessments and formulation of capital plans, the Group will calibrate and set its internal capital targets. These targets are reviewed annually for two reasons. The first is to ensure that capital levels are maintained above regulatory requirements. And the second reason is for capital levels to be sufficiently robust for the Bank to remain resilient when faced with stressed economic conditions.

ii) Bi-Annual Capital Plan

The Bi-Annual Capital Plan involves detailed planning of the Group's strategic capital plan over a minimum three-year horizon. The plan highlights the capital projections, capital requirements, levels of capital and capital composition that aligns to the Group's business plan and strategic objectives. In addition, it also covers regulatory considerations including capital buffers, new accounting standards as well as expectations of key stakeholders such as regulators, investors, analysts and rating agencies, business growth and stress test results.

CAPITAL INITIATIVES

The Group exercises pro-active management of its capital position to address 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

In December 2015, Hong Leong Bank completed its rights issue exercise amounting to RM2.99 billion which had further strengthened the Bank's Common Equity Tier 1 ("CET 1") to support continuous business growth with strong capital buffer under the Basel III capital framework.

As at June 2018, the Bank held 41 million treasury shares that had been bought back previously. These shares which are available for sale can further strengthen the Group's and the Bank's CET 1.

ii) Debt Capital

The Group 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").

Issuance of RM500 million of Sub Notes in June 2014, RM500 million of Sub Notes in June 2018 and RM400 million of AT1 in November 2017 strengthens the Bank capital positions.

iii) Healthy Dividend Payout

The Group 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 32 sen per share, bringing the total dividend to 48 sen for the FY2018, 3 sen higher as compared to 45 sen in FY2017.

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CAPITAL ADEQUACY RATIO

i) Minimum capital adequacy requirements

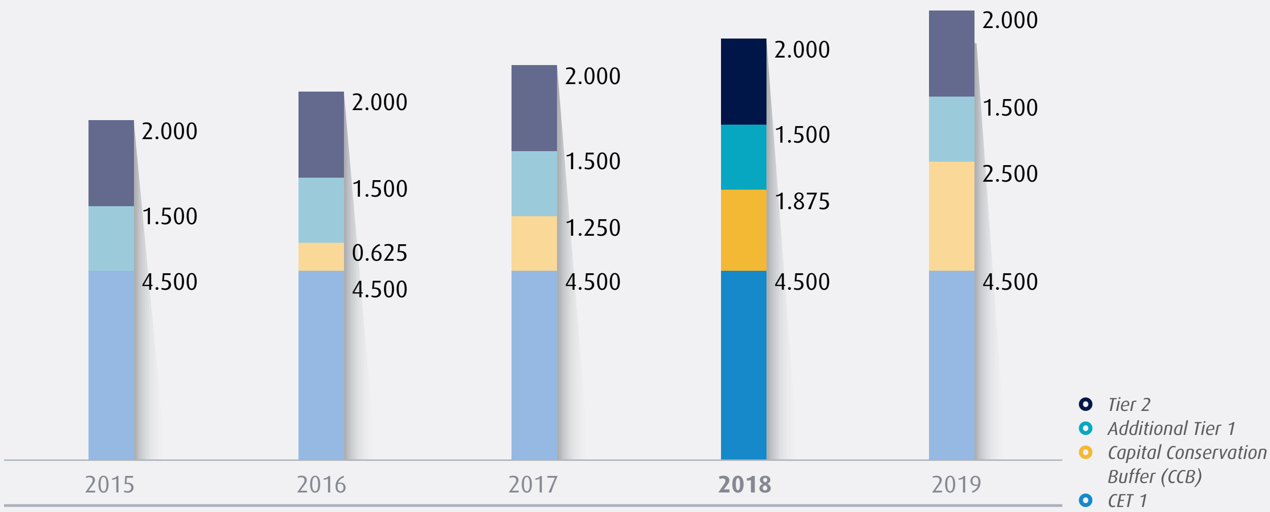
Under Bank Negara Malaysia's ("BNM") Capital Adequacy Framework, banks are required to maintain a minimum CET 1 ratio of 4.5%, Tier 1 Capital Ratio of 6.0% and Total Capital Ratio of 8.0%.

ii) Capital buffer requirements

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 stress periods. It is phased in from 1 January 2016 at 0.625% per year, to reach 2.5% on 1 January 2019.
- 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.
- Supplementary loss absorbency requirements for Domestic Systemically Important Banking Institutions ("D-SIBs") which may be imposed by BNM in the future. On 10 October 2016, BNM initiated a survey to develop a framework on Domestically Systemically Important Banks ("D-SIB") with the view to implement it in the near future.

Regulatory Minimum Capital Requirements and CCB (%)



HEALTHY CAPITAL ADEQUACY RATIOS

The table below shows the capital adequacy ratios of the Group and the Bank, presenting figures for financial years 2017 and 2018.

After proposed dividend	HLB Group		HLB Entity		Regulatory Min with CCB	
	FY2017	FY2018	FY2017	FY2018	2018	2019
CET 1	13.3%	12.6%	12.5%	11.9%	**6.38%**	7.00%
Tier 1	13.7%	13.3%	13.0%	12.4%	**7.88%**	8.50%
Total Capital	15.8%	16.3%	15.4%	15.7%	**9.88%**	10.50%

MANAGEMENT DISCUSSION & ANALYSIS
BUSINESS OPERATIONS REVIEW

PERSONAL FINANCIAL SERVICES ("PFS")

PFS remained the largest contributor to the Group making up 53% and 34% of its revenue and pre-tax profits, respectively. Retail loans and deposits grew 3% and 2% respectively, in line with the softer domestic retail market growth. Asset quality meanwhile remained solid as reflected by its low GIL ratio of 0.62%. The low GIL ratio was achieved on the back of disciplined lending and prudent risk management.

Some of the key highlights for the year include:

PFS Digital

The Bank is undergoing a digital transformation to be a Bank that is Digital at the Core. This initiative will make customer interactions with the Bank easier, simpler and more convenient using ground breaking new approaches like chat-based banking and by revolutionizing the entire branch banking experience. It will also set the stage for using data driven insights to drive more targeted sales.

As part of this transformation, we launched a new digitally-enhanced branch banking experience in our first flagship branch at Menara Hong Leong in Damansara City Kuala Lumpur. As a flagship branch, we want to set the bar high for customer experience, taking it to the next level with sophisticated digital innovations.

A big part of the upgraded experience was the introduction of mobile servicing tablets. These tablets serve to facilitate a one-stop service and sales experience for the customer. We wanted to enhance the branch experience so that customers are served with minimal waiting time. With the tablet customers can be served immediately upon walking into the branch enabling the Bank to reduce customer waiting time significantly.

We also wanted customers to be served by the same officer rather than being handed off to different officers for various transactions. The mobile servicing tablet allows one officer to serve the customer in both capacities, whether in service or sales.

The banking hall layout was also specifically designed to provide more space dedicated to serving customers, while backroom space was reduced significantly. The additional space allowed for the introduction of a Discovery Zone which further enhances the customers' branch banking experience. The flagship branch is only the first of our branches to be transformed. The latest branch to roll out the digital transformation initiative is the newly launched Burmah Road branch in Penang.

The Bank also revamped its mobile banking app Connect and enhanced it with new and improved features. The enhanced and upgraded Connect App was launched in July 2017.

MANAGEMENT DISCUSSION & ANALYSIS
BUSINESS OPERATIONS REVIEW

PERSONAL FINANCIAL SERVICES ("PFS") (CONTINUED)

This mobile app has been designed to differentiate the Bank's customer experience from competitor banks and offers several firsts in Malaysia. We are the first bank in the country to offer the ability to complete banking transactions via chat. We took our cues from the popularity of chatting among users due to the ease and convenience of chat technology. Based on that observation, we introduced chat-based navigation in the Connect App. This allowed customers to interact with the app and perform transactions such as Pay Mobile by chatting.

Other new features introduced in the Connect App include the ability to perform bulk payments to multiple billers, and Connect registration, which was previously only available on the Connect website. The app is also offered in three languages.

We have not stood still after Connect's mid-2017 launch, but have continued to refine and develop the app. We want to help our customers 'live life uninterrupted' by making the use of the app simpler and more frictionless. One of the advanced features we added was facial recognition for iPhone X. This means that customers using iPhone X can login to their Connect App simply by looking at their phone camera. We also added support for biometric security features to more Android mobile devices to allow more users to enjoy transacting using their fingerprint for security rather than relying on passwords.

Apart from security enhancements, customers can now also place and withdraw eFDs on the Connect App. We also added a host of new credit card features that make life more convenient for our credit card customers. Our customers can now activate cards, update their contact information, notify the Bank of overseas travels and change their PIN at anytime and at their convenience without having to contact the Call Center or visit a branch.

CONNECT APP USER BASE

+64% YoY

CONNECT TRANSACTIONS

+70% YoY

"The Bank's digital transformation efforts has received no less than regional recognition as we were selected as "Asia's Best Digital Workforce" at IDC's Financial Insights Innovation Awards 2018."

MANAGEMENT DISCUSSION & ANALYSIS
BUSINESS OPERATIONS REVIEW

PERSONAL FINANCIAL SERVICES ("PFS") (CONTINUED)

"We want to help our customers 'live life uninterrupted' by making the use of the app simpler and more frictionless."

Thanks to the enhanced customer experience, we have seen significant traction both in the number of new Connect App users and transactions performed. The Connect App user base grew 64% y-o-y. Connect transactions meanwhile surged 70% y-o-y and now make up over 70% of all banking transactions. This is a sea of change from just three years ago when branch transactions made up the bulk of all banking transactions. This massive migration in transactions from branch to the software driven app has helped to bring down our cost to serve. And we will keep improving our cost to serve by continuing to engage customers through the Connect channel.

We also used innovative digital campaigns to increase the number of users and transactions. The campaigns were designed to encourage users to download and use the Connect App. Notable campaigns held during the year were the festive campaigns that incorporated gamification. For example, during the Chinese New Year, users were invited to play Ang Pow Tap via the app to win instant prizes and cash during 'Reunion Hour". They were also rewarded for sending e-Ang Pow via the app. The campaign video "Daddy's Little Ang Pow Helper", which was posted on the website and YouTube garnered close to 3 million views. For Hari Raya, the Jom Raya game was launched on the Connect App, and e-Duit Raya was also made available. Our Raya campaign video "Abah Tak Bagi" also managed to gather over 2.5 million views on Youtube.

The Bank's digital transformation efforts has received no less than regional recognition as we were selected as "Asia's Best Digital Workforce" at IDC's Financial Insights Innovation Awards 2018.

Digital Day

The Bank had its inaugural HLB Digital Day on 7 July 2017 (7.7.17) followed by the second installment on 7.7.18. The HLB Digital Day is a holistic approach to celebrate HLB's journey towards digital innovation with our customers. It is a way to celebrate the innovation and new technologies that provide customers with a better banking experience. Our customers' needs and satisfaction for our services have always been the main drivers of our innovations.

The Digital Day was inspired by Alibaba's famous 11/11 "Singles Day". We intend to celebrate the HLB Digital Day event on a yearly basis. It is part of our commitment to take the retail bank forward as a marketing, innovative and consumer-centric organization. To celebrate Digital Day, we reward our customers for their support with a week full of amazing online and offline offers.

The initiative also integrated all our communication channels and touch points from digital and traditional platforms to interact with the customers better. The Digital Day campaign has put our brand in the forefront of digital propositions. Our brand health measurement has been positively uplifted with increased conversations and engagement garnered through social media and incremental sales.

Internally, we were able to amplify our Digital efforts to drive the mindset of being "Digital at Core" among our employees. This extends to the way we work, the way we design products and how customers engage with us. We believe HLB Digital Day is the first of its kind in the industry in terms of being a holistic bankwide campaign.

MANAGEMENT DISCUSSION & ANALYSIS BUSINESS OPERATIONS REVIEW

PERSONAL FINANCIAL SERVICES ("PFS") (CONTINUED)

Branch Amalgamation

We amalgamated 24 branches and relocated one branch during the year. This was part of our branch amalgamation strategy to streamline our branch network. The goal of the amalgamation is to enhance our strategic branches with bigger and better retail presence. We did this by merging our branches that are within 2km of each other and renovated some of the branches for better customer experience.

PFS Loans

Our mortgage businesses sustained growth in originations with loan acceptances growing 11% y-o-y despite the property market remaining soft. To further improve our position, we strengthened our capabilities to serve developers and property market intermediaries during the year.

This allowed us to drive wider market coverage and deliver higher sales and service standards. We continued to innovate the customer experience and purchasing journey by introducing a fast and secure online approval-in-principle service in February 2018. We also introduced tiered interest rates to better align ourselves with the needs of our customers and assist them with their home ownership cash flow.

The auto financing business remains one of the Bank's key retail lending segment despite a subdued market driven by weaker vehicle sales due to softer consumer sentiment. PFS embarked on several initiatives during the year to better position us in the market. These were the strengthening of relationships with established key dealers, collaboration with key manufacturers on marketing campaigns, simplification of processes and improvement of turn-around times via deployment of our digital initiatives.

We maintained our Credit Card balance market share at above 10% in FY2018. The maintenance of our market share was driven by portfolio management activities which also boosted our e-commerce spend which was up 14% y-o-y.

As part of our Digital at the Core strategy, we introduced three new credit card services in our Connect app. Customers can now apply for balance transfer, installment plans and cash term loans with real time approvals anytime at their convenience via the app. As part of our continuing efforts to give customers a better and more convenient card experience, we have also rolled out new card related features in Connect such as overseas notifications, card block and increase in credit limits.

Payments Businesses

Hong Leong Bank became the pioneer acquirer for WeChat Pay Cross Border in Malaysia in February 2018. We were able to secure new key account relationships with partners largely due to this new master merchant relationship with WeChat. Our new partners include key players across various industries such as retail, groceries, food and beverages, convenience stores, tourism, entertainment and others. The Payment Business also recently received approval from Tencent in June 2018 to be their local Master Merchant Acquirer for local settlement in RM. This makes HLB the first bank in Malaysia, and only the second bank globally to offer local currency merchant services. As Master Merchant Acquirer, HLB will be able to convert POS terminals to accept both Cross Border & Local WeChat Pay.

MANAGEMENT DISCUSSION & ANALYSIS
BUSINESS OPERATIONS REVIEW

PERSONAL FINANCIAL SERVICES ("PFS") (CONTINUED)

CREDIT CARD BALANCE MARKET SHARE

at above **10%**

FY2018

RETAIL WEALTH MANAGEMENT SEGMENT INCOME

+25% YoY

INVESTMENT ASSETS UNDER MANAGEMENT

+25% YoY

In yet another boost to the Payments business, we won mandates for credit card co-brand partnerships with Golden Screen Cinemas and Air Asia in June 2018. These co-brand partnerships now allow Hong Leong Bank to offer cards to a new customer base of over 20 million. More importantly, it affords us new ways to engage with the Millennials and Travelers segments where we are traditionally not as strong.

We also received the "OUTSTANDING CONTRIBUTIONS TO MYDEBIT" award for our merchant acquiring business. We secured a merchant with the largest hypermarket and pharmacy chain stores in Malaysia which will boost our merchant acquiring business. The acquisition is in line with our strategy of growing the daily essential segment of our business.

PFS Deposits

Retail deposits grew 2% y-o-y driven largely by contributions from both SME and individual segments. During the year, the emphasis was placed on key products namely the BizOne Account for the SME segment and Pay & Save for the individual segment. There was also an emphasis on cross selling to customers who do not have a current or savings account with the Bank.

We continued to emphasize and promote the use of debit cards in line with the national agenda for a cashless society. This push yielded a 50% growth y-o-y in debit card transactions and a 40% increase in debit card spend. We will continue to focus on and promote the use of debit cards by deploying targeted programs to drive the higher take-up and usage of debit cards.

Retail Wealth Management Services

Retail Wealth Management Services is a key business with high fee contribution to PFS. We focus on providing our customers with peace of mind products via principal-protected investments and suitable Bancassurance products that meet their needs. On-going micro seminars and road-shows were held nationwide throughout the financial year to engage customers and educate them on their wealth management, retirement, financial planning and protection needs. This strategy proved effective and delivered positive business results. The Retail Wealth Management segment achieved a strong income growth of 25% y-o-y through these strategic initiatives. Investment assets under management has also recorded 25% growth y-o-y.

PFS continues to work closely with Hong Leong Assurance and Hong Leong Asset Management to drive higher asset under management growth and increase both the Regular Premium & Single Premium insurance market share. PFS will also continue to expand its product offerings and improve its distribution capabilities including wealth management solutions via digital channels.

Priority Banking

Priority Banking continued to enhance our customer value proposition during the year to meet our customer needs. There was strong emphasis on building and strengthening the capabilities of our Priority Relationship Managers as service-oriented bank officials and wealth management professionals. Our customer engagement has also been revamped and enhanced into consistent lifestyle events.

The first flagship Hong Leong Priority Banking Centre located in Menara Hong Leong at Damansara City Kuala Lumpur was opened in November 2017. The flagship offers a more conducive banking environment with added priority services for a better customer experience. These include complimentary valet parking, dedicated safe deposit boxes and private meeting rooms.

We will also refurbish and upgrade some of our Priority Banking Centres in major cities nationwide to provide our Priority customers there with a better banking environment and improved priority services.

MANAGEMENT DISCUSSION & ANALYSIS BUSINESS OPERATIONS REVIEW

BUSINESS & CORPORATE BANKING ("BCB")

Business Performance

It was a solid year for BCB with revenues and PBT at RM1.1 billion and RM831 million, a growth of 4% and 16% respectively compared to last year. This represents a 24% and 26% contribution to the Bank's total income and PBT.

BCB's loans growth performance of 4% y-o-y was mainly anchored by our commercial / mid-sized corporate and SME client segments, which grew at 10% y-o-y and 22% y-o-y respectively.

We are also pleased to report healthy growth as exhibited in our Current Accounts balances where we registered a growth of 4% y-o-y, which outperformed the industry demand deposit growth.

Focus on the Middle market and SMEs

The middle market and SME client segments continue to be the main focus segments for HLB which the Bank sees as an existing and future source of business growth. As such, more resources were put into product development during the year to create and launch financing products suitable for these client segments – particularly SME clients. Examples include our newly launched SMELite financing program which offer our clients a holistic financing solution for their needs encompassing term loans for property acquisition to short term trade and working capital facilities and even forex hedging. The client segment focus is further sharpened by providing tailored financing programs, designed for the needs of specific industries like motorcycle dealers and building materials distributors.

At HLB, our client first approach has led to a holistic review in terms of product offerings. Bearing in mind client's needs, this has already resulted in a comprehensive suite of services such as merchant facilities, Bancassurance, cash management & payroll, online banking & digital solutions, and forex.

This drive for continuous focus on client needs has led to the establishment of a product development and innovation lab within the Business & Corporate Banking division during the FY2018. The lab will continue to design, test and implement products and financing programs which will cater to the evolving needs of existing and new clients.

In line with our ambitions to grow in the SME space, we have deployed over 100 relationship managers throughout the country during the course of the year. These relationship managers will be based at branches across local communities in every state in Malaysia and will be focused on acquiring new SME banking clients within their areas of coverage. We expect to deploy approximately 50 more such relationship managers during the course of FY2019.

We are very excited about the growth potential for the SME segment and we will continue to develop products targeting specific SME segments. Our development plans in the pipeline, other than inhouse development of product, include collaboration with FinTechs in areas such as Peer-to-Peer ("P2P") lending, e-wallet and e-payment providers, supply chain financing and providers of new credit scoring technologies.

On the Digital Front

BCB's Transaction Banking business continued to make headways in delivering innovative digital solutions with the successful launch of our new corporate internet banking platform, Hong Leong (HL) ConnectFirst in November 2017. HL ConnectFirst offers a more comprehensive suite of transaction banking solutions which enables our corporate, commercial and SME clients to effectively manage their working capital requirements from any geographical location, anytime at their convenience. HLB's aspiration is to be the transaction banker of choice amongst our focus client segments – the middle market and SME domestic based clients.

MANAGEMENT DISCUSSION & ANALYSIS
BUSINESS OPERATIONS REVIEW

BUSINESS & CORPORATE BANKING ("BCB") (CONTINUED)

We have started seeing the results from the launch of ConnectFirst, with 20% growth in the total number of clients using this new platform whilst corresponding transaction volume and value grew by 22% and 45% y-o-y respectively.

We are also pleased that we have started to receive industry recognition for our efforts. Among awards that we received was the 'Best Bank in Malaysia' for the Cash Management Customer Satisfaction Survey 2017 by Asiamoney. We were also awarded the "Best Financial Supply Chain Management in Malaysia 2017" by The Asian Banker for our work with a local FinTech specializing as a trade optimization solution provider to SME suppliers. HLB also received an Asian Banker award for our work with a leading Asian brokerage firm, picking up the "Best Cash Management Project in Malaysia 2017" award for our cash management and liquidity management services which helped our client automate payment processes, maximize returns on cash balances and outsource collections. The awards we received are a testament of our focused commitment in delivering best-in-class transaction banking solutions to meet our clients' financial needs.

For FY2019, Transaction Banking will continue to strengthen our product offerings and channel capabilities to capture a larger market share in the transaction banking space.

In line with our strategic ambitions, we are investing significant effort and resources into redesigning and digitalizing the entire account opening and customer on-boarding journey. The objective is to significantly reduce the turnaround time for onboarding of BCB clients and improve and streamline the entire onboarding experience. We hope that by the beginning of 2019, HLB clients will be able to open a business current account and apply for a merchant facility, including submitting all required documentation via HLB's online banking platform without the need to visit our branch.

BCB is also embarking on an initiative to re-design and digitalize the credit application and approval process which will result in faster and more accurate processing of our client's credit requests. This initiative covers all stages of the credit process from point of application, to loan application, to approvals, to acceptance, to loan documentation and finally disbursement. Once again, the objective of this is to improve our client's experience with HLB.

BUSINESS OBJECTIVES FOR THE NEW FINANCIAL YEAR

1

Focus on disciplined and sustainable loans growth without compromising asset quality and returns. We expect to see continued above industry growth rates in our focus middle market and SME client segments.

2

We will maintain discipline in terms of returns and pricing. This means maintaining yield, NIM and portfolio Return on Assets ("ROA") at or slightly above current levels.

3

We will continue to invest in our ConnectFirst platform to achieve our aspiration to be the preferred transaction banking partner for our middle market and SME client base. The cash management services offered through ConnectFirst underpins our liability strategy and we hope to leverage this to grow our CASA balances at above industry level.

MANAGEMENT DISCUSSION & ANALYSIS
BUSINESS OPERATIONS REVIEW

GLOBAL MARKETS ("GM")

The Global Markets business is a key product partner for the Bank's clients, encompassing Foreign Exchange, Fixed Income, Derivatives and Structured Products. Our presence in five countries, namely Malaysia, Singapore, Hong Kong, Vietnam and Cambodia, allows us to holistically manage client solutions in various currencies.

GM is also responsible for managing the Bank's excess liquidity and capital through investments in Fixed Income and Money Market instruments.

Performance Review

The Global Markets business turned in a strong performance for the year with revenues and PBT at RM577 million and RM468 million respectively. This represents a 12% and 14% contribution to the Bank's total income and PBT.

The strong momentum was achieved on the back of improved branch and SME FX revenues and increased deal activity from our FI/GLC segment. Heightened market volatility in global FX and interest rates also helped drive better trading performance.

Our strong franchise positioning in Malaysia continues to be affirmed by leading publications. For example, The Asset awarded us the Top 3 spots for Local Currency Bond Sales. Asiamoney also ranked us #2 for their Corporate Client Choice Awards in Malaysia.

Initiatives for the past year

GM continues to invest a lot of time and effort in improving our FX execution through e-channels. Outward remittance through our internet banking now represents around 30% of our total volume. We expect outward remittance to grow further as we increase the size of allowable transactions.

We are also implementing FX execution and Short Term Corporate Placements (STCP) capabilities in the Bank's new cash management system, ConnectFirst, in the near future.

GM is also focused on improving our compliance framework by establishing a new transaction monitoring team and putting in place a holistic risk and compliance self-assessment process.

Looking ahead

With the outflow of foreign funds from the Malaysian bond and equity markets a key theme in FY2017/2018, we believe a return of those flows will dominate activity in the coming year. We are well placed to intermediate these flows with our strong MYR fixed income and FX franchise, coupled with investments in our Singapore sales team.

GM also expects to see increased FX activity from our focused Community Branch model. This is because our Community Branch Model has increased engagement with our SME and Retail customers. We also expect our complete Islamic banking product suite to see continued growth from the government's focus on shariah-compliant investments and hedging.

> "We are also implementing FX execution and Short Term Corporate Placements (STCP) capabilities in the Bank's new cash management system, ConnectFirst, in the near future."

+12%

REVENUES
RM577
million

+14%

PBT
RM468
million

THE ASSET AWARD
TOP 3
spots for Local Currency Bond Sales

ASIAMONEY RANKED
NO.2
for their Corporate Client Choice Awards in Malaysia

MANAGEMENT DISCUSSION & ANALYSIS BUSINESS OPERATIONS REVIEW

ISLAMIC BANKING

"During the year, HLISB has been appointed as the agent for Amanah Saham Nasional Berhad ("ASNB") Funds, marking our starting point to increase our current range of product suites for Islamic Wealth Management."

HLISB achieved a strong growth in earnings in the 2018 financial year with PBT growing 28.9% over the previous year. ROE and ROA improved to 13.2% and 0.9% respectively from 11.6% and 0.8% during the same period the previous year.

The growth in earnings was in tandem with the enlarged financing business supported by robust cost management and increase in operating efficiency. Our operating expenses remained stable with the CIR at 32.1%, which is markedly lower than last year's 37.2%.

Empowering Islamic Finance

HLISB has achieved a few significant milestones in the digital transformation of its Islamic banking services and products. During the year HLISB expanded the automation of Commodity Murabahah Trading to a wider range of products such as Personal Financing-I, ASB Financing-i and Cashline. HLISB also introduced 24/7 commodity trading for certain Commodity Based products. The initiatives not only improve efficiency but also enhance the flexibility and digital capability of our products. HLISB also expanded digital offerings to include broader market segments. These include areas such as Islamic wealth management and business banking.

HLISB recognizes Islamic Wealth Management as a key area of growth for its retail segment. During the year, HLISB has been appointed as the agent for Amanah Saham Nasional Berhad ("ASNB") Funds, marking our starting point to increase our current range of product suites for Islamic Wealth Management. In July 2018, HLISB has started to offer ASNB fund subscription to our customers. Another significant addition will be our investment account product that is currently at its final stage and targeted to be launched at the end of 2018.

HLISB continues to focus on growth through the small and medium enterprises ("SMEs") financing. In pursuing this objective, HLISB has been working closely with government agencies such as TERAJU and SME Corporation. As part of the strategic plan, HLISB has continued its partnership with SMECorp under the Shariah-compliant SME Financing Scheme 2 ("SSFS2") to provide financing assistance to eligible SMEs involved in Shariah-compliant business activities.

HLISB continues to invest in developing its human resources. We are actively nurturing new talents in Islamic finance via our internal Shariah Graduate Training Program. We are also an active participant in third party training schemes conducted by various industry bodies. To maintain progress in realizing our human resource goals, HLISB has committed to nurture our existing talent base by developing learning tools and offering continuous training. Through these initiatives, HLISB aims to develop adequate capacity building and produce new talents in the Islamic finance space.

The rise of the Halal economy has created new growth opportunities in the field of Islamic Finance. The Halal sector has evolved to become an engine of growth in various economic regions, including Malaysia. HLISB is keen to explore opportunities to support the growth of the Halal space. It will, in particular, focus on providing holistic Islamic financial services to the Halal markets.

Following the announcement of Value-Based Intermediation ("VBI") initiatives by BNM in 2017, HLISB has been proactively launching various programs to realize the full potential of VBI into our business. VBI elements have been deeply embedded in our sustainability themes, where we are managing the environmental footprint of our operations and advocating social and environmental responsibility through our products and services.

Among the activities conducted by HLISB in relation to VBI are as follows:

- HLISB has been **actively participating in SME programs** to nurture the business of selected SME clients.
- HLISB has **launched several financial literacy programs** such as Program Celik Muamalat and Youth Empowerment Program to educate the public on financial planning and management.
- **Introduced Islamic Finance e-Knowledge Sharing platform** as an interactive medium to share common issues, questions and answers on Islamic finance with our internal stakeholders. HLISB is also developing a similar e-platform for the public at large.
- Actively contributing in various **article publications on Islamic finance.**
- **Providing Shariah Thought Leadership** to various Islamic finance related bodies, to share our knowledge, experience and leadership.

MANAGEMENT DISCUSSION & ANALYSIS
BUSINESS OPERATIONS REVIEW

INTERNATIONAL

i) Bank of Chengdu ("BOCD")

Profit contribution from BOCD improved 50.5% y-o-y to RM516 million in FY2018 as compared to RM343 million in the previous year, representing 15.9% of the Group's pre-tax profit as revenue growth and lower credit costs improved its profitability. Going forward, BOCD's management is cautiously optimistic of continued growth in selected business segments amidst recent signs of stabilisation and improvements in the Chinese economy. BOCD also became the first city commercial bank from Sichuan Province to be listed on the Shanghai Stock Exchange on 31 January 2018.

PROFIT CONTRIBUTION FROM BOCD

RM516 million

+50.5%

"BOCD also became the first city commercial bank from Sichuan Province to be listed on the Shanghai Stock Exchange on 31 January 2018."

ii) HL Bank Singapore ("HLBS")

HLBS made an operating profit of RM58 million in FY2018 against total income of RM141 million. Its loan book meanwhile stood at RM5.2 billion.

As it is a single branch operation, HLBS's strategic focus is to identify and build niche business segments. Over the past three years, HLBS has grown from its core business of private wealth management to now include Wealth Management, Commercial banking, Health banking and Auto finance.

HLBS Private Wealth Management is undergoing a business transformation to capture the new wealth builders. The business is also rebuilding with a regional strategy and aims to expand to other Asian markets. It targets to grow Private Wealth Management AUM from RM7.5 billion to RM30 billion in coming years.

In Health Banking, HLBS has built a loan book of RM650 million in financing properties for doctors' medical practice. For FY2019, HLBS will restructure the Health Banking business to leverage on Private Wealth Management infrastructure to cross sell to high net worth doctors.

HLBS's Auto Finance is one of the leaders of this niche market segment with a loan book of RM2 billion. For FY2019, the Bank will conduct more marketing events with dealers and distributors and work on improving the turn-around time for loan applications.

Corporate Banking is another growth area for HLBS. We are targeting Commercial and SMEs in key growth sectors of the Singapore economy. The branch will also leverage HO's BCB to support Corporates and SME's growing needs as they expand regionally.

To improve customer experience in the digital economy, the branch has lined up several digital initiatives. These include non face-to-face account opening and mobile banking. The branch has also gotten Singapore GovTech approval to tap into Singapore's central database for customer information to fulfil loan applications. All employees of the Bank are also given access to Learn@IBF, a mobile learning app where they can "learn on the go" the relevant digital banking knowledge.

HLBS was awarded the Human Capital Partner (HCP) Certificate on 27 April 2018, an award given by the Tripartite Alliance for Fair & Progressive Employment Practices in recognition of the Bank's effort to invest in human capital and adopt fair and progressive workplace practices.

For FY2019, HLBS will focus on several areas. The first is to rejuvenate staff bench strength. The second is to increase the suite of products and services available in both offline and online channels. The third is to install a new system platform with digital capabilities to enable clients' online access to investment wealth management accounts.

MANAGEMENT DISCUSSION & ANALYSIS
BUSINESS OPERATIONS REVIEW

INTERNATIONAL (CONTINUED)

iii) Hong Leong Bank Vietnam ("HLBVN")

HLBVN grew loans by 8.3% y-o-y in FY2018. Its NPL ratio also improved 0.3% percentage points to 1.0%. Deposits however decreased 4.7%. The franchise was also successful in recovering some written-off loan items, helping it to turn a net profit.

HLBVN has worked out a two-pronged strategy to grow its business in Vietnam. The first prong is to "Strengthen Existing Operations". Under this prong, HLBVN will revamp the current physical network. We will also enhance PFS sales activities by reconfiguring branches to also cater to middle-income segments in addition to the affluent segment. We will also redesign Key Result Areas ("KRAs") and restructure teams to sharpen the focus of the Bank's sales channels. It addition to that, sales management will also be tightened.

Another activity under the first prong is to sharpen our BCB focus, especially on SMEs while continue to bank Big Corporates and MMEs on an opportunistic basis. As part of this, HLBVN has sharpened the key target industry segments, to ensure we work with clients that have good to strong prospects for growth. We will also enhance transaction banking capabilities. To enhance transaction banking, HLBVN is launching International Payment functionality on HongLeong ConnectBiz. It will also establish underwriting criteria and credit processes for SMEs.

We also target to improve operational efficiency under the first prong by taking several steps. These steps include working on implementing low-cost automation and business process re-engineering. We will also rationalize roles in the Bank's mid and back office functions.

The second prong of HLBVN's strategy is to create a Retail Digital Bank to capture future growth opportunities and achieve scale in this fast moving and growing market. To do this, technology is being deployed to speed up the process of innovation to lower the cost of meeting customer requirements. This will involve offering low risk products such as virtual prepaid cards with simplified Know Your Customer ("KYC") processes. Software is also being used to keep fine tuning the offers based on experience and feedback given by customers. We are also leveraging on tie-ups with companies with large clientele to accelerate customer acquisitions.

MANAGEMENT DISCUSSION & ANALYSIS BUSINESS OPERATIONS REVIEW

INTERNATIONAL (CONTINUED)

iv) Hong Leong Bank Cambodia ("HLBCAM")

Now in its 5th year of business operation, HLBCAM continues to perform impressively, recording RM15.9 million in PBT while growing revenue by 25% y-o-y to RM48 million. The growth in profits and revenue significantly outpaced its increase in expenses of 1%.

HLBCAM now serves over 7,000 customers. Our deposit book grew by RM143 million or 17% to RM995 million. Loan growth meanwhile was up 27% or RM214 million to RM1.02 billion. Our deposit and loan growth far outperformed industry growth. HLBCAM also improved its deposit product mix during the year with CASA rising from 32% to 35% of total deposits.

Over the past year, HLBCAM has embarked on its "Digital at the Core" journey to strengthen the Bank's digital offerings and capabilities by rolling out the following initiatives:

- FAST domestic remittance to facilitate real time domestic remittances in local currency.
- Retail mobility banking (HongLeong Connect App) to enable customers to check deposit and loan account balances as well as perform local and overseas transfers wherever and whenever they need to. Work is also underway with 3rd party partnerships to introduce extra functionality and to build an online payment ecosystem.
- Commencement of work to integrate our ATM network to the Cambodia Central Shared Switch (CSS) allowing interbank ATM and POS transactions across the country. It's expected that this CSS project will go live in December 2018.

On the business front, HLBCAM successfully implemented the following:

- Roll out of an auto loan product.
- Continued partnership with Major Cineplex at AEON Mall. AEON Mall is the largest shopping mall in Cambodia and the partnership allows us to promote HLBCAM's presence and product offerings, launch new products, perform sales activations and online account opening on weekends.
- Strengthening and broadening our mortgage loan offerings through our partnership with Phnom Penh's leading developer to better meet our customers' needs.

Looking ahead, HLBCAM will focus on implementing initiatives that delight our customers and staff through our digital banking experience. For example, we will fully integrate our banking system to the Cambodia's Central Shared Switch. We will also introduce additional functionality in the HongLeong Connect App such as corporate internet banking and additional payment functionality. We will also digitalize key internal processes and requirements for greater efficiency and effectiveness.

While our strategy largely remains unchanged in terms of geographical coverage and target market, we will explore the business opportunity that comes by broadening our industry segment coverage. This is to sustain our growth and take our business to the next level of success.

v) Hong Kong Operations ("HLBHK")

In FY2018, HLBHK has been implementing a new system to align with the group and other overseas branches. The alignment of the system will enable the expansion of HLBHK's customer segment and product mix and the system is expected to go live in the new financial year. In June, HLBHK has also received approval from the Trade and Industry Department of the Hong Kong Government (TID) to join their SME Loan Guarantee Scheme (SGS). The Bank is also planning to introduce internet and mobile banking to Hong Kong which will enable the branch to embark on a new chapter of digital journeys and customer acquisition.

MANAGEMENT DISCUSSION & ANALYSIS
INFORMATION TECHNOLOGY

The Technology Unit continued executing and implementing our aggressive technology transformation roadmap. The transformation was driven by seven guiding principles. The principles are: obtaining usable data, reusable and easily connected components; intellectual property ownership; in-house development capabilities; migration to enterprise open source; reduced vendor dependence; reduced use of proprietary hardware. Work teams and physical office facilities were set up to facilitate agile development and customer centric journeys when developing products and services whether on digital front-end systems or middle and back-end banking systems.

There has been significant progress of the Group's digital transformation over the last financial year. For one, there was an increase in our Intellectual Property foot print. There was also an increase in the size and capability of our internally self-sufficient development team. We also migrated our legacy systems to an internal cloud infrastructure.

We also increased our use of commercial open source software, decreasing our dependence on proprietary software. Our open source software adoption included tools for development, application run time, monitoring, and scheduling. Our approach has enabled us to reduce the time required for in-house software development and go-to-market over vendor times by 40% to 60% depending on complexity. We also significantly reduced the cost to market by 40% to 60%.

With our emphasis on in-house development and open source platforms, we have managed to ensure that the intellectual property rights for eight major customer facing systems are now controlled by the Bank. The systems include all retail internet banking channels across the Hong Leong Bank geographic presences and mobile branch assisted services. We also own the retail mobile banking system in the Hong Leong Bank Cambodian operations with plans for deployment to all other geographies.

MANAGEMENT DISCUSSION & ANALYSIS
INFORMATION TECHNOLOGY

Alongside growing the Bank's in-house capability, we also maintained a strong focus on running the Bank's systems as flawlessly as possible. Our teams worked ceaselessly during the year to drive down incidents that could impact service availability. We achieved a further 30% reduction in non-scheduled down times. We also achieved a highly consistent overall uptime of 99.95% across all the Bank's channels. These achievements are a result of our strategy of not only utilizing less costly, but also more stable technology ecosystems for our digital infrastructure.

The team has managed to decrease core system batch times by nearly 40% with the use of new technologies and core system hardware refreshes. These being but not limited to the introduction of new storage technologies and enhanced internal capabilities. We also created an internal bank file share capability (internal drop box) to increase network efficiency as well as a stronger data loss protection posture.

"Our teams worked ceaselessly during the year to drive down incidents that could impact service availability. We achieved a further 30% reduction in non-scheduled down times."

BANK'S SYSTEM OVERALL UPTIME

99.95%

The Bank also initiated an entire technology SOP and policy review to be in alignment with the IT governance frameworks of ITIL and COBIT. We increased the overall productivity of the team by applying agile management and delivery techniques. These changes resulted in a 30% y-o-y increase in the output of the teams. It also increased the availability of functions and features available via the online banking channels by 50% between the hours of 12am and 7am.

Our team's open source deployment and monitoring capabilities also led to less human error. Monitoring measures include the implementation of synthetic and passive monitoring systems across 22 internet channels as well as the network and server infrastructure.

We also reviewed and revamped the network infrastructure and architecture leading to greater stability and cost efficiencies. We implemented automated deployment tooling systems, and clean coding practices to increase operational efficiencies within newly formed in-house coding teams. We also introduced redundancy across key channels. For example, we introduced redundancy in the SMS gateways for TAC and regulatory notifications.

"Compared to the last financial year, Internet banking users grew by 22%, and mobile banking users jumped by 64%."

MANAGEMENT DISCUSSION & ANALYSIS
INFORMATION TECHNOLOGY

We also commenced and completed two core banking implementations in Labuan and Hong Kong. We assisted and guided the operations teams on the implementation of Robotic Process Automation across call centre and back office operations. During the project, we also successfully revamped and redesigned the middle ware layer. The revamp will enable the Bank to be more agile in the delivery of new products and services going forward.

In addition, we also embarked on new initiatives in technology service availability. This involved conceptualizing and negotiating a four-year IBM OIO (Open Infrastructure Offering). The OIO deal will help the Bank to offset approximately RM80 million in costs incurred over the next four years.

In line with our vision to be Digital at the Core, the Information Technology division continues to grow the overall IT Ecosystem at a sustainable price point. By offering new products and services in front line digital channels, the Bank is seeing continued and increasing growth in transaction volumes and customer sign ups via digital channels. Compared to the last financial year, Internet banking users grew by 22%, and mobile banking users jumped by 64%.

The Bank's IT team continued to push the boundaries during the year with a list of new initiatives and endeavours to further enhance the digital ecosystem of the Bank. One of the initiatives was the development of a 2-3 year road map. The road map will realign the way we use data. In other words, it will reinvent the way the Bank ingests, stores, consumes and exposes its data. We will also migrate the web enabled front end systems to a new architecture. The ultimate aim of this web migration is to have an Active – Active configuration. This type of configuration will help further reduce scheduled down times for the Bank's systems. We will also continue our drive to migrate systems from the old code base to newer more agile coding practices that will lead to faster and better IT system development.

CYBER SECURITY AND DATA PRIVACY

Cyber security and data privacy remains a top priority for the Bank and the safety and security of our data and systems are of a paramount concern.

The threat of data leakages, ransomware, advanced persistent threats (APT) and threats through other means remain a relevant and present challenge. According to the World Economic Forum report for 2018, cyber security remains a top international priority for protecting the global economy.

Compromises in cyber security can pose issues at many levels including trust towards the brand. For one, there is the risk of commercial losses and public relations problems, as well as disruption of operations and the possibility of extortion and data ransom. Cyber-attacks could also lead to regulatory action and negligence claims against the organization. It could also cause an inability to meet contractual obligations and cause a loss of trust among customers and suppliers. We recognize this threat and have invested and implemented various measures to safeguard the Bank's as well as our customers' data.

MANAGEMENT DISCUSSION & ANALYSIS INFORMATION TECHNOLOGY

CYBER SECURITY AND DATA PRIVACY (CONTINUED)

With cyber threats becoming prevalent across borders, the Bank has now shifted its focus towards a more informed and proactive stance.

To this end, the Bank is building a diverse cyber security team and infrastructure stack. It is also identifying partners who regularly carry out red team exercises which has helped us gain valuable insights and raise our readiness level.

Cyber threat intelligence has been mooted as a key factor in combating global cybercrime. It mitigates the threat risk by combining intelligence of data sources around the world and integrating it with machine learning to provide meaningful insights to security analysts. Security analysts in turn can then proactively take measures to protect the organization, hence, we are investing in these types of capabilities.

Having multi-level controls is crucial in the Bank's operations to ensure cyber security readiness. These administrative controls include sets of approved policies and procedures which govern the Bank's day-to-day operations. This is coupled with senior management and BRMC oversight, for example, through the establishment of the Information Security Governance Council, which is chaired by our Group Managing Director.

We currently utilize a 24x7 Security Operations Centre. Our existing security infrastructure looks at perimeter defense. It also defends against inbound type attacks and mitigates them by using an antispam gateway and the APT (Advanced Persistent Threat) mitigation platform. Our round-the-clock vigilance helps the organization prevent attacks which can be launched from anywhere and at any time.

Data privacy and protection of personal data continues to be a focus as required under the Personal Data Protection Act 2010 ("PDPA"), Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("IFSA"). We are committed to ensuring the confidentiality and security of personal data and maintain a Privacy Policy on our website so that employees, customers and partners understand how we collect, use and manage personal data.

We make continuous efforts to enhance our compliance program on protecting customer and employee data. Initiatives include:

i. Upon joining the Bank, new employees attending the manager's induction are given an introductory session on PDPA and secrecy laws under FSA/IFSA.

ii. All existing employees have to undergo mandatory e-learning on the PDPA and IFSA/FSA. In addition, they have to view the Customer Data Secrecy Video. We developed the video using animated stimulations 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 on the lookout for possible threats by providing examples of what to do and what not to do.

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 and hence provide suggestions on how to avoid them.

v. We have enhanced physical security around access to our premises and IT systems to ensure that only authorized personnel have access.

vi. We have invested in tools that will allow us to monitor who is accessing our systems and hence detect and report unauthorized access. This is an evolving area, and will require consistent investments and capabilities enhancements to ensure that we remain well protected.

We are committed to developing our capabilities and our compliance culture and strengthening our efforts in this area.

MANAGEMENT DISCUSSION & ANALYSIS
HUMAN RESOURCE ("HR")

We strive to communicate a genuine and consistent talent branding message to current and potential future employees about the distinct strengths, values and beliefs of Hong Leong Bank. Our talent brand influences our ability to retain and hire the best candidates who possess the potential, attributes and leadership style to be successful in the Bank.

BUILDING THE TALENT BRAND & TALENT PIPELINE

We invested in the Bank's talent brand by actively participating in career fairs to ensure that we tap into the best recruitment resources for top-notch talent. During the year, we participated in the Graduan Aspire Career Fair to advocate for Hong Leong Bank as an Employer of Choice. We were represented by more than 30 dedicated employees from across our various functions during the event.

The Management Associate (MA) Program officially launched in October 2017, is customized to cultivate the best of the best in banking. The 21-month program provides future leaders the opportunity to rotate across the Bank's different divisions. Unique for its design and structure, it develops fundamental and transferable skill sets with fast-track progression opportunities to management levels.

Our Graduate Trainee (GT) Program aims to develop young graduates in specific businesses and operations. During the 18-month program, GTs go through structured learning and job rotations. By going through this training, the trainees are equipped with knowledge, skills and hands-on experience that makes them fit for today's and tomorrow's job requirements. This will provide our GTs with the necessary skills to excel as specialists in their respective businesses.

In collaboration with Skim Latihan 1 Malaysia (SL1M), HLB's Apprenticeship Program aims to enhance the employability among Malaysian graduates. This is done through structured trainings and exposure to the operations of the Bank. The apprenticeship focuses on elevating the apprentices' skills, knowledge and working experience, with the ultimate goal of absorbing them as employees at the end of the 8-month program. During the year, two batches of apprentices were hired by the Bank – in September 2017 and January 2018.

Our programs also won recognition for their effectiveness. Hong Leong Bank's Management Associate program overcame fierce competition to be declared one of the best programs for graduates in Asia under the "Best Graduate Recruitment Program" category at the Human Resources Asia Recruitment Awards 2018. Hong Leong Bank won the award beating out many other heavyweight competitors from a diverse range of industries throughout Asia. The award is a clear recognition of the program's comprehensive approach and the results produced. It is also an acknowledgement that the Bank is a top performer in talent development and also put the Bank firmly on the regional Human Resources map.

We also continued our talent branding efforts via collaborations with major local universities. During the year we conducted targeted career talks and participated in campus career days and job fairs.

MANAGEMENT DISCUSSION & ANALYSIS
HUMAN RESOURCE ("HR")

INVESTING IN TALENT

Hong Leong Bank employees are encouraged to take ownership of their professional and personal development. The Bank supports our employee development with various programs. Hong Leong Bank practices the 70:20:10 model, as it is a flexible and effective way of learning, anytime, anywhere. It also encourages initiative and accountability for the employee's own development.

10%
FORMAL TRAINING

- eLearning on MyLearning
- Structured training programs
- Certification
- Literature from internal and external sites
- SmartUp

20%
LEARNING FROM OTHERS

- Feedback from managers, colleagues and customers/clients
- Mentor for career advice
- Mentor more junior/senior with specialist/leadership skills
- Networking

70%
ON-THE-JOB LEARNING

- Stretched assignment
- Double hatting in an additional role
- Job rotation
- Deputising
- Strategic project experience
- Intentional practice and reflection of a skill

The best development happens when learning from new experiences (70%) – it has 3 times more impact on performance than formal training when the appropriate level of manager support, development planning and learning from others is in place.

The shift in the market towards Industry 4.0 is reshaping the supply and demand for workforce across the globe due to a rapidly evolving technology landscape and the different expectations of the next generation of the workforce. The need to undertake reskilling to meet the new demands of a highly digitized environment is forcing the Bank to rethink our techniques for developing talent.

By making talent management a priority today and not the future, we are developing a talent pool which is able to sustain the Bank amid the volatile, uncertain, complex and ambiguous business environment. This requires the Bank to build a culture where it encourages our talent to have a flexible mindset. The mindset that we work to cultivate in our talent is one that is open and receptive to learning and adapting to new trends in emerging technology, and to develop the ability to drive change as a key differentiator.

MANAGEMENT DISCUSSION & ANALYSIS
HUMAN RESOURCE ("HR")

To ensure we have the right leaders to achieve the above strategy, all of our C-Suite executives meet and decide as a cohort on senior management promotion. Led by our Group Managing Director, all promotion nominees are deliberated extensively by the cohort before a decision on that individual is made. Emphasis is placed on how the employee considered for promotion has embedded the Bank's values and change mindset in their daily work lives, as well as how they are contributing to driving the Bank's Digital at the Core ethos, customer centric and innovation drive.

Our entire workforce and talent cohort are also undergoing a digital transformation to support the Bank's strategy to be Digital at the Core. We are doing this with the introduction of the Bank's Fit-For-Future digital capabilities program. The Fit-For-Future modules are available on our mobile learning app, HLB SmartUp. The modules are designed to be accessible by employees to learn at their own pace, helping to build personal and organizational capabilities in relevant areas. The program is categorized into six main pillars:

- Digital Awareness
- Data Driven Decision Making
- Design Thinking/Human-Centered Design
- Agile
- Future Communication
- Risk and Governance

Building on our Fit-For-Future program, HLB also launched its structured talent identification process. We recognize that the traditional way of identifying talent based on their current performance does not provide the Bank a holistic view of the talent's leadership potential. To address this, we introduced a 3-attribute measurement (Ability, Aspiration, Engagement), and a Talent Behaviour Checklist to help managers better pick out leadership potential. The various initiatives mean that we now have a structured, scalable and practical framework to identify talent.

6 PILLARS OF FUTURE-ENABLED SKILLS

1 Digital Awareness	2 Data Driven Decision Making	3 Human Centered Design	4 Agile	5 Future Communication	6 Risk & Governance
Understand application of new technologies to business	Understand how to apply data analytics to decision making, insights and problem solving	Understand how to design products and services from a customer perspective	Apply agile principles to all aspects of business	Engage customer effectively in the digital era	Understand and manage risks in a digitalized world of financial services
Artificial intelligence/ Machine Learning Blockchain/ Distributed Ledger Technology Cloud Internet of Things API DevOps	Data Management Data Engineering Data Project Lifecycle	Human-centered design	Agile Experimental mindset Business model canvas	Digital marketing framework Communication platforms Content generation strategies	Risk & compliance Financial crime Cybersecurity Digital governance

Source: Institute of Banking & Finance Singapore

STRENGTHENING GOVERNANCE THROUGH LEARNING AND DEVELOPMENT

We rolled out a structured onboarding program in April 2018 aimed at embedding new employees into our culture and strategic direction. The program integrates new employees into their roles and subsequently increases their engagement with what we are trying to do and our transformation agenda. A total of 298 new employees attended the 4-day program which is scheduled on a monthly basis.

Pursuant to the industry-wide commitment to professionalize the Malaysian Banking Industry, we partnered with the Asian Banking School (ABS) to ensure all our new employees who are graduates and have less than two years working experience, attend the Introduction to Ethics in Banking program as part of their onboarding journey. The program covers the following topics:

Day 1 : Hong Leong Bank Orientation

Day 2 : Overview of HLB Divisions and Business

Day 3 : Introduction to Ethics in Banking

Day 4 : Shariah Awareness program

We work constantly to support the industry-wide commitment to create a workforce characterized by high standards of professional conduct, knowledge and competence. One of our initiatives is the Chartered Banker program. Some 258 HLB & HLISB employees from core banking functions registered for the Chartered Bankers program. Two from this group of employees successfully obtained their Chartered Banker's qualification during the year. In addition to the Chartered Banker's pathway commitment, 243 of our key personnel in critical job functions (AML/CFT, Internal Audit, Compliance, Credit and Risk Management) registered for Specialized Function enhancement, with 75 of these key personnel completing their respective certifications.

MANAGEMENT DISCUSSION & ANALYSIS
HUMAN RESOURCE ("HR")

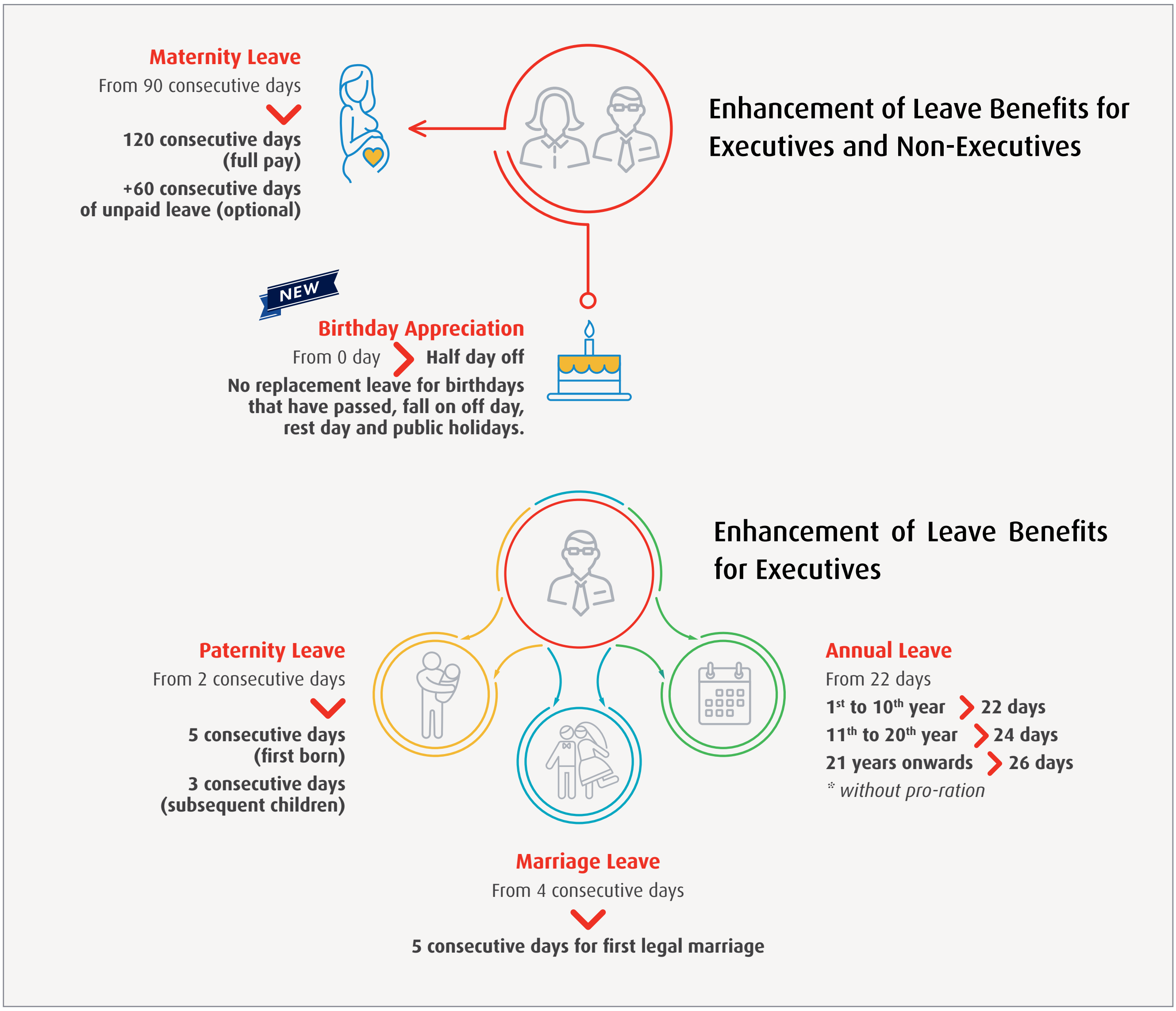
REWARDS

Hong Leong Bank's rewards strategy was developed in alignment with our remuneration philosophy. The philosophy aims to support and promote a high performing culture to deliver the Bank's Vision to be a highly digital & innovative ASEAN financial services company.

The remuneration framework provides a balanced approach between fixed and variable components that change according to individual performance, division performance, banking group's performance outcomes and the individual's seniority/level and accountability.

The remuneration framework is a key part of our Employee Value Proposition ("EVP"). In addition to encouraging a high performance culture, the framework also focuses in creating a culture and workforce of strong values, high integrity, clear sense of responsibility and high ethical standards. These desired attributes make the Bank a great place to work.

Based on the feedback from our recent employee engagement survey, 'My Thoughts, Our Future', we have strengthened our Employer Value Proposition by enhancing our leave policies. We have increased maternity leave, paternity leave, annual leave based on tenure, marriage leave and introduced a birthday appreciation program.



MANAGEMENT DISCUSSION & ANALYSIS
HUMAN RESOURCE ("HR")

LEVERAGE ON TECHNOLOGY

The all-digital world is changing how we live, how we work, and how business is organized and conducted. As we embarked on our transformation journey towards being "Digital at the Core", we constantly look towards digital technologies and innovation that can improve the Bank's internal and external customer experience by incorporating smart technologies into what were traditionally human driven processes.

In 2017, Hong Leong Bank collaborated with Hyperlab, a leading Conversational Artificial Intelligence (A.I.) company to create a reliable automated platform through the use of the artificial intelligence system HALI. HALI aims to improve internal operations efficiency through automating thousands of queries from the employees in relation to human resources such as medical benefits, staff loans, leave policy, payroll, generating confirmation letters and more. HALI has successfully cut down man-hours where a total of 34,152 human resources related questions were answered by HALI one month after the launching of HALI.

TO DATE

400 pieces
of contents on SmartUp

GROWING POOL OF

internal content creators

HALI marks another milestone for the Human Resources Division in providing speedy and convenient access to accurate information for our internal customers. It also keeps abreast with the Bank's vision and mission to be a digital bank.

To capture the benefits of mobile learning, we collaborated with SmartUp Inc. to introduce our very own mobile learning app to our employees. Officially launched in October 2017, HLB SmartUp is a powerful peer-to-peer, knowledge sharing platform application which also incorporates a degree of fun through gamification. As it is a mobile app, all employees of HLB, regardless of where they are based, have access to the learning contents on-the-go.

To drive SmartUp, internal content creators were identified and nominated by respective divisions within the Bank to create content related to their respective sphere of expertise. These creators contributed content which was subsequently published on SmartUp. To date, we have more than 400 pieces of content on SmartUp. We also have a growing pool of internal content creators paving the way for a sustainable knowledge sharing environment in the Bank.

"HALI marks another milestone for the Human Resources Division in providing speedy and convenient access to accurate information for our internal customers. It also keeps abreast with the Bank's vision and mission to be a digital bank."

MANAGEMENT DISCUSSION & ANALYSIS
HUMAN RESOURCE ("HR")

EMPLOYEE ENGAGEMENT – MY THOUGHTS, OUR FUTURE

We are committed to creating a conducive work environment that make employees feel like a big family. As part of efforts to deliver this environment, we conducted an employee engagement survey: 'My Thoughts, Our Future' (MTOF) on 15 June 2017. The survey was conducted by Willis Tower Watson and had a participation rate of 89.4%. The results of the survey have helped us further refine our policies and strategies and we are now in a better position to move forward and respond to ongoing changes.

We understand that engaged employees are willing to go the extra mile for our clients because success is personal for them. The creation of such an engaging environment is a process for the long haul and requires the commitment from all our leaders. This is critical as it reflects the Leadership Team's commitment to acknowledging and addressing, wherever possible, the issues that are important to employees. The Human Resources Division in collaboration with the various other divisions successfully carried out a series of activities both Bank-wide as well as at the division level, based on this employee engagement survey.

Apple-ciation Day

As a small token of our appreciation to Hong Leong Bank's employees, the Bank has declared 27 November to be "Apple-ciation Day". This is a special day to celebrate and show the appreciation – from senior management to our employees – on how much we value their effort and work throughout the year. Initiatives like this and those listed below, whilst small, are examples of our commitment to make work fun!

BANK'S FEMALE EMPLOYEES

Workforce
63%

Senior Management
42%

C-suite management team
25%

MANAGEMENT DISCUSSION & ANALYSIS
HUMAN RESOURCE ("HR")

EMPLOYEE ENGAGEMENT – MY THOUGHTS, OUR FUTURE (CONTINUED)

Brown Bag Series

Brown Bag – Lunch and Learn aims to provide informal learning sessions for all employees at work every month. We try to choose engaging and interesting topics that are associated to the monthly sustainability theme in the 2018 Sustainability Calendar. These sessions are easily accessible and conducted by experts in their respective fields. They are also conducted in an engaging and less formal structure with the goal of providing an excellent learning experience.

International Women Day

"The story of women's struggle for equality belongs to no single feminist nor to any one organization but to the collective efforts of all who care about human rights."

– Gloria Steinem, world-renowned feminist

Hong Leong Bank is an organization that embraces diversity, inclusivity and gender equality. The Bank's female employees represent 63% of our workforce, 42% of senior management and 25% of the C-suite management team. To celebrate and appreciate the contribution of women globally and to recognize their social, economic and cultural achievements, Hong Leong Bank organized its first ever International Women's Day on 8 March 2018. As part of the festivities, a panel forum was held with the theme "Press for Progress" to motivate and unite friends, colleagues and the entire Hong Leong Bank community to think, act and be gender inclusive.

Stairathon Challenge

A healthy employee is a productive employee. The Stairathon Challenge is a divisional fitness challenge whereby a team of four participants race up 20 floors in a relay at Menara Hong Leong in Kuala Lumpur. The top three fastest stair climbers walk away with a prize of RM2,400. The Stairathon Challenge was held on 20 April 2018 to encourage our employees to live a healthy lifestyle with the eventual goal of increasing engagement and productivity.

Career Day

One of the quotes from our Group Managing Director Domenic Fuda that we take to heart is this: "50 years of work does not equal 50 years of work experience if you keep repeating and doing the same work yearly for 50 years". With that in mind, the Human Resources Division successfully organized the Bank's inaugural Career Day on 3rd July 2018. The event marks our commitment to help our employees explore career development opportunities and possibilities available to them within the Bank; encourage transfers within divisions, take advantage of self-learning tools and opportunities, explore participating in specific projects that stretch ones knowledge and experiences, so that work experience becomes an evolving accumulation of difference experiences and activities, increasing one's skill set and hence make one better prepared to tackle work requirements in a fast changing world.

The concept of Career Day was developed from the understanding that our employees are constantly looking for opportunities for career growth. The one-day event also provided a platform for employees to network and acquire information about the operations of various department within the Bank. It also encourages inter-departmental synergy when employees better understand the function of other business units. We recognize that communication and the ability to adapt are key. Ultimately, our goal of having the career day is to create an inspiring and fun working environment for all.

As the industry continues to undergo significant change, propelled by the evolving financial landscape and the constant threat of disruption, ideas such as Career Day that originated from the 'My Thoughts, Our Future' survey continues to be the key that will enable us to maximize the energy, creativity and productivity of our employees.

e-TOUCH

The "My Thoughts, Our Future" survey has given us deeper insights and understanding on what keeps our employees motivated and to go the extra mile. Motivation depended on whether one is Type X (Extrinsic) or Type I (Intrinsic) behaviour.

For the Type X's, money is the motivation for doing work. For Type I's on the other hand, compensation is perceived to be fairness, with money a secondary factor. More often than not, Type I behaviours lead to stronger performance, greater health, and higher overall well-being. Armed with the insight that embedding recognition as part of our daily life can make a big difference, we launched our own appreciation platform called e-TOUCH to enable our employees to provide instantaneous and personal recognition to our colleagues who have gone the extra mile in customer service in their jobs. Our approach of "Appreciate, Celebrate and Congratulate" is a good way to provide visibility for success, drive continuous improvement and operational excellence.

MANAGEMENT DISCUSSION & ANALYSIS
HUMAN RESOURCE ("HR")

EMPLOYEE ENGAGEMENT – MY THOUGHTS, OUR FUTURE (CONTINUED)

ETOUCH

What is e-TOUCH?

- To give our organization a branded, online environment that becomes our central hub for celebrating.
- Show appreciation for value-based employee achievements and going beyond the call of duty initiatives.
- To encourage and embed Hong Leong Bank values into the organized culture.

FUTUREPROOFING OUR WORKFORCE – DRIVING THE PEOPLE AGENDA

A joint critical responsibility between all divisions and Human Resource is to ensure we invest as much time and effort in our people as we do in our businesses.

Key components to drive for results:

- A clear understanding of current and future business strategies. It is imperative that decisions we take on the HR front are relevant to the businesses.
- The right people in the right roles. This means accurate hiring and promotion decisions, the ability to identify key gaps within the talent in place, as well as acquiring the talent required to drive business success.
- Highly motivated and high performance culture. Employees need to have the agility to unlearn and relearn to keep pace with a VUCA (Volatility, Uncertainty, Complexity, Ambiguity) environment. They must have the ability to think and take ownership, as if this is their own business.
- Readiness of the HR Team. Value add from the HR front can only happen with the correct HR bench strength in place. We will focus on upgrading capabilities in the following:
  - Being technologically savvy;
  - Understanding data and insights;
  - Developing an "outside-in" perspective – being able to interpret trends; and
  - Learning agility.

SUSTAINABILITY STATEMENT

Our Sustainability Report was prepared in accordance with the Global Reporting Initiative Standards ("GRI Standards"): Core option, through which we have sought to communicate the impact of our economic, environmental and social ("EES") performance.

The production of our report was also guided by local and international standards such as Bursa Malaysia's Sustainability Reporting Guidelines and the United Nations Sustainable Development Goals ("SDGs"). We mapped our sustainability actions against those SDGs in which we are able to have the most impact.

The data provided in our report relates to issues determined as important to both the Bank and our stakeholders via a materiality analysis. Ten topics are presented under Four Strategic Themes that reflect key priorities targeting our most important stakeholders, namely our customers, employees, regulators, shareholders and investors. These themes clearly outline our strategies: Digital at the Core; Fit for Future Workforce; Environmentally and Socially Responsible; and Small and Medium Enterprises ("SME") Growth.

For each topic, we have provided an overview of the Bank's current position and laid out our initiatives under each strategic theme. We also provide information about quantitative data and targets to be met; and systems that will allow us to monitor and measure our performance. In this report, we present up to date quantitative data that will enable our stakeholders to understand how we are progressing in areas that are of particular interest to them.

We recognize that many stakeholders are no longer interested only in the financial performance of companies, and our Sustainability Report provides the information they desire on our overall EES scorecard.

The contents of our Sustainability Report are governed by a Sustainability Committee that reviewed all material topics to ensure they aligned with the organisation's strategies. The report was recommended to the Board Risk Management Committee ("BRMC") of the Board of Directors for their endorsement on 12 September 2018. The Board approved the contents of our Sustainability Report on 19 September 2018.

As an assurance of the reliability of the data provided in our report, we sought the verification of an independent body, Malaysia's leading certification, inspection and testing body, SIRIM.

Reporting scope: All data in our report relates to the operations of Hong Leong Bank ("HLB") and Hong Leong Islamic Bank ("HLISB") in Malaysia as they represent our most material businesses.

For more information on this report, or to provide your feedback, please contact:

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sustainability@hlbb.hongleong.com.my

To view our full sustainability report, please scan the QR code or link to www.hlb.com.my/sustainability

SUSTAINABILITY STATEMENT

Sustainability Themes FY2018

HLB Corporate Vision

"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 stakeholder value.

HLB Sustainability Themes	Digital at the core	Fit for future workforce	Environmentally and socially responsible	SME growth
Our Materiality Topics	• Digital Innovation • Customer Experience • Cyber Security and Data Privacy • Ethics, Integrity and Compliance	• Employee Experience • Ethics, Integrity and Compliance	• Managing Our Environmental Footprint • Supplier Assessment • Responsible Lending • Fair Banking • Community Banking	• Community Banking

Sustainability Risk Management

HLB Sustainability Themes	Description
Digital at the core	Embracing digital transformation and building internal capability for greater customer experience, accessibility and efficiency.
Fit for future workforce	Acquiring strategic skills to enhance critical and core capabilities. Hiring and retaining a high performing inclusive workforce fit for the digital era training.
Environmentally and socially responsible	Managing the environmental footprint of our operations. Advocating social and environmental responsibility through our products and services.
SME growth	Support the growth and capability development of SMEs through the provision of relevant tools, knowledge, and banking products and services. Facilitate access to financing for underserved SMEs. Support the entrepreneurial spirit of start-ups and FinTechs to build a vibrant future business community.

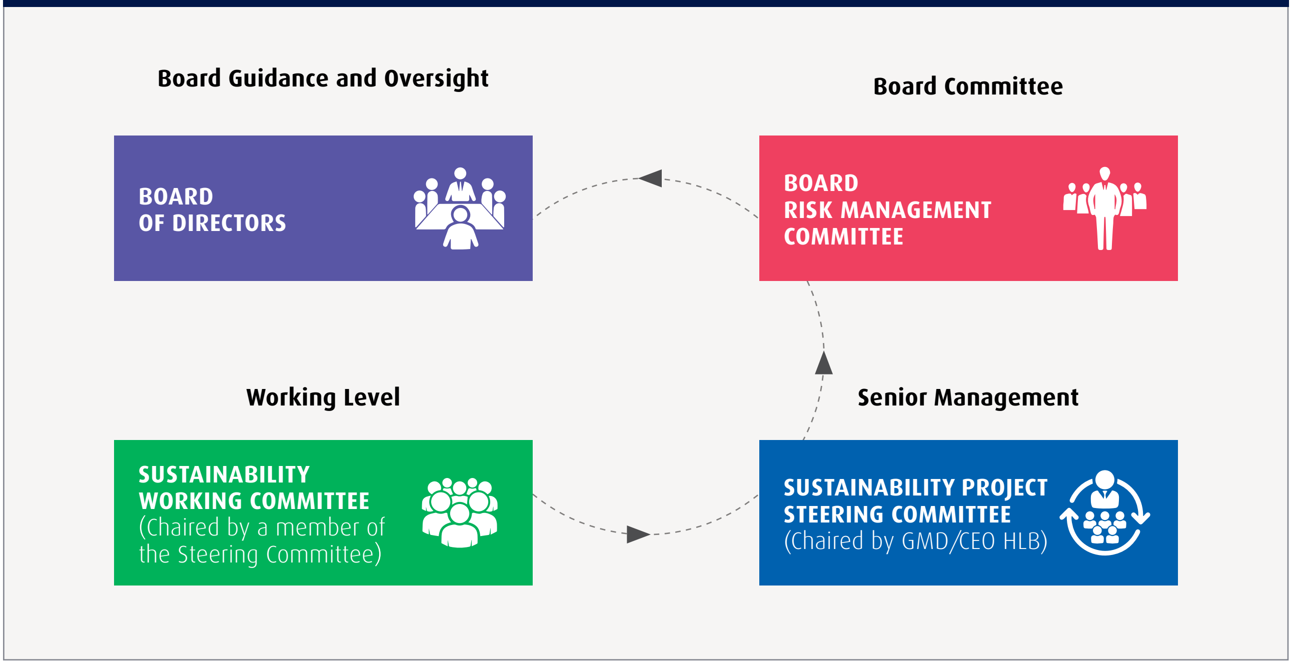
SUSTAINABILITY STATEMENT

HOW SUSTAINABILITY IS GOVERNED

Sustainability at Hong Leong Bank is driven by our Board. Our Directors, and especially those in the Board Risk Management Committee, oversee our sustainability and climate change-related actions and policies, ensuring they are aligned with our corporate values and supportive of our business goals and vision.

The Sustainability Steering Committee and Working Committee meet quarterly to discuss sustainability matters.

Hong Leong Bank Sustainability Governance Chart FY2018



HOW WE APPROACH OUR BUSINESS

Two words encapsulate our approach to business: entrepreneurial and ethical. Our entrepreneurial spirit imbues Hong Leong Bank with a unique dynamism and vigour, and our vision is based on ethical behaviour and considerations.

We have a Code of Conduct and Ethics which we expect everyone at HLB and HLISB to adhere to. All new hires are required to read and understand the code, and a copy of the document is made available on our online Knowledge Portal, which is accessible by all employees. We are currently working on an e-Learning module on our Code of Conduct and Ethics to enhance employees understanding of same.

SUSTAINABILITY STATEMENT

OUR SUSTAINABILITY APPROACH

REVIEW

In FY2018, we reviewed our sustainability materiality matrix and the 11material topics that were identified in FY2017. The committee proposed to consolidate Compliance, Ethics, and Integrity into one topic, "Ethics, Integrity and Compliance" of FY2018 reporting. The recommendation was accepted by project steering committees. The committee then presented the sustainability targets and initiatives to management for further deliberation against the challenges and opportunities facing the Bank.

OUR MATERIALITY MATRIX

SUSTAINABILITY TOPICS IDENTIFIED

- Digital Innovation
- Customer Experience
- Employee Experience
- Ethics, Integrity and Compliance
- Community Banking
- Fair Banking
- Cyber Security and Data Privacy
- Responsible Lending
- Managing Our Environmental Footprint
- Supplier Assessment

Legend:
- Most Important
- Very Important
- Important

SUSTAINABILITY STATEMENT

SUSTAINABILITY RISK MANAGEMENT

Sustainability risk is the risk that the Bank is not able to achieve its sustainability goals. Sustainability risk management involves the design and implementation of a risk management framework and to mitigate the risks.

If the Bank is not able to achieve its sustainability goals, the impacts can be classified into three categories:

Impact Categories When Sustainability Goals Are Not Achieved	Description
Sanctions	Failure to comply with sustainability regulations could result in sanction(s) applied 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 our 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 us adversely in the equity market as investors choose companies that have successfully adopted a sustainability culture.

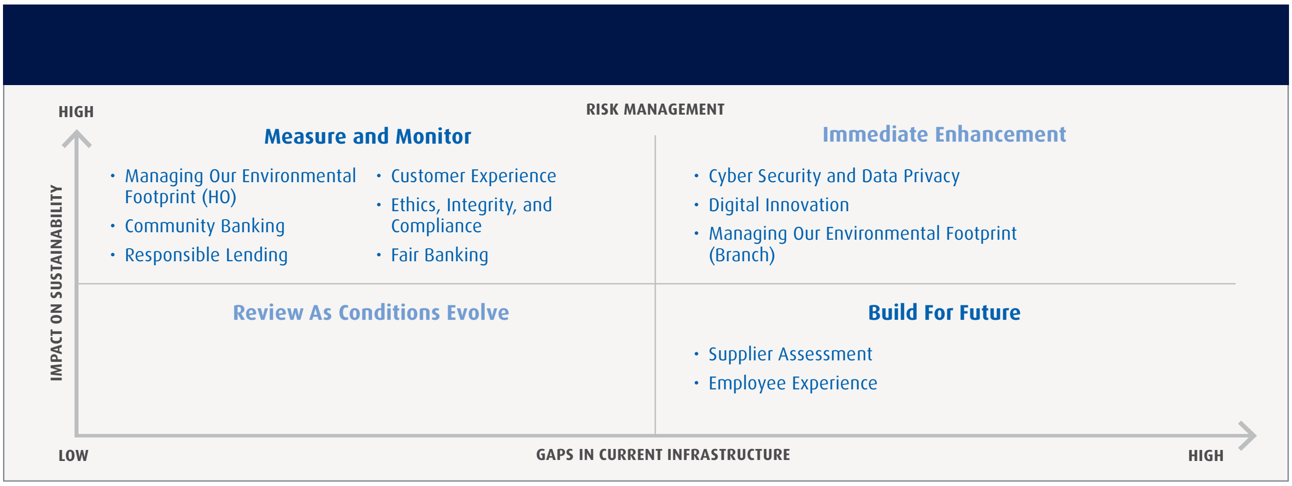
HLB has further categorized the 10 sustainability topics highlighted on page 72 into the matrix below. To support these initiatives, the Group Risk Management division identified and assessed the impact on sustainability and the gaps in the current infrastructure of the Bank. Improvement plans have been established and are in varying stages of implementation.

'Review as Conditions Evolve' 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.

'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.

'Build for Future' Quadrant indicates topics that have high gaps in current infrastructure and a low impact on sustainability. Areas of improvement need to be identified for these topics. It is important for the Bank to 'build for the future'.

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



SUSTAINABILITY STATEMENT

SUSTAINABILITY RISK MANAGEMENT (CONTINUED)

Measure, monitor and review

HLB Sustainability Themes	Sustainability Topics
Digital at the core	• Customer Experience • Ethics, Integrity and Compliance
Fit for future workforce	• Ethics, Integrity and Compliance
Environmentally and socially responsible	• Managing Our Environmental Footprint (Head Office) • Responsible lending • Fair Banking • Community Banking
SME Growth	• Community Banking

Actionable Areas

HLB Sustainability Themes	Sustainability Topics
Digital at the core	• Digital Innovation • Cyber Security and Data Privacy
Fit for future workforce	• Employee Experience
Environmentally and socially responsible	• Managing Our Environmental Footprint (Branch) • Supplier Assessment

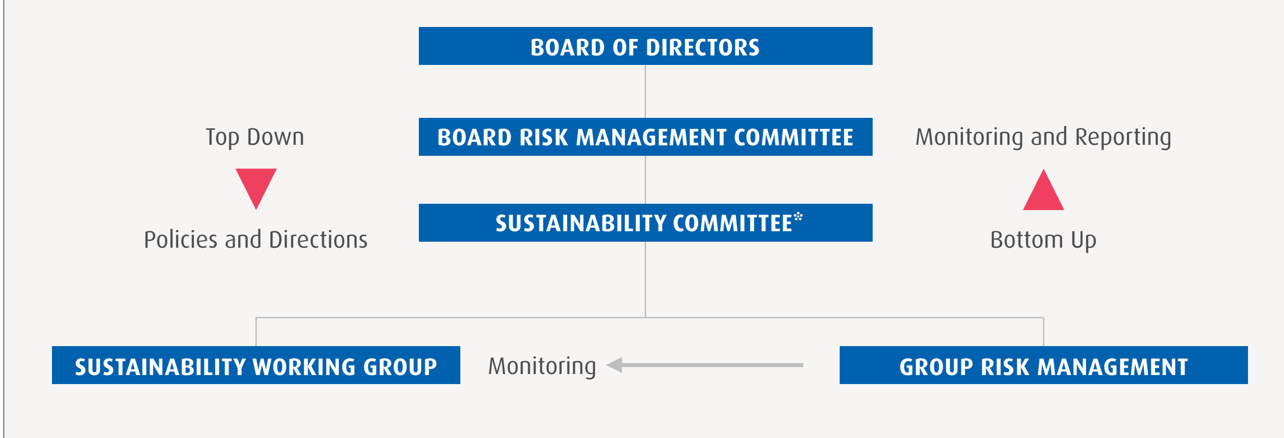
Risk Dashboard

The Bank has allocated resources in these areas and will regularly measure and monitor outcomes. Outcomes will be incorporated into the Risk Dashboard and presented to Management and the Board Risk Management Committee throughout the year.

Affirmative Action Management (“AAM“) Plan

The Bank acknowledges that these are the areas we need to improve. We have identified and included these in the FY2019 AAM Plan to close the gaps. All actions will be tracked and reported to the Board Risk Management Committee annually.

Hong Leong Bank Sustainability Governance Chart FY2019



*The Sustainability Committee meets four times a year to consider sustainability issues.

SUSTAINABILITY STATEMENT

ABOUT OUR MATERIAL TOPICS

HLB Mission	Material Topic	GRI Topic	Topic Boundary	Description
Digital at the Core	**Digital Innovation**	–	HLB and HLISB	We strive to innovate with digital products and services for greater customer accessibility and convenience.
	Customer Experience	–	Customers of HLB and HLISB	We focus on delivering products and services that are relevant to our customers' needs. We strive to create positive customer experiences in all of our banking operations. This includes meeting our customers' dynamic demands for innovative digital banking services.
	Cyber Security and Data Privacy	Customer Privacy	HLB and HLISB	We protect our organisation and customer data from unauthorised access or attacks aimed to exploit such information. This involves implementing measures to prevent, identify and address vulnerabilities and threats to personal and confidential customer data.
	Fair Banking	Marketing and Labelling	HLB, HLISB and Customers	We aim to provide goods and services that meet our customers' expectations and take into consideration the interests of both parties in terms of fairness in all aspects.
Fit for Future Workforce	**Employee Experience**	Employment, Labour/ Management Relations, Training and Education, Diversity, Equal Opportunity	Employees of HLB and HLISB	We foster a high-performance culture and aim to attract, develop and retain the next generation of leaders to ensure we are fit for the future. Our employees are empowered to deliver and take ownership of results. We provide relevant learning and development opportunities, competitive rewards and recognition programs and, a conducive work environment, that ensures our people are highly trained and well-equipped, to serve the community.
	Ethics, Integrity and Compliance	Socioeconomic Compliance, Anti Corruption	HLB and HLISB	We are committed to meeting all local regulations and core operational regulations (e.g. Companies Commission of Malaysia and Bank Negara Malaysia Regulations, Data Protection Acts, Anti-Money Laundering Acts). We expect our employees to adhere to our values, principles, standards and behavioural norms, as outlined in our Code of Conduct and Ethics. This is supported by a whistleblowing policy.

SUSTAINABILITY STATEMENT

ABOUT OUR MATERIAL TOPICS (CONTINUED)

HLB Mission	Material Topic	GRI Topic	Topic Boundary	Description
Environmentally and Socially Responsible	**Responsible Lending/ Financing**	Product Portfolio	HLB, HLISB and Customers	We have policies, principles and codes of conduct to ensure the interests of HLB are aligned with the interests of existing and potential customers. These include audits to assess and screen for environmental and social risks, financial health assessments 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.
	Managing Our Environmental Footprint	Materials, Energy, Emissions	HLB and HLISB	We endeavour to reduce waste (such as paper and water) and use energy efficiently to reduce our greenhouse gas ("GHG") emissions and carbon footprint at all levels of our operations.
	Supplier Assessment	Procurement Practices	HLB, HLISB and Suppliers	We have an Independent Tender Review Committee assesses and approves proposals above a certain threshold. This is supported by due diligence reviews of suppliers' financial strength and performance as well as disaster recovery, business continuity plans and cyber security capabilities. Suppliers have to satisfy our zero tolerance for corruption and unfair practices.
SME Growth	**Community Banking**	Local Communities	HLB, HLISB and Hong Leong Foundation	We seek to engage and to help local communities develop via programs that have been designed to meet their specific needs.

SUSTAINABILITY STATEMENT

HOW OUR MATERIAL TOPICS RELATE TO THE UN SDGS

Of the 17 SDGs, we believe we are in a position to make a positive impact on the following eight, and have mapped our performance in the relevant SDGs to Malaysia and the financial services sector.

- Goal 4 : Quality Education
- Goal 5 : Gender Equality
- Goal 8 : Decent Work and Economic Growth
- Goal 9 : Industry, Innovation and Infrastructure
- Goal 10 : Reduced Inequalities
- Goal 12 : Responsible Consumption and Production
- Goal 13 : Climate Action
- Goal 16 : Peace, Justice and Strong Institutions

We recognize it is important to engage regularly with our stakeholders to understand their needs and expectations of us, creating an environment of openness and trust.

	SDGs relevant to Malaysia and the Financial Services sector[1]	SDGs relevant to our material topics
Economic	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Environmental	13 CLIMATE ACTION	13 CLIMATE ACTION
Social	4 QUALITY EDUCATION; 5 GENDER EQUALITY; 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES; 15 LIFE ON LAND	4 QUALITY EDUCATION; 5 GENDER EQUALITY; 10 REDUCED INEQUALITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Source: PwC SDG Selector Tool

SUSTAINABILITY STATEMENT

HOW OUR MATERIAL TOPICS RELATE TO THE UN SDGS

Stakeholder Inclusiveness:

102-42

The data analyzed for FY2018 includes information from customers, employees, suppliers, and community development partners collected through various platforms monthly, quarterly, and annually. We analyzed stakeholder feedback and information and identified 10 material topics of interest. Based on our materiality assessment, we then identified the key issues that were of most significance to HLB stakeholders to prioritize in 2018. Our materiality process takes a long-term approach to aligning the interests of internal and external stakeholders by analyzing factors that contribute to value creation. In the next fiscal year, we will take a step further and consider various sectoral approaches and partnership strategies.

SUSTAINABILITY STATEMENT

HOW WE ENGAGE WITH OUR STAKEHOLDERS

	Engagement Channel	Frequency of Engagement
Employees	Bank-wide Town Hall sessions	Minimum twice yearly
	Social media and career fairs	Minimum twice yearly
	Performance appraisal process	Goal setting, mid year review and final year appraisal supported by Individual Development Plan discussion
	Learning and Development discussions	Ongoing
	Scholarship program	Ongoing as per request
	Graduate programs	Based on business unit requirements
	SmartUp	24/7
	HALI HR Portal	24/7
Suppliers	Supplier engagement rating process	Minimum once yearly
	e-Bidding (live auction)	Monthly
	Tender process	Monthly
	Proof of Concept engagements	Based on project. Ongoing
	Annual supplier due diligence review	Annually
	Supplier on-boarding program	Ongoing
Customers	At our branches	Daily
	Self-Service Terminals	24/7
	Internet and mobile banking	24/7
	Customer surveys	Daily
	Telephone and email	24/7
	Social media e.g. HLB Facebook, Twitter, LinkedIn, YouTube	24/7

SUSTAINABILITY STATEMENT

HOW WE ENGAGE WITH OUR STAKEHOLDERS (CONTINUED)

	Engagement Channel	Frequency of Engagement
Investors	• Annual General Meetings ("AGMs")	• Annually
	• Investor roadshows	• At least 2 conferences a year
	• Meetings with investors and analysts	• At least 120 investors and analysts in a year
Community	• SME segment engagement programs	• As and when required, according to BNM's available SME programs
	• Corporate Social Responsibility events	• Monthly
	• Hong Leong Foundation's programs	• Monthly
Regulators	• Bank Negara Malaysia ("BNM")	• As and when required
	• Bursa Malaysia	• As and when required
	• Perbadanan Insurans Deposit Malaysia ("PIDM")	• Yearly engagement
	• Securities Commission ("SC")	• As and when required
	• Federation of Investment Managers Malaysia ("FIMM")	• As and when required
	• Personal Data Protection Act ("PDPA") Commissioner	• As and when required
	• Ombudsman for Financial Services ("OFS")	• As and when required
Media	• Press conferences	• Financial results: 2 times a year • Products/Services: As and when required • CSR: Min 2 times a year
	• Media get-togethers	• Minimum 2 engagements a year
	• Media announcements	• Ongoing basis
	• Social media	• Daily communication

SUSTAINABILITY STATEMENT

HOW WE ENGAGE WITH OUR STAKEHOLDERS (CONTINUED)

	Stakeholder Concerns	Actions
Employees	- Employee voices to be heard by management - Provision of upskilling opportunities - Systematic reward and recognition program - Effective employee retention program to be implemented	• Open communication channels relating to business updates and company direction to achieve our vision and annual deliverables. • Publicity of HLB employees' value propositions at career fairs and events, and via social media. • Implementing a career development planning process in conjunction with the performance appraisal process. • Training managers to handle Performance and Development discussions by teaching them to use SMART principles, the GROW model, coaching skills, the Agile Learning Framework, the talent retention conversations/ tracker and two-way communications. • Implementing the SmartUp learning framework to ensure learning interventions like classroom, e-learning and micro learning platforms are available for employee development and long-term career advancement. • Conducting the "My Thoughts, Our Future" employee survey to gather insights from all employees to create a conducive work environment. • Offering scholarships and career opportunities to top scholars, and HLB employees. • Enrolling graduates in an 18-month development program. • Implementing the Human Resource Operation Portal - HALI to cascade policies and operational information to all employees of all levels. • Providing communication platforms to enable management to directly engage with employees through team building and bonding events. • Providing communication channels for employee grievances.
Suppliers	- Transparency of the procurement process - To fulfill HLB's "service level agreement"	• Conducting assessments to evaluate supplier capabilities. • Implementing an e-bidding process to facilitate transparent sourcing and selection of the most competitive suppliers through a 'live auction' online system. • Referring proposals to an independent Tender Review Committee of senior managers for assessment and approval. • Engaging in a rigorous and robust process to identify and select potential suppliers based on their experience, financial strength, years in business and industry reputation. • Conducting due diligence reviews covering past performance, disaster recovery and business continuity plans. • Providing a suppliers' whistleblowing channel – a copy of our whistle blowing policy, including contact details, is published on our HLB website. • Conducting limited scope 'pilot' tests to ensure the viability of proposals and implementation plans. • Obtaining signed declarations from Procurement employees to indicate that they have no connection with existing and future suppliers.

SUSTAINABILITY STATEMENT

HOW WE ENGAGE WITH OUR STAKEHOLDERS (CONTINUED)

	Stakeholder Concerns	Actions
Customers	- Personal data protection - User-friendly systems and easily accessible remote transactions.	• Digital (online) initiatives that reduce queueing time. • Surveying cash recycling terminals and relationship managers, to enhance service. • Term loans/financings with a multilevel matrix of interest/profit rates to suit: incomes from RM2k/month; tenures of 2-5 years; and loan/financing amounts from RM5k. • Anti-persistent threat mitigation applied to cyber threats. • Engagement of experts in the Security Operations Center to help protect data security. • Enforcing Personal Data Protection and the Secrecy Policy by imposing severe fines and penalties for employee non-compliance.
Investors	- Enhancement of stakeholders' value - The stability of the Bank - The security of savings and deposits	• Compliance officers and representatives support a comprehensive assurance and review program. • Constant upgrading of our compliance and cyber security policy to ensure zero customer information leak/theft/loss. • Maintaining an independent Group Compliance function. • Group Internal Audit to conduct independent reviews and assurance.
Community	- Accessibility of funds for underserved communities and disaster stricken victims - Provision of scholarships for underprivileged students	• Deploying of 150 community banking managers at branches nationwide to serve the SME segment, and increasing the Bank's coverage five-fold. • Supporting the Shariah-compliant SME Financing Scheme ("SSFS") by SME Corporation Berhad. • Supporting BNM schemes e.g. Fund for Small and Medium Industries 2 ("FSMI2") and New Entrepreneurs Fund 2 ("NEF2"). • Supporting CGC schemes e.g. BizJamin and the Green Technology Financing Scheme ("GTFS"). • Educational initiatives such as the scholarship program, after school program, and German Dual Vocational Training. • Community initiatives such as food for the homeless, youth skills training, donations and other forms of aid. • Initiating financial planning and education workshops targeting teenagers and school children.

SUSTAINABILITY STATEMENT

HOW WE ENGAGE WITH OUR STAKEHOLDERS (CONTINUED)

	Stakeholder Concerns	Actions
Regulators	- To be fully compliant with the law and Bank Negara Malaysia regulations - To meet the expectations and requirements of banking regulators.	• BNM's supervisory team oversees the Bank and conducts an annual composite risk review of the Bank, in addition to ad-hoc surveys and other reviews to ensure that we remain compliant with all requirements. • The Bank operates a three-line defence model through Business Unit Compliance Representatives ("BUCRs"), Group Compliance and Group Risk and Internal Audit. • The Group Company Secretariat ensures the Bank meets Bursa Malaysia's Listing Requirements. • Compliance officers and representatives advise on compliance with regulatory requirements. • The Group Compliance function is responsible for ensuring that controls to manage compliance risks are adequate and operating as intended, as well as to assess and monitor compliance risks within the Bank. • Fostering a strong compliance culture within the Bank and conducting targeted compliance training for employees to ensure they hold appropriate accreditation and licences for the roles they perform. • The Shariah Governance framework ensures our Islamic Banking business and operations are Shariah compliant. • The Bank keeps abreast of changes in relevant legal and regulatory requirements through monitoring the publication of new requirements by regulators, responding to consultations on new requirements, and attending training and seminars conducted by regulators.
Media	- Proactive media engagements - Adequate communication platforms	• Open door approach with media community. • Developing media relations to enhance understanding of Hong Leong Bank's principles. • Conducting press conference, briefings and gatherings with media to keep the communication channel open. • Create social media presence, monitor social media engagement and measure the results of social media activities.

CORPORATE INFORMATION

DIRECTORS

YBhg Tan Sri Quek Leng Chan *(Chairman)*

Mr Tan Kong Khoon

Mr Kwek Leng Hai

Ms Lim Lean See

Ms Chok Kwee Bee

YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah

YBhg Datuk Dr Md Hamzah bin Md Kassim

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

Mr Domenic Fuda

GROUP COMPANY SECRETARY

Ms Christine Moh Suat Moi
MAICSA 7005095

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 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 1818
Fax : 03-2164 3703

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-Seventh Annual General Meeting ("AGM") of Hong Leong Bank Berhad ("Bank") will be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Monday, 29 October 2018 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 2018.

2. To declare a final single-tier dividend of 32 sen per share for the financial year ended 30 June 2018 to be paid on 22 November 2018 to members registered in the Record of Depositors on 5 November 2018. **(Resolution 1)**

3. To approve the payment of Directors' Fees of RM1,183,959 for the financial year ended 30 June 2018 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM400,000 from the 77th AGM to the 78th AGM of the Bank. **(Resolution 2)**

4. To re-elect the following Directors who retire by rotation pursuant to Clause 113 of the Bank's Constitution:

   (a) Mr Kwek Leng Hai **(Resolution 3)**

   (b) Ms Lim Lean See **(Resolution 4)**

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

SPECIAL BUSINESS

As special business, to pass the following motions as ordinary 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 of 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 6)**

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 28 September 2018 ("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 7)**

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

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 4:00 p.m. on 5 November 2018 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

CHRISTINE MOH SUAT MOI (MAICSA 7005095)
Group Company Secretary

Kuala Lumpur
28 September 2018

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 19 October 2018 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 not less than 48 hours before the time and date 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.

EXPLANATORY NOTES

1. **Resolution 2 on Directors' Fees and Directors' Other Benefits**
   - Directors' Fees of RM1,183,959 are inclusive of Board Committee Fees of RM357,274 and Meeting Allowances of RM96,000.
   - Directors' Other Benefits refer to Directors' & Officers' Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to RM400,000.

2. **Resolution 6 on Authority to Directors to Allot Shares**

   The proposed Ordinary Resolution, if passed, will renew the general mandate given to the Directors of the 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 23 October 2017 and which will lapse at the conclusion of the Seventy-Seventh 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 7 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 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 Renewal of Shareholders' Mandate").

   Detailed information on the Proposed Renewal of Shareholders' Mandate is set out in the Circular to Shareholders dated 28 September 2018 which is dispatched together with the Bank's 2018 Annual Report.

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-Seventh 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-Seventh Annual General Meeting.

BOARD OF DIRECTORS' PROFILE

YBHG TAN SRI QUEK LENG CHAN

Chairman/Non-Executive/Non-Independent

Age 75, Male, Malaysian

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

Executive Director/Non-Independent

Age 61, Male, Singaporean

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 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 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 the 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 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

Non-Executive Director/
Non-Independent

Age 65, Male, Singaporean

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 in Hong Kong. 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.

MS LIM LEAN SEE

Non-Executive Director/Independent

Age 65, Female, Malaysian

Ms Lim Lean See holds an Associateship in Accounting and an Associateship in Secretarial and Administrative Practice both from the Curtin University, Australia. Her professional qualifications include being a Fellow of the Australian Society of Certified Practising Accountants, Registered Accountant with the Malaysian Institute of Accountants, a Trade Member of Financial Planning Association of Malaysia and a member of the Asian Institute of Chartered Bankers.

Ms Lim has 33 years of experience in the banking industry and has held various senior positions including the Head of Corporate Banking and Head of Business Banking Division, the last being the Chief Representative of a foreign bank Representative Office with the corporate rank of an Executive Director.

Ms Lim was appointed to the Board of HLB on 5 May 2010 and is the Chairman of the Board Audit Committee ("BAC") and a member of the Board Risk Management Committee ("BRMC") of HLB.

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

BOARD OF DIRECTORS' PROFILE

MS CHOK KWEE BEE

Non-Executive Director/Independent

Age 66, Female, Malaysian

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 is currently the Chairman of Aemulus Holdings Berhad, a public company. She is also a Non-Executive Board Member of MIMOS Technology Solutions Sdn Bhd, a wholly-owned subsidiary of MIMOS Berhad. She also sits on the board of several portfolio companies.

Ms Chok was appointed to the Board of HLB on 2 December 2013 and is the Chairman of the NC and a member of the BAC and BRMC of HLB.

YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

Non-Executive Director/Independent

Age 66, Male, British and Malaysian Permanent Resident

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 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 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.

BOARD OF DIRECTORS' PROFILE

YBHG DATUK DR MD HAMZAH BIN MD KASSIM

Non-Executive Director/Independent

Age 69, Male, Malaysian

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.

YBhg Datuk Dr Md Hamzah specialises in large scale institutional 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/Group Managing Director of iA Group established in 2002, specialising in business and public sector transformation, technology and human capital with offices in Malaysia and Jakarta.

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

Prior to joining the consulting industry in 1995, YBhg Datuk Dr Md Hamzah held various senior positions in the government. For over 18 years, he served in the field of 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 growth and technology development.

In 2006, YBhg Datuk Dr Md Hamzah was appointed as the consulting advisor to the National Implementation Task Force to oversee the 9th Malaysia Development Plan and in 2009, he was appointed as member of the National Economic Advisory Council. 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.

YBhg Datuk Dr Md Hamzah is currently a board member of University Kebangsaan Malaysia and Chairman of Heriot Watt University Malaysia.

YBhg Datuk Dr Md Hamzah was appointed to the Board of HLB on 19 May 2016 and is a member of the RC of HLB.

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

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 2018.
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

MR DOMENIC FUDA

Group Managing Director/
Chief Executive Officer

Age 51, Male, Australian

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 Domenic Fuda is a Chartered Banker of the Asian Institute of Chartered Bankers ("AICB").

Mr Domenic Fuda was appointed as the Group Managing Director/Chief Executive Officer of Hong Leong Bank Berhad ("HLB") on 5 February 2016. Mr Domenic Fuda is a member of the Executive Committee and Credit Supervisory Committee of HLB. He is also a Director of Hong Leong Islamic Bank Berhad ("HLISB") and Hong Leong Bank (Cambodia) PLC ("HLBCAM") and a Council Member of Hong Leong Bank Vietnam Limited ("HLBVN"), all wholly-owned subsidiaries of HLB. He is also a Council Member of AICB and The Association of Banks in Malaysia.

Prior to HLB, Mr Domenic Fuda was the Managing Director and Deputy Group Head, Consumer Banking & Wealth Management of DBS Bank Ltd ("DBS"), Singapore. He joined DBS in March 2010 as Chief Financial Officer of Regional Consumer Banking & Wealth Management. During his tenure with DBS, Mr Domenic Fuda was responsible for the formulation and execution of a multi-year growth strategy for the 6 Asian markets in which DBS operates its consumer and wealth management businesses.

Prior to his position in DBS, he spent 16 years at Citigroup where he served in various senior management roles across Asia, the latest being Chief Operating Officer for South East Asia Pacific, Australia and New Zealand, where he helped to drive execution of Citi's strategy across 10 countries, launched Citi's Consumer Banking business in Vietnam and helped to manage the banking operations during the 2008/2009 financial crises.

MR CHARLES SIK WAN KING

Managing Director, Personal Financial Services

Age 56, Male, Malaysian

Mr Charles Sik Wan King holds a Bachelor of Commerce (Hons) 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 has most recently served as the Head, Group Retail Banking with RHB Bank Berhad and prior to that, he was the Head of Consumer Financial Services at OCBC Bank (Malaysia) Berhad. He was also previously the Wealth Management Product Director at Citibank, Malaysia.

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

Managing Director, Business and Corporate Banking

Age 47, Male, Malaysian

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

ENCIK JASANI BIN ABDULLAH

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

Age 58, Male, Malaysian

Encik Jasani bin Abdullah 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 the Chief Executive Officer of HLISB on 17 July 2017.

Encik Jasani has more than 30 years' working experience in the banking industry with the last 18 years in Islamic finance.

Prior to HLISB, Encik Jasani spent more than 20 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.

MR HOR KWOK WAI

Managing Director, Global Markets

Age 44, Male, Malaysian

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 seven years working in various roles. Prior to that, he had worked for several major foreign banks in Malaysia such as JPMorgan Chase Bank, Standard Chartered Bank and OCBC Bank in various roles.

MS FOONG PIK YEE

Chief Financial Officer

Age 59, Female, Malaysian

Ms Foong Pik Yee is a qualified chartered accountant from the Institute of Chartered Accountants in Australia and New Zealand. She holds a Bachelor of Commerce from University of Melbourne and a Master of Business Administration from Monash University, Australia.

Ms Foong joined HLB on 18 January 2013 as Chief Financial Officer of HLB.

She has over 30 years of experience at strategic and tactical levels in the banking sector across Asia and Middle East markets, including Malaysia, Hong Kong, Singapore, Australia and the Middle East. She brings a distinctive mix of financial management, corporate finance and investor relations, strategy and service quality skills in delivering strategic growth ambitions and establishing robust governance frameworks for financial institutions.

Prior to joining HLB, Ms Foong was with Standard Chartered Bank ("SCB") where her roles included being the Chief Executive Officer and Managing Director of SCB Lebanon, a subsidiary of SCB Plc, Chief Financial Officer of SCB Malaysia as well as Chief Operating Officer, Wholesale Bank at SCB Malaysia. She has also worked in ANZ Bank, HSBC and JP Morgan in Australia.

She is a member of the Business Advisory Council at the Business School of Monash University Malaysia and a member of the Women In Leadership group, a joint collaboration between Talentcorp and ICAEW.

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

KEY SENIOR MANAGEMENT

MR JASON WONG HON LURN

Managing Director & Chief Executive, HLB Singapore Branch

Age 55, Male, Malaysian

Mr Jason Wong Hon Lurn holds an Executive Master of Business Administration from Helsinki School of Economics and Business Administration and possesses graduate diplomas in Techno-Entrepreneurship and Electronic Business programs. He obtained his first degree in Economics.

Mr Jason Wong joined HLB on 1 November 2016 as Chief Executive, HLB Singapore Branch.

Prior to HLB, Mr Jason Wong was the former Chief Executive of RHB Bank Singapore for the past 7 years. He has more than 28 years of hands-on banking experience in running key business operations in treasury, corporate and commercial banking and consumer banking businesses in Singapore. He has very good knowledge of both Malaysia and Singapore banking markets, having spent his first 12 years working with different financial institutions in Malaysia and subsequently 16 years with RHB Bank Singapore.

MR AARON HO WAI CHOONG

Managing Director, China Operations

Age 63, Male, Malaysian

Mr Aaron Ho Wai Choong holds a Bachelor of Engineering (Hons) 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 Vice Chairman of Bank of Chengdu Co., Ltd (an associate company of HLB) since July 2008. He is also the Vice Chairman of Sichuan JinCheng Consumer Finance Company (a joint venture company of HLB), a position he assumed since February 2010.

Mr Aaron Ho has more than 30 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.

MR JOSEPH FARRUGIA

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

Age 55, Male, Australian

Mr Joseph Farrugia undertook and completed a course in Marketing Strategy at the 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.

KEY SENIOR MANAGEMENT

MR DUONG DUC HUNG

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

Age 42, Male, Vietnamese

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. He also was the Financial Controller in Baxter Healthcare and Auditor in KPMG, both in Vietnam and abroad.

MS MARGARET LEUNG

Managing Director & Chief Executive, HLB Hong Kong Branch

Age 57, Female, Hong Kong, SAR

Ms Margaret Leung is a Chartered Accountant of The Chartered Professional Accountants of Ontario, Canada and also a fellow member of the Hong Kong Institute of Certified Public Accountants. She graduated from the University of McGill, Canada with Bachelor of Commerce degree.

Ms Margaret Leung joined HLB in 2016 and was appointed as the Chief Executive for HLB Hong Kong Branch since 1 June 2016.

Ms Margaret Leung has over 20 years of Corporate and Institutional banking experience across Asia and different segments. Prior to joining HLB, Ms Margaret Leung has held various senior regional positions at international banks such as JPMorgan, Standard Chartered Bank and ANZ Bank.

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 2018.

BOARD AUDIT COMMITTEE REPORT

CONSTITUTION

The Board Audit Committee of Hong Leong Bank Berhad ("HLB" or "the Bank") 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 Lim Lean See
(Chairman, Independent Non-Executive Director)

YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah
(Independent Non-Executive Director)

Ms Chok Kwee Bee
(Independent Non-Executive Director)
(Appointed with effect from 14 August 2018)

YBhg Datuk Wira Azhar bin Abdul Hamid
(Independent Non-Executive Director)
(Retired on 14 May 2018)

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 2018, nine (9) BAC meetings were held and the attendance of the BAC members was as follows:

Members	Attendance
Ms Lim Lean See	9/9
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	9/9
YBhg Datuk Wira Azhar bin Abdul Hamid[1]	8/8

Note:
[1] Ceased as BAC member with effect from 14 May 2018.

Ms Chok Kwee Bee was appointed to the BAC after the financial year ended 30 June 2018.

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 also reviewed with Management the progress update reports, replies to the surveys conducted by Bank Negara Malaysia and the MFRS 9 Model validation report in relation to the Group's impending adoption of MFRS 9 in FY 2019.

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 2018 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 three (3) 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 2018 amounted to RM4,109,791 of which RM602,928 was payable in respect of non-audit services. Non-audit services accounted for 25% of the total 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 2018 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 2018 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 2018 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 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 prioritized to potential risk exposure and impact.

During the financial year ended 30 June 2018, GIAD carried out its duties covering audit on operations, information technology system, credit, head office, branches, business centre, mortgage sales centre, loan centre, 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, Hong Leong MSIG Takaful Berhad and HL Fund Management Sdn. Bhd. The cost incurred for the Internal Audit function of the Bank in respect of the financial year ended 30 June 2018 was RM12.721 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. Oversee that 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 the sound corporate governance principles set out in the Policy Document on Corporate Governance within the Bank and its subsidiaries ("the Group").

Composition

The BRMC should comprise of only non-executive directors with at least three (3) members. The BRMC should be chaired by an independent director.

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, operational, compliance, IT risks, cyber risk 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 that the staff responsible for implementing risk management systems perform those duties independently of the Group's risk taking activities.
11. To receive reports from pertinent management committees.
12. To review management's implementation of risk management as set out in BNM's policy documents on Risk Governance, Approaches to Regulating and Supervising Financial Group and Corporate Governance.
13. To review and advise on the appointment, remuneration, removal and redeployment of the Chief Risk Officer.
14. To engage privately with 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 on whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Remuneration Committee.
16. Other risk management functions as may be agreed by the BRMC and the Board.

BOARD RISK MANAGEMENT COMMITTEE (BRMC) REPORT

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) updating the Board on all compliance matters, including providing its views on (a) to (d) 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 Chief Compliance Officer has sufficient stature to allow for effective engagement with the Chief Executive Officer 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 his duties effectively;

    e) where 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 BRMC and 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.

AUTHORITY

The BRMC is authorized by the Board to review any activities of the Group within its terms of reference. It is authorized 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 authorized by the Board to obtain independent legal or other professional advice if it considers necessary.

BOARD RISK MANAGEMENT COMMITTEE (BRMC) REPORT

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. Where the BRMC is considering a matter in which a BRMC member has an interest, such member shall abstain from reviewing and deliberating on the subject matter.

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 2018, eight (8) BRMC meetings and one (1) 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	9/9
Ms Lim Lean See	9/9
Ms Chok Kwee Bee	9/9

The BRMC also reviewed major risk management strategies, policies and risk tolerance levels for Board's approval. Where the significant risk policies and frameworks relate to the Group's majority owned subsidiaries, the BRMC ensures alignment to the Group's risk management appetite, frameworks and policies.

In addition, the BRMC has reviewed periodic risk management reports, i.e. Risk Management Dashboards covering among others Credit Risk, Market Risk, Liquidity Risk, Operational Risk, and IT Risk. The BRMC also reviewed periodic group compliance reports, i.e. Regulatory Compliance Highlights and New Regulations Update.

Bank-wide compliance matters are also deliberated by the BRMC, and this includes the Bank's subsidiaries and overseas branches. The BRMC continuously provides oversight of the Group's compliance activities to ensure that the Group is in compliance to all established policies, guidelines and external regulations.

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 2018 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 was last reviewed by the Board in September 2017, and will be periodically reviewed. The Board Charter is published on the Bank's Website. The key roles and responsibilities of the Board broadly cover formulation of 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 Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of 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.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

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 the Annual Report.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM"), which has been adopted by the Board and published on the Bank's Website.

B. BOARD COMPOSITION

The Board currently comprises seven (7) Directors. The seven (7) Directors are made up of six (6) Non-Executive Directors, of whom four (4) are independent. The profiles of the members of the Board are set out in the Annual Report.

The Bank is guided by 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 will work towards increasing women participation on the Board in line with the MCCG.

Based on the review of the Board composition in July 2018, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Bank.

C. BOARD COMMITTEES

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

(a) BAC

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

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

(b) BRMC

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

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

(c) NC

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

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

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

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

C. BOARD COMMITTEES (CONTINUED)

(c) NC (continued)

The Bank has in place Fit and Proper ("F&P") Policy as a guide for the following process and procedure for assessment of (i) new appointments and re-appointments of Chairman, Directors and 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
- 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 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:

CTOS (Bankruptcy) search >
- Assessment against Assessment Criteria and BNM Guidelines
- F&P Declaration
- Relevant Credit Bureau Checks
- Recommendation by the NC

\> Deliberation by the Board and decision thereof

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

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

C. BOARD COMMITTEES (CONTINUED)

(c) NC (continued)

(iii) Board Committee Appointments

The nomination, assessment and approval process for appointments to Board Committees ("Board Committee Appointments") is as follows:

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

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

In addition, 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 the Chairman, Directors and GMD/CEO per BNM Guidelines. The NC will deliberate on the results of the Annual Board Assessment and submit its recommendation to the Board for consideration and approval. For newly appointed Chairman, Directors and GMD/CEO, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one year service.

Assessment criteria for Board as a whole include, inter alia, the effectiveness of the Board composition in terms of size and structure vis-à-vis the complexity, size, scope and operations of the Bank; the core skills, competencies and experience of the Directors; and the Board's integrity, competency, responsibilities and performance. The assessment criteria for Board Committees include the effectiveness of the respective Board Committees' composition in terms of mix of skills, knowledge and experience to carry out their respective roles and responsibilities per the Board Committees' TOR and the contribution of 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 ("FYE") 2018, two (2) NC meetings were held and the attendances of the NC members were as follows:

Member	Attendance
Ms Chok Kwee Bee	2/2
Mr Tan Kong Khoon	2/2
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	2/2

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

C. BOARD COMMITTEES (CONTINUED)

(c) NC (continued)

The NC carried out the following activities in the discharge of its duties in accordance with its TOR during the FYE 2018:

- 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 work towards increasing 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 and GMD/CEO in line with the BNM policy document on F&P Criteria and was satisfied that the Directors and GMD/CEO 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 periods under review;

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

- Reviewed and recommended to the Board for adoption the revisions to the F&P Policy of the Bank on tenure of Independent Directors, and criteria of Independent Directors.

(d) Remuneration Committee ("RC")

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

- **YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah** *(Chairman)*
- **YBhg Tan Sri Quek Leng Chan**
- **YBhg Datuk Dr Md Hamzah bin Md Kassim**

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

During the FYE 2018, three (3) RC meetings were held and the attendances 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	2/3
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 FYE 2018 is as set out in Note 37 of the Audited Financial Statements in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

C. BOARD COMMITTEES (CONTINUED)

(d) Remuneration Committee ("RC") (continued)

Remuneration

The Bank's remuneration framework provides a balanced approach between fixed and variable components that change according to individual performance, division performance, and the Bank's performance outcomes and individual seniority/level and accountability. Such framework is in alignment with Hong Leong Group's total compensation philosophy which promotes high performing culture to deliver the Bank's business objectives, and this is applicable to all employees of Hong Leong Bank (inclusive of overseas/offshore offices where applicable).

The framework includes a combination of cash and non-cash elements such as shares or share-linked instruments which is aimed toward achieving the desired long term business performance. It is supported by a rigorous and robust performance management process that promotes pay-for-performance and also incorporates risk and compliance management (to fulfil risk control objectives) as part of the key performance indicators for remuneration decisions to ensure excessive risk-taking behaviours of staff is minimised and sufficient control mechanisms are in place. This is in alignment with Hong Leong Group's philosophy in driving long-term sustainable performance of the company, in order to create sustainable financial performance and value for the company and shareholders.

In order to reinforce strong internal governance on the performance and remuneration of Control functions (i.e. Risk, Audit and Compliance), the remuneration of these officers in Control functions are assessed independently from business units/functions they support to avoid conflict of interests. The Board also plays an active oversight where the overall performance and remuneration of these officers (in addition to the GMD/CEO and Senior Management team) are to be reviewed and approved by the Board Audit and Risk Management Committee (BRMC) annually to ensure the incentives provided by the remuneration system takes into consideration risks, capital, liquidity, and the likelihood and timing of earnings, without prejudice to the tasks of the Remuneration Committee.

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 programs.

1. Fixed Pay (base pay and fixed cash allowances)

Fixed pay is delivered at an appropriate level taking into account skills, experience, responsibilities, competencies and performance; ensuring its competitiveness vis-à-vis comparable institutions for attraction and retention purposes.

2. Performance-based variable pay

Performance-linked variable pay in the form of bonuses is paid out at the end of the Financial Year subject to the Bank's performance and in recognition of individual performance and key achievements during the year. It focuses on the achievement of key objectives which are aligned to value creation for our shareholders and multiple stakeholders. A robust key performance indicators ("KPIs") setting process that incorporates risk management as part of the scorecards are also in place to ensure excessive risk taking behaviours of staff is minimised and sufficient control mechanism are in place.

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 crystalise over a period of time, reinforces HLB's corporate and risk culture in promoting prudent risk-taking behaviours.

4. Employee Benefits and programmes

Employee benefits (e.g. screening, health and medical, leave passage) are used to foster employee value proposition and wellness to ensure the overall well-being of our employees. These are being reviewed annually to ensure HLB remains competitive in the industry and that the employees are well taken care of.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

C. BOARD COMMITTEES (CONTINUED)

(d) Remuneration Committee ("RC") (continued)

Remuneration Disclosure

The following depicts the total value of remuneration awarded to the GMD/CEO, Senior Management team and Material Risk Takers for the FYE 2018:

GMD/CEO, Senior Management and Material Risk Takers	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2018 (RM)	Total amount of outstanding deferred remuneration paid out (vested) in FYE2018 (RM)
Fixed Remuneration					
Cash-based	31	28,142,373	–	–	–
Shares and share-linked instruments	–	–	–	–	–
Other	–	–	–	–	–
Variable Remuneration					
Cash-based	31	21,715,230	–	–	–
Shares and share-linked instruments	12	–	83,132,249	83,132,249	–
Other	–	–	–	–	–

Note: The value of share is based on the valuation used for MFRS 2 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.

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, an Independent Director who has served on the Board of the Bank for a period of 9 years cumulatively shall submit a Letter of Intent to the NC informing of his intention to continue in office or to retire from the Board as an Independent Director, upon:

(a) the expiry of his term of office approved by BNM; or

(b) the due date for his retirement by rotation pursuant to the Constitution of the Bank.

If the intention is to continue in office, the NC shall consider based on the assessment criteria and guidelines set out in the F&P Policy and make the appropriate recommendation to the Board. If the intention is to retire from office, an application shall be made to BNM to seek clearance in accordance with BNM Guidelines. For public listed bank/companies under the Hong Leong Financial Group, shareholders' approval at AGMs shall be sought in accordance with the relevant requirements under the MCCG and the MMLR subject to favourable assessment of the NC and the Board.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Although a longer tenure of directorship

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

may be perceived as relevant to the determination of a Director's independence, the Board recognises that an individual's independence should not be determined solely based on tenure of service. Further, the continued tenure of directorship brings considerable stability to the Board, and the Bank benefits from Directors who have, over time, gained valuable insight into the Group, its market and the industry.

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. She 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. A Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the board meeting where the material transaction or material arrangement is being deliberated by the Board.

The Board met eight (8) times for the FYE 2018 with timely notices of issues to be discussed. Details of attendances of Directors were as follows:

Director	Attendance
YBhg Tan Sri Quek Leng Chan	8/8
Mr Tan Kong Khoon	8/8
Mr Kwek Leng Hai	8/8
Ms Lim Lean See	8/8
Ms Chok Kwee Bee	8/8
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	8/8
YBhg Datuk Dr Md Hamzah bin Md Kassim	8/8
YBhg Datuk Wira Azhar bin Abdul Hamid [1]	6/7

Note:
(1) Retired on 14 May 2018.

The Bank recognises the importance of continuous professional development and training for its Directors.

The Bank is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Bank. The Induction Programme is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Bank's business, governance process, roles and responsibilities as Director of the Bank. The CPD encompasses areas related to the industry or business of the Bank, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

All Directors of the Bank have completed the Mandatory Accreditation Programme.

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

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

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

E. COMMITMENT (CONTINUED)

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 FYE 2018, 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. The Bank also organised an in-house programme for its Directors and senior management.

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 FYE 2018, the Directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- FIDE Forum – Fintech: Opportunities for the Financial Services Industry in Malaysia
- FIDE Forum – Current Issues in Corporate Governance
- FIDE Forum – Securities Commission Dialogue: Leveraging Technology for Growth
- FIDE Forum – 1st Distinguished Board Leadership Series: Navigating the VUCA world
- FIDE FORUM – 5th Annual Dialogue with the Governor of BNM
- FIDE Forum – 5th Annual Dialogue with the Deputy Governor of BNM
- FIDE Forum – Cryptocurrency and Blockchain Technology
- FIDE Forum – Win the innovation race: Unlocking the creative power of Asians
- BNM – Industry Seminar on Recovery and Resolution Planning in Malaysia
- BNM – Value-Based Intermediation Dialogue
- BNM, International Monetary Fund ("IMF") & IMF Economic Review – Summer Conference: Globalisation in the Aftermath of the Crisis
- KPMG – MCCG Update
- KPMG – Cyber Security Awareness
- Securities Commission – World Capital Markets Symposium 2018: Renaissance of Capitalism: Markets for Growth
- Securities Industry Development Corporation ("SIDC") – 2018 Budget: Implications to the Malaysian Economy and Capital Market
- SIDC – Cyber Security: Cyber Proofing for the Next Wave
- Bursa Malaysia – Risk Management Programme: I am Ready to Manage Risk
- ICLIF – CG Breakfast Series Entitled: Leading Change @ The Brain
- ICLIF – Understanding Liquidity Risk Management in Banking
- Malaysian Institute of Accountants – Capital Market Conference 2017
- Asian Institute of Finance (AIF) – 9th International Conference on Financial Crime and Terrorism Financing (IFCTF) 2017
- Khazanah Nasional – Khazanah Megatrends Forum 2017
- Cyber Security Insights & Sharing
- Islamic Banking in the 4th Industry Revolution, Compliance, Digital Innovation, Profitability and the Way Forward – Insider & Global Perspectives
- Digital Transformation and Impact to Businesses
- Malaysian Financial Reporting Standards 17 (MFRS17) Insurance Contracts
- KPMG – Digitalization/transformation of operations and sales channels with sharing of case studies for KPMG's other clients
- KPMG – The Guangdong-HongKong-Macao Greater Bay Area
- Briefing on Proposed Changes Code on Corporate Governance
- Update on Singapore Stock Exchange Regulations
- Briefing on Singapore Corporate Access (CorpPass) – a new corporate digital identity to transact online with Government agencies
- Briefing on Guide on prevention of Insider Trading – Handling of Confidential Information and Dealings in Securities
- Update on Amendments to the Building Maintenance and Strata Management Act.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

F. STRENGTHENING CORPORATE GOVERNANCE CULTURE

Hong Leong Bank Group Code of Conduct & Ethics

A fundamental value of the Group is that we are 'Here for the Long Term'. In upholding this value, the Group commits to a high standard of professionalism and ethics in the conduct of our business and professional activities as set out in this Code of Conduct & Ethics ("Code").

The Code is applicable to:

- All employees who work in the Group across the jurisdictions in which we operate – including but not limited to permanent, part-time and temporary employees;
- Any other persons permitted to perform duties or functions within the Group – including but not limited to vendors, service providers, 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 and professional activities.

Principles

There are six key pillars to the Group's Code of Conduct & Ethics:

PRINCIPLE 1: COMPETENCE

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

PRINCIPLE 2: INTEGRITY

The 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 our business.

PRINCIPLE 3: FAIRNESS

A core mission of the 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

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

PRINCIPLE 5: OBJECTIVITY

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

PRINCIPLE 6: ENVIRONMENT

The 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 Group and raising staff awareness about the importance of caring for the environment. The 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.

Whistleblowing Policy

A Whistleblowing Policy has also been established by the Bank and it provides a structured channel for all employees of the Bank and any other persons providing services to, or having a business relationship with the Bank, to report any concerns about any improper conducts, wrongful acts or malpractice committed within the Bank. The Whistleblowing Policy is published on the Bank's Website.

Other Policies and Codes of the Group

For good governance, the Group has various other policies such as Group Compliance Policy, Group Financial Crime Compliance Policy, Code of Conduct For Wholesale Financial Markets, Group Whistleblowing Policy, Group IT Security Policy, Privacy Policy, Group Media and Public Relations Policy and Procurement Policy.

Continuous Training & Awareness

Multiple training channels, such as mandatory e-Learning programmes, are in place to enable easy access for employees to be upskilled. Attestation to the Code is conducted on an annual basis.

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 determines the remuneration of the external auditors. The BAC reviews the suitability and independence of the external auditors annually. In this regard, an annual assessment is conducted by the BAC to evaluate the performance, independence and objectivity of the external auditors prior to making any recommendation to the Board on the reappointment of the external auditors.

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

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

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

The external auditors meet with the BAC members at least twice a year without the presence of Executive Directors and management.

H. DISCLOSURE

The Bank has in place a Corporate Disclosure Policy for compliance with the disclosure requirements set out in the MMLR, and to raise awareness and provide guidance to the Board and management on the Group's disclosure requirements and practices.

All timely disclosure and material information documents will be posted on the Bank's Website after release to Bursa.

I. SHAREHOLDERS

I. Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Bank's Website, Bursa's website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate in general meetings either in person, by corporate representative, by proxy or by attorney.

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 Lim Lean See, 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.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

I. SHAREHOLDERS

I. Dialogue between Companies and Investors (continued)

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. 61916
Fax No. : 03-2081 7801
e-mail address : capr@hongleong.com.my

CHIEF FINANCIAL OFFICER

Tel No. : 03-2081 8888
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 23 October 2017.

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.

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, procedures and guidelines on risk management and internal control.

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 is an 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 GC divisions have implemented an enterprise-wide integrated risk management framework to inculcate continuous risk and regulatory compliance awareness, understanding of procedures and controls and thus, improve the overall control environment.

Operationally, the Group operates multiple lines of defenses 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 and operational compliance units are set up in the various lines of business and support departments. They oversee the day-to-day compliance to all regulatory requirements, business and process controls. At the second level, GRM is responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and pricing 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 Internal Audit function complements GRM and GC by monitoring and evaluating significant exposures to risk and contributing to the improvement of the risk management and control systems. It also provides an independent perspective and assessment on the adequacy and effectiveness of the risk management framework governance systems and processes, including those instituted by the compliance function.

The above is depicted in the following diagram:

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINEUD)

III. Risk Management and Internal Control Framework (continued)

FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE
Business and Support Regulatory and Operational	Group Risk Management Group Compliance	Group Internal Audit
Manages inherent risks and ensures compliance in day-to-day activities.	*Sets policies, reviews portfolio risks and provides oversight of the management of risk and compliance.*	*Independent assessment of effectiveness and enforcement of frameworks and policies.*

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 structure 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	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 the Board's risk tolerance in pursuit of its business objectives, ensuring business strategies are aligned.	Provide clear direction. Defined business rules and operating parameters. Gives clarity to various parties' accountabilities.	Facilities 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.

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:

RISK MANAGEMENT FRAMEWORK

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 the BRMC regularly.

The BRMC deliberates and evaluates the reports prepared by GRM and GC on the adequacy and effectiveness of the controls to mitigate the Group's risks and provides updates to the Board, and where appropriate, make the necessary recommendations to the Board.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

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

III. Risk Management and Internal Control Framework (continued)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS

CREDIT RISK

Credit Risk is the risk of loss if a borrower or counterparty in a transaction fails to meet its obligations.

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.

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.

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.

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.

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.

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 framework 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 has put in place plans to continuously strengthen its capital and liquidity positions well ahead of the Basel Committee's time schedule and in advance anticipation of any local jurisdiction guidelines in all the countries that the Bank operates in.

c) Internal Audit

The Bank's Group Internal Audit Division ("GIAD") performs the internal auditing function for the various entities in the financial services 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 BNM GPIS) of the Group to ensure that the internal controls are in place and working effectively.

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)

c) Internal Audit (continued)

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 Risk and Compliance Governance Committee ("RCGC") chaired by the GMD/CEO, whose members comprise senior management. The minutes of meetings of RCGC are tabled to the BRMC and BAC for notation.

Implementation of corrective action plans are followed up on a monthly basis and reported to the BAC. Highlights of the BAC meetings are submitted to the Board for review and further deliberation.

In addition, internal controls are also effected through the following processes:

- The Board receives and reviews regular reports from Management on the key operating statistics, business dynamics, legal matters and regulatory issues that would have implications on internal control measures.
- The BAC regularly reviews and holds discussions with Management on the actions taken on internal control issues identified in reports prepared by GIAD, external auditors and regulatory authorities.
- Policies on delegation and authority limits are strictly implemented to ensure a culture that respects integrity and honesty, and thereby reinforce internal controls.
- Policies and procedures are set out in operation manuals and disseminated throughout the organisation in support of a learning culture, so as to reinforce an environment of internal controls discipline.
- Policies for recruitment, promotion and termination of staff are in place to ensure the Group's human resources comply with internal controls.

IV. Assessment of Risk Management and Internal Control System

The Board has received assurances from the GMD/CEO, chief financial officer, chief risk officer, chief internal auditor and chief compliance officer that the Group's risk management and internal control system are operating adequately and effectively.

Based on the assurances it has received from Management, the Board is of the view that the Group's risk management and internal control system are operating adequately and effectively for the financial year under review and up to the date of approval of this report.

V. Review of the Statement by External Auditors

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

K. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires 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 FYE 2018, 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 2018

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 2018.

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

The Malaysian economy is expected to grow moderately in 2018, riding on continued expansion in the world economy. Domestic demand will continue to play an integral role in supporting economic growth as the external environment may turn more challenging in the wake of the shift in US trade policies that has invited retaliation from its trading partners. Private consumption is expected to benefit from various government measures to reduce the cost of living including the zero-setting of GST and reintroduction of targeted petrol subsidy, cushioning the impact from postponement and review of numerous higher-priced projects that will adversely impact investment and the construction sector. That said, steady and sound financial markets as well as a still healthy banking system will enable the Malaysian economy to weather any undesirable shocks.

Against a backdrop of moderate economic expansion, business activities and loan demand are expected to remain supported while more upbeat consumer sentiments shall continue to ensure further expansion in household lending. Brick and mortar business aside, the Bank will continue to focus on broadening and deepening our digital strategy to transform and optimize our business to enhance customer experience and deliver operational excellence. We will continue to grow our domestic franchise and regional business through our Community Banking approach and differentiate ourselves via our multi-channel banking services to cater to the evolving needs of the customers.

OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR

The world economy is expected to maintain a steady growth pace in 2019, underpinned by moderate growth among advanced economies and faster expansion in the emerging economies, albeit the expectation of challenges from geopolitical uncertainties and shift in US trade policies.

In tandem with the world economy, the Malaysian economy is expected to stay on a steady growth path in 2019, driven by sustained domestic demand. A steady labour market, continuous wage growth and improving consumer sentiments arising from policy changes, coupled with fiscal reforms, are expected to provide the much needed support to private consumption and overall economic growth which will help alleviate the short term setback in investment.

Being digital at the core, executing our digital strategy remains our key priority in strengthening our digital offerings and transforming our products and services. We will continue to grow our domestic franchise and regional businesses by entrenching ourselves in the communities leveraging on our branch footprint and digital capabilities. We strive to continue to lead the digital and innovation space to provide best-in-class experience and engage with our customers through reimagined customer journeys.

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 2018

CREDIT INFORMATION RATING

On 2 November 2017, Rating Agency Malaysia Berhad has upgraded the Bank's long-term rating to AAA and reaffirmed its short-term rating at P1, with a positive 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	2-Nov-17	Long-Term Rating: AAA
		Short-Term Rating: P1
		Subordinated Notes: AA1
		Tier 1 Capital Securities: AA2
Moody's Investors Services Ltd	17-Jan-18	Long-Term Rating: A3
		Short-Term Rating: P2
Fitch Ratings Ltd	6-Aug-18	Long-Term Rating: A-
		Short-Term Rating: F2

FINANCIAL RESULTS

	The Group RM'000	The Bank RM'000
Profit before taxation	3,246,255	2,517,932
Taxation	(608,177)	(545,521)
Net profit for the financial year	2,638,078	1,972,411

DIVIDENDS

Since the last financial year ended 30 June 2017, a final single tier dividend of 30.0 sen per share amounting to RM613,680,013 in respect of the financial year ended 30 June 2017, was paid on 15 November 2017.

An interim single tier dividend for the financial year ended 30 June 2018 of 16.0 sen per share amounting to RM327,332,805 was paid on 28 March 2018.

The Directors now propose a final single tier dividend of 32.0 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 40,786,550 shares) amounting to RM654,665,611 for the financial year ended 30 June 2018.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 51 to the financial statements.

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.

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 Lim Lean See	(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)
YBhg Datuk Wira Azhar bin Abdul Hamid (Retired on 14 May 2018)	(Independent Non-Executive Director)

The names of Directors of subsidiaries are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 37 to the financial statements.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 per share	As at 01.07.2017	Acquired	Sold	As at 30.06.2018
	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
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	(6)	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
Interests of YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah in:					
Hong Leong Financial Group Berhad	(1)	–	10,000	–	10,000
		–	250,000***	–	250,000***

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 per share	**As at 01.07.2017**	**Acquired**	**Sold**	**As at 30.06.2018**
	RM (unless indicated)				
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	(1)	7,701,455(7)	–	(50,000)(12)	7,651,455(7)
Hong Leong Financial Group Berhad	(1)	896,158,726(7)	–	–	896,158,726(7)
Hong Leong Capital Berhad	(1)	200,805,058	–	–	200,805,058
Hong Leong Bank Berhad	(1)	1,346,237,169	–	–	1,346,237,169
		–	400,000,000***	–	400,000,000***
Hong Leong MSIG Takaful Berhad	(1)	65,000,000	–	–	65,000,000
Hong Leong Assurance Berhad	(1)	140,000,000	–	–	140,000,000
Hong Leong Islamic Bank Berhad		–	400,000,000***	–	400,000,000***
Hong Leong Industries Berhad	(1)	243,415,670(7)	200,000(7)(11)	(915,200)(7)	242,700,470(7)
		200,000*(7)	–	(200,000)*(7)	–
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
Century Touch Sdn Bhd (In members' voluntary liquidation)	(1)	6,545,001	–	–	6,545,001
Varinet Sdn Bhd (In members'voluntary liquidation)	(1)	10,560,627	–	–	10,560,627
Malaysian Pacific Industries Berhad	(1)	108,950,757	–	(235,500)	108,715,257
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(8)	–	–	22,400(8)
Hume Industries Berhad	(1)	350,231,658(7)	–	–	350,231,658(7)
		100,000*(7)	–	–	100,000*(7)
Guoco Group Limited	USD0.50	237,124,930	–	–	237,124,930
GuocoLand Limited	(2)	817,911,030	35,000(7)(11)	–	817,946,030(7)
		420,000*(7)	–	(35,000)*(7)	385,000*(7)
Southern Steel Berhad	(1)	292,169,709	–	–	292,169,709
	(1)	140,076,337**	–	–	140,076,337**
Southern Pipe Industry (Malaysia) Sdn Bhd	(1)	123,372,953	1,591,200	–	124,964,153
TPC Commercial Pte. Ltd.	(2)	189,600,000	–	–	189,600,000
TPC Hotel Pte. Ltd.	(2)	8,000,000	54,400,000	–	62,400,000
Wallich Residence Pte. Ltd.	(2)	24,000,000	–	–	24,000,000
GLL A Pte. Ltd.	(2)	7(9)	–	–	7(10)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

DIRECTORS' INTERESTS (CONTINUED)

	Nominal value per share	As at 01.07.2017	Acquired	Sold	As at 30.06.2018
		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*** **			
	RM (unless indicated)				
Interests of YBhg Tan Sri Quek Leng Chan in (continued):					
GLL Chengdu Pte Ltd	(2)	149,597,307	–	–	149,597,307
GLL Prosper Pte Ltd	(2)	128,800,000(9)	–	–	128,800,000(10)
GLL Thrive Pte Ltd	(2)	22,400,000(9)	–	–	22,400,000(10)
Beijing Ming Hua Property Co., Ltd	(3)	150,000,000	–	–	150,000,000
Shanghai Xinhaojia Property Development Co., Ltd	(3)	3,150,000,000	–	–	3,150,000,000
Shanghai Xinhaozhong Holding Co., Ltd (formerly known as Shanghai Xinhaozhong Property Development Co., Ltd)	(3)	19,600,000	–	(19,110,000)	490,000
JB Parade Sdn Bhd	(1)	28,000,000	–	–	28,000,000
	(1)	68,594,000(8)	28,796,000(8)	–	97,390,000(8)
Lam Soon (Hong Kong) Limited	(6)	140,008,659	–	–	140,008,659
Guangzhou Lam Soon Food Products Limited	(5)	6,570,000	–	–	6,570,000
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
(formerly known as Continental Estates Sdn Bhd)	(1)	123,502,605(8)	–	–	123,502,605(8)
GL Limited	USD0.20	925,753,134	–	–	925,753,134
		100,000*(7)	–	–	100,000*(7)
The Rank Group Plc	GBP13 $^{8}/_{9}$p	219,282,221	–	–	219,282,221
Interests of YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah in:					
Hong Leong Financial Group Berhad	(1)	–	10,000	–	10,000

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 USD
(5) Capital contribution in HKD
(6) Concept of par value was abolished with effect from 3 March 2014 pursuant to the New Companies Ordinance (Chapter 622), Hong Kong
(7) Inclusive of interest pursuant to Section 59(11)(c) of the Companies Act, 2016 in shares held by family member
(8) Redeemable Preference Shares
(9) A wholly owned subsidiary
(10) Became a non-wholly owned subsidiary during the financial year
(11) Exercise of share options
(12) Cancellation pursuant to reduction of share capital

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 and of the financial results and cash flows of the Group and of the Bank for the financial year ended 30 June 2018.

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.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 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.

Tha Bank had granted 22,750,000 options at an exercise price of RM16.46 under the ESOS of the Bank during the financial year ended 30 June 2018.

As at the financial year ended 30 June 2018, a total of 31,458,394 share options lapsed arising from the resignation of some option holders.

As at 30 June 2018, a total of 61,082,657 options had been granted under the ESOS, out of which 29,624,263 options (adjusted following the completion of the Bank's Rights Issue) remain outstanding. No options were exercised during the financial year ended 30 June 2018. The aggregate options granted to Directors and chief executives of the HLB Group under the ESOS amounted to 19,326,399, out of which 8,258,488 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 2018, the actual percentage of options granted to Directors and senior management of the HLB Group under the ESOS was 2.32% of the total number of issued shares (excluding treasury shares) of the Bank and the actual percentage granted to the directors and senior management of the HLB Group during the financial year ended 30 June 2018 was 0.91% of the total number of issued shares (excluding treasury shares) of the Bank.

(ii) ESGS

The Bank had granted 322,580 ordinary shares under the ESGS amounting to 0.02% of the total number of issued shares (excluding treasury shares) of the Bank to the chief executive of the Bank during the financial year ended 30 June 2018.

As at 30 June 2018, a total of 1,019,526 ordinary shares had been granted under the ESGS amounting to 0.05% of the total number of issued shares (excluding treasury shares) to the chief executive of the Bank, out of which 376,350 ordinary shares had been vested, with 643,176 ordinary shares remain outstanding.

Save for the above, there were no other shares granted under the ESGS.

A trust has been set up for the ESS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the ESS holdings are recorded as "Treasury Shares for ESS", in addition to the Treasury Shares for share buy-back, in the Shareholders' Equity on the statements of financial position.

For further details on the ESS, refer to Note 53 to the financial statements on Equity Compensation Benefits.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

(III) As at the date of this report

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

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

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

DISCLOSURE OF SHARIAH COMMITTEE

The Group's Islamic banking activity is subject to the Shariah compliance and confirmation by the Shariah Committee consisting of 5 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 34 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date PricewaterhouseCoopers (AF1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 19 September 2018. Signed on behalf of the Board of Directors:

Tan Kong Khoon

Lim Lean See

Kuala Lumpur
19 September 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

		The Group		The Bank	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Cash and short-term funds	3	**6,472,405**	10,823,310	**5,550,388**	10,199,194
Deposits and placements with banks and other financial institutions	4	**2,796,480**	826,743	**2,705,522**	393,664
Securities purchased under resale agreements		**–**	300,880	**–**	300,880
Financial assets held-for-trading	5	**5,969,872**	5,688,165	**5,619,035**	5,405,310
Financial investments available-for-sale	6	**31,862,936**	27,654,217	**29,018,580**	24,886,280
Financial investments held-to-maturity	7	**14,436,945**	13,060,604	**10,906,565**	10,408,793
Loans, advances and financing	8	**128,059,105**	123,990,941	**104,274,903**	102,538,550
Other assets	9	**780,069**	1,407,731	**686,696**	1,309,339
Derivative financial instruments	10	**918,067**	953,042	**932,926**	947,583
Amount due from subsidiaries	11	**–**	–	**43,563**	13,484
Statutory deposits with Central Banks	12	**4,312,482**	3,738,230	**3,453,017**	2,986,547
Subsidiary companies	13	**–**	–	**2,157,132**	1,662,409
Investment in joint venture	14	**179,426**	169,185	**76,711**	76,711
Investment in associated companies	15	**3,651,091**	3,466,891	**946,525**	946,525
Property and equipment	16	**1,414,975**	1,423,097	**782,853**	774,999
Intangible assets	17	**152,541**	213,323	**137,166**	194,870
Goodwill	18	**1,831,312**	1,831,312	**1,771,547**	1,771,547
Deferred tax assets	19	**53,067**	4,851	**47,908**	–
Total assets		**202,890,773**	195,552,522	**169,111,037**	164,816,685
Liabilities					
Deposits from customers	20	**157,414,095**	155,233,205	**129,583,425**	129,859,403
Deposits and placements of banks and other financial institutions	21	**7,237,434**	5,486,692	**7,245,854**	5,460,076
Obligations on securities sold under repurchase agreements		**3,831,869**	2,829,617	**3,805,119**	2,801,366
Bills and acceptances payable		**544,451**	364,675	**506,971**	348,841
Other liabilities	22	**4,719,446**	4,052,667	**3,932,169**	3,475,689
Derivative financial instruments	10	**1,020,196**	1,405,652	**983,680**	1,363,654
Recourse obligation on loans sold to Cagamas Berhad	23	**202,952**	202,926	**202,952**	202,926
Tier 2 subordinated bonds	24	**2,902,908**	2,402,145	**2,502,278**	2,001,642
Multi-currency Additional Tier 1 capital securities	25	**401,192**	–	**401,192**	–
Innovative Tier 1 capital securities	26	**512,352**	515,623	**512,352**	515,623
Provision for taxation		**211,619**	201,713	**171,958**	173,953
Deferred tax liabilities	19	**–**	172,194	**–**	171,131
Total liabilities		**178,998,514**	172,867,109	**149,847,950**	146,374,304
Equity					
Share capital	27	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Reserves	28	**16,885,463**	15,680,311	**12,256,291**	11,437,279
Less: Treasury shares	29	**(732,267)**	(733,961)	**(732,267)**	(733,961)
Total equity		**23,892,259**	22,685,413	**19,263,087**	18,442,381
Total equity and liabilities		**202,890,773**	195,552,522	**169,111,037**	164,816,685
Commitments and contingencies	42	**167,840,081**	163,004,495	**162,664,431**	156,405,399

The accompanying notes form an integral part of the financial statements

STATEMENTS OF INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Interest income	30	**6,357,559**	6,163,134	**6,269,327**	6,072,889
Interest expense	31	**(3,464,439)**	(3,308,727)	**(3,428,214)**	(3,271,875)
Net interest income		**2,893,120**	2,854,407	**2,841,113**	2,801,014
Income from Islamic Banking business	32	**646,064**	550,099	**–**	–
		3,539,184	3,404,506	**2,841,113**	2,801,014
Non-interest income	33	**1,300,381**	1,146,143	**1,499,585**	1,390,282
Net income		**4,839,565**	4,550,649	**4,340,698**	4,191,296
Overhead expenses	34	**(2,060,449)**	(2,007,523)	**(1,797,248)**	(1,736,002)
Operating profit before allowances		**2,779,116**	2,543,126	**2,543,450**	2,455,294
Allowance for impairment losses on loans, advances and financing	35	**(76,651)**	(161,159)	**(32,649)**	(109,273)
Write back of impairment losses on financial investments		**7,131**	2,222	**7,131**	1,106
		2,709,596	2,384,189	**2,517,932**	2,347,127
Share of results of associated company	15	**516,111**	342,910	**–**	–
Share of results of joint venture	14	**20,548**	21,153	**–**	–
Profit before taxation		**3,246,255**	2,748,252	**2,517,932**	2,347,127
Taxation	38	**(608,177)**	(603,236)	**(545,521)**	(603,076)
Net profit for the financial year		**2,638,078**	2,145,016	**1,972,411**	1,744,051
Attributable to:					
Owners of the parent		**2,638,078**	2,145,016	**1,972,411**	1,744,051
Earnings per share for profit attributable to owners of the parent (sen):					
- basic	39	**129.0**	104.9	**96.4**	85.3
- diluted	39	**128.7**	104.8	**96.3**	85.2

The accompanying notes form an integral part of the financial statements

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		The Group		The Bank	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net profit for the financial year		**2,638,078**	2,145,016	**1,972,411**	1,744,051
Other comprehensive (loss)/income:					
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive loss of associated company		**(822)**	(14,501)	**–**	–
Currency translation differences		**(325,017)**	226,877	**(57,408)**	44,456
Net fair value changes on financial investments available-for-sale	40	**(348,012)**	50,990	**(333,392)**	67,005
Net fair value changes in cash flow hedge	40	**2,398**	856	**2,398**	856
Income tax relating to components of other comprehensive income/(loss)	40	**170,034**	(12,585)	**166,510**	(16,333)
Other comprehensive (loss)/income for the financial year, net of tax		**(501,419)**	251,637	**(221,892)**	95,984
Total comprehensive income for the financial year		**2,136,659**	2,396,653	**1,750,519**	1,840,035
Attributable to:					
Owners of the parent		**2,136,659**	2,396,653	**1,750,519**	1,840,035

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		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 2017		**7,739,063**	**(733,961)**	**678,483**	**1,441,246**	**13,560,582**	**22,685,413**
Comprehensive income							
Net profit for the financial year		–	–	–	–	2,638,078	2,638,078
Share of other comprehensive loss of associates		–	–	–	(822)	–	(822)
Net fair value changes in financial investments available-for-sale	40	–	–	–	(177,480)	–	(177,480)
Net fair value changes in cash flow hedge	40	–	–	–	1,900	–	1,900
Currency translation differences		–	–	–	(325,017)	–	(325,017)
Total comprehensive (loss)/income		–	–	–	(501,419)	2,638,078	2,136,659
Transactions with owners							
Transfer to regulatory reserve		–	–	74,456	–	(74,456)	–
Dividends paid:							
- final dividend for the financial year ended 30 June 2017	41	–	–	–	–	(613,680)	(613,680)
- interim dividend for the financial year ended 30 June 2018	41	–	–	–	–	(327,333)	(327,333)
ESS exercised		–	1,694	–	(3,036)	1,342	–
Option charge arising from ESS granted		–	–	–	11,200	–	11,200
Total transactions with owners		–	1,694	74,456	8,164	(1,014,127)	(929,813)
At 30 June 2018		7,739,063	(732,267)	752,939	947,991	15,184,533	23,892,259

* Treasury shares consist of two categories which are detailed in Note 29

^ Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM741,694,000 (30 June 2017: RM667,238,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June 2017: 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 2018

		Attributable to owners of the parent							
The Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares* RM'000**	**Statutory reserve RM'000**	**Regulatory reserves ^ RM'000**	**Other reserves RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 July 2016		2,167,718	5,571,345	(735,040)	3,920,716	598,772	1,181,271	8,412,365	21,117,147
Comprehensive income									
Net profit for the financial year		–	–	–	–	–	–	2,145,016	2,145,016
Share of other comprehensive loss of associates		–	–	–	–	–	(14,501)	–	(14,501)
Net fair value changes in financial investments available-for-sale	40	–	–	–	–	–	38,611	–	38,611
Net fair value changes in cash flow hedge	40	–	–	–	–	–	650	–	650
Currency translation differences		–	–	–	–	–	226,877	–	226,877
Total comprehensive income		–	–	–	–	–	251,637	2,145,016	2,396,653
Transactions with owners									
Transfer to retained profits		–	–	–	(3,920,716)	–	–	3,920,716	–
Transfer to regulatory reserve		–	–	–	–	79,711	–	(79,711)	–
Dividends paid:									
- final dividend for the financial year ended 30 June 2016	41	–	–	–	–	–	–	(531,818)	(531,818)
- interim dividend for the financial year ended 30 June 2017	41	–	–	–	–	–	–	(306,840)	(306,840)
Transition to no par value regime under the Companies Act 2016 **	28(b)	5,571,345	(5,571,345)	–	–	–	–	–	–
ESS exercised		-	-	1,079	–	–	(1,933)	854	–
Option charge arising from ESS granted		–	–	–	–	–	10,271	–	10,271
Total transactions with owners		5,571,345	(5,571,345)	1,079	(3,920,716)	79,711	8,338	3,003,201	(828,387)
At 30 June 2017		7,739,063	–	(733,961)	–	678,483	1,441,246	13,560,582	22,685,413

* Treasury shares consist of two categories which are detailed in Note 29

** The New Companies Act 2016 ("New Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM 5,571,345,000 becomes part of the Group's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

^ Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM667,238,000 (30 June 2016: RM587,527,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June 2016: RM11,245,000)

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Non-distributable				Distributable	
The Bank	Note	Share capital RM'000	Treasury shares* RM'000	Regulatory reserve RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
At 1 July 2017		7,739,063	(733,961)	571,678	620,396	10,245,205	18,442,381
Comprehensive income							
Net profit for the financial year		–	–	–	–	1,972,411	1,972,411
Net fair value changes in financial investments available-for-sale	40	–	–	–	(166,384)	–	(166,384)
Net fair value changes in cash flow hedge	40	–	–	–	1,900	–	1,900
Currency translation differences		–	–	–	(57,408)	–	(57,408)
Total comprehensive (loss)/income		–	–	–	(221,892)	1,972,411	1,750,519
Transactions with owners							
Transfer to regulatory reserve		–	–	65,420	–	(65,420)	–
Dividends paid:							
- final dividend for the financial year ended 30 June 2017	41	–	–	–	–	(613,680)	(613,680)
- interim dividend for the financial year ended 30 June 2018	41	–	–	–	–	(327,333)	(327,333)
ESS exercised		–	1,694	–	(3,036)	1,342	–
Option charge arising from ESS granted		–	–	-	11,200	–	11,200
Total transactions with owners		–	1,694	65,420	8,164	(1,005,091)	(929,813)
At 30 June 2018		7,739,063	(732,267)	637,098	406,668	11,212,525	19,263,087

* Treasury shares consist of two categories which are detailed in Note 29

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

The Bank	Note	Non-distributable Share capital RM'000	Share premium RM'000	Treasury shares* RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Other reserves RM'000	Distributable Retained profits RM'000	Total RM'000
At 1 July 2016		2,167,718	5,571,345	(735,040)	3,380,604	495,008	516,074	6,035,024	17,430,733
Comprehensive income									
Net profit for the financial year		–	–	–	–	–	–	1,744,051	1,744,051
Net fair value changes in financial investments available-for-sale	40	–	–	–	–	–	50,878	–	50,878
Net fair value changes in cash flow hedge	40	–	–	–	–	–	650	–	650
Currency translation differences		–	–	–	–	–	44,456	–	44,456
Total comprehensive income		–	–	–	–	–	95,984	1,744,051	1,840,035
Transactions with owners									
Transfer to retained profits		–	–	–	(3,380,604)	–	–	3,380,604	–
Transfer to regulatory reserve		–	–	–	–	76,670	–	(76,670)	–
Dividends paid:									
- final dividend for the financial year ended 30 June 2016	41	–	–	–	–	–	–	(531,818)	(531,818)
- interim dividend for the financial year ended 30 June 2017	41	–	–	–	–	–	–	(306,840)	(306,840)
Transition to no-par value regime under the Companies Act 2016 **		5,571,345	(5,571,345)	–	–	–	–	–	
ESS exercised		–	–	1,079	–	–	(1,933)	854	–
Option charge arising from ESS granted		–	–	–	–	–	10,271	–	10,271
Total transactions with owners		5,571,345	(5,571,345)	1,079	(3,380,604)	76,670	8,338	2,466,130	(828,387)
At 30 June 2017		7,739,063	–	(733,961)	–	571,678	620,396	10,245,205	18,442,381

* Treasury shares consist of two categories which are detailed in Note 29

** The New Act, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM 5,571,345,000 becomes part of the Bank's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities				
Profit before taxation	**3,246,255**	2,748,252	**2,517,932**	2,347,127
Adjustments for:				
Depreciation of property and equipment	**120,812**	91,477	**102,085**	84,925
Amortisation of intangible assets	**71,841**	74,469	**67,719**	70,504
Net gain on disposal of property and equipment	**(2,274)**	(1,048)	**(2,283)**	(1,050)
Net loss on disposal of intangible assets	**7**	–	**7**	–
Share of associated company's results	**(516,111)**	(342,910)	**–**	–
Share of joint venture's results	**(20,548)**	(21,153)	**–**	–
Property and equipment written off	**4,879**	823	**4,568**	528
Intangible assets written off	**21**	57	**8**	23
Amortisation of upfront fees	**1,619**	4,047	**1,545**	3,921
Gain from sale/redemption of security portfolio:				
- financial investments held-to-maturity	**(7)**	(37)	**(7)**	(37)
- financial investments available-for-sale	**(197,037)**	(60,377)	**(196,818)**	(59,768)
- financial assets held-for-trading and derivatives	**(39,087)**	(38,941)	**(39,087)**	(38,941)
Allowances for impairment losses on loans, advances and financing	**307,779**	399,293	**223,215**	325,846
Impaired loans and financing written off	**19,719**	22,508	**15,992**	19,114
Net unrealised gain on revaluation of securities held at fair value through profit or loss and derivatives	**(106,569)**	(68,535)	**(106,569)**	(68,535)
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	**800**	115	**800**	115
Net loss on dilution of investment in associated company	**26,800**	–	**–**	–
Net loss arising from fair value hedges	**152**	3	**152**	3
Unrealised loss on foreign exchange	**–**	113,400	**–**	113,400
Write back of impairment losses on financial investments	**(7,131)**	(2,222)	**(7,131)**	(1,106)
Interest income on Multi-currency Additional Tier 1 capital securities	**–**	–	**(11,975)**	–
Interest expense on senior bonds and subordinated obligations	**92,268**	125,881	**92,268**	125,881
Interest expense on Multi-currency Additional Tier 1 capital securities	**12,783**	–	**12,051**	–
Interest expense on innovative Tier 1 capital securities	**38,205**	35,362	**38,205**	35,362
Interest expense on borrowings	**–**	3,859	**–**	–
Interest expense on recourse obligations on loans sold to Cagamas	**7,602**	6,727	**7,602**	6,727
Interest income from:				
- financial investments available-for-sale	**(742,369)**	(638,942)	**(738,767)**	(634,351)
- financial investments held-to-maturity	**(375,142)**	(354,968)	**(370,398)**	(352,683)
Dividend income from:				
- financial investments available-for-sale	**(281,087)**	(259,157)	**(281,087)**	(259,157)
- associated company	**–**	–	**(138,560)**	(249,342)
- joint venture	**–**	–	**(4,882)**	(4,698)
- subsidiary companies	**–**	–	**(43,400)**	-
Share option expenses	**11,200**	10,271	**11,200**	10,271
Operating profit before working capital changes	**1,675,380**	1,848,254	**1,154,385**	1,474,079

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Increase)/Decrease 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	**(4,044,396)**	(254,431)	**(3,958,708)**	103,940
Securities purchased under resale agreements	**300,880**	3,755,790	**300,880**	3,755,790
Financial assets held-for-trading	**(273,262)**	(372,642)	**(205,280)**	(284,740)
Loans, advances and financing	**(4,398,167)**	(4,954,752)	**(1,978,065)**	(2,824,452)
Derivative financial instruments	**3,694**	41,467	**37,948**	72,034
Other assets	**627,662**	295,432	**622,642**	124,192
Amount due from subsidiaries	**–**	–	**(30,079)**	992
Statutory deposits with Central Banks	**(574,252)**	557,889	**(466,470)**	616,389
Increase/(Decrease) in operating liabilities				
Deposits from customers	**2,350,935**	6,829,012	**(160,505)**	3,700,184
Deposits and placements of banks and other financial institutions	**1,750,742**	(714,538)	**1,785,778**	(353,557)
Securities sold under repurchase agreements	**1,002,252**	(665,286)	**1,003,753**	(693,537)
Bills and acceptances payable	**179,776**	14,220	**158,130**	14,889
Derivative financial instruments	**(385,456)**	(143,956)	**(379,974)**	(168,475)
Other liabilities	**675,749**	148,599	**464,575**	(68,728)
Cash flows (used in)/generated from operations	**(1,108,463)**	6,385,058	**(1,650,990)**	5,469,000
Taxation paid	**(660,026)**	(391,020)	**(571,611)**	(322,256)
Net cash (used in)/generated from operating activities	**(1,768,489)**	5,994,038	**(2,222,601)**	5,146,744
Cash flows from investing activities				
Net purchases of financial investments available-for-sale	**(3,617,252)**	(1,018,024)	**(3,530,034)**	(267,494)
Net purchases of financial investments held-to-maturity	**(994,134)**	(934,109)	**(120,309)**	(50,633)
Proceeds from sale of intangible assets	**1**	–	**1**	–
Purchase of property and equipment	**(124,689)**	(158,127)	**(119,942)**	(147,335)
Net proceeds from sale of property and equipment	**5,729**	3,901	**5,569**	3,523
Purchase of intangible assets	**(11,337)**	(19,530)	**(9,681)**	(18,613)
Investment in Additional Tier 1 perpetual surbordinated sukuk wakalah	**–**	–	**(389,824)**	–
Investment in subordinated facilities	**–**	–	**(66)**	–
Investment in subsidiary company	**–**	–	**(92,857)**	(132,649)
Dividends received from:				
- Subsidiary companies	**–**	–	**43,400**	–
- Associated company	**101,111**	181,953	**101,111**	181,953
- Joint venture	**3,563**	3,428	**3,563**	3,428
- Financial investments available-for-sale	**281,087**	259,157	**281,087**	259,157
Net cash used in investing activities	**(4,355,921)**	(1,681,351)	**(3,827,982)**	(168,663)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Cash flows from financing activities					
Dividends paid		**(941,013)**	(838,658)	**(941,013)**	(838,658)
Repayment of USD 300.0 million senior bonds		**–**	(1,323,150)	**–**	(1,323,150)
Proceeds from debt issuance:					
- Tier 2 subordinated bonds		**500,000**	–	**500,000**	–
- Multi-currency Additional Tier 1 capital securities		**400,000**	–	**400,000**	–
- Recourse obligation on loans sold to Cagamas		**–**	200,050	**–**	200,050
Interest paid:					
- Senior bonds and subordinated obligations		**(91,947)**	(133,363)	**(92,000)**	(133,258)
- Multi-currency Additional Tier 1 capital securities		**(10,984)**	–	**(10,252)**	-
- Innovative Tier 1 capital securities		**(38,431)**	(35,362)	**(38,431)**	(35,362)
- Recourse obligation on loans sold to Cagamas		**(7,576)**	(3,851)	**(7,576)**	(3,851)
Repayment of borrowings		**–**	(388,589)	**–**	–
Net cash used in financing activities		**(189,951)**	(2,522,923)	**(189,272)**	(2,134,229)
Net (decrease)/increase in cash and cash equivalents		**(6,314,361)**	1,789,764	**(6,239,855)**	2,843,852
Effects of exchange rate changes		**(111,203)**	74,543	**(55,801)**	43,650
Cash and cash equivalents at the beginning of financial year		**10,388,873**	8,524,566	**9,578,350**	6,690,848
Cash and cash equivalents at the end of financial year		**3,963,309**	10,388,873	**3,282,694**	9,578,350
Cash and cash equivalents comprise the following:					
Cash and short-term funds	3	**6,472,405**	10,823,310	**5,550,388**	10,199,194
Deposits and placements with banks and other financial institutions	4	**2,796,480**	826,743	**2,705,522**	393,664
		9,268,885	11,650,053	**8,255,910**	10,592,858
Less:					
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		**(5,305,576)**	(1,261,180)	**(4,973,216)**	(1,014,508)
		3,963,309	10,388,873	**3,282,694**	9,578,350

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

An analysis of changes in liabilities arising from financing activities for the financial year ended 30 June 2018 is as follows:

The Group 2018	Balance at the beginning of the financial year RM'000	Cash Changes: Proceeds from issuance RM'000	Cash Changes: Repayments from redemption RM'000	Cash Changes: Interest paid RM'000	Non-Cash Changes: Accrued interest RM'000	Non-Cash Changes: Amortisation/ (accretion) RM'000	Non-Cash Changes: Other non-cash* RM'000	Balance at the end of the financial year RM'000
Recourse obligation on loans sold to Cagamas Berhad	202,926	–	–	(7,576)	7,602	–	–	202,952
Tier 2 subordinated bonds	2,402,145	500,000	–	(91,947)	92,268	442	–	2,902,908
Multi-currency Additional Tier 1 capital securities	–	400,000	–	(10,984)	12,783	(607)	–	401,192
Innovative Tier 1 capital securities	515,623	–	–	(38,431)	38,205	1,784	(4,829)	512,352
	3,120,694	900,000	–	(148,938)	150,858	1,619	(4,829)	4,019,404

The Bank 2018	Balance at the beginning of the financial year RM'000	Cash Changes: Proceeds from issuance RM'000	Cash Changes: Repayments from redemption RM'000	Cash Changes: Interest paid RM'000	Non-Cash Changes: Accrued interest RM'000	Non-Cash Changes: Amortisation/ (accretion) RM'000	Non-Cash Changes: Other non-cash* RM'000	Balance at the end of the financial year RM'000
Recourse obligation on loans sold to Cagamas Berhad	202,926	–	–	(7,576)	7,602	–	–	202,952
Tier 2 subordinated bonds	2,001,642	500,000	–	(92,000)	92,268	368	–	2,502,278
Multi-currency Additional Tier 1 capital securities	–	400,000	–	(10,252)	12,051	(607)	–	401,192
Innovative Tier 1 capital securities	515,623	–	–	(38,431)	38,205	1,784	(4,829)	512,352
	2,720,191	900,000	–	(148,259)	150,126	1,545	(4,829)	3,618,774

* Other non-cash item comprises changes in fair value adjustments on completion of business combination accounting as disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 of 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 financial investments available-for-sale 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 revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group and the Bank's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 54.

A Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Bank

The Group has applied the following amendments for the first time for the financial year beginning on 1 July 2017:

* Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'
* Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses'
* Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 'Disclosures of Interests in Other Entities'

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments 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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2018 that are applicable to the Group and the Bank are as follows.

(i) Financial year beginning on/after 1 July 2018

* IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 (continued)

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

* MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

Classification and measurements

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is:

* For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.

The combined application of the entity's business model and the cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset when compared to the existing classification of financial assets in the statement of financial position as at 30 June 2018.

However, the Group and the Bank have identified certain financial investments currently held at both held-to-maturity and available-for-sale which fail the solely for the payment of principal and interest ("SPPI") test to be reclassified as fair value through profit or loss ("FVTPL") accordingly on 1 July 2018.

Certain debt instruments which pass the SPPI test have been re-designated from held-to-maturity to fair value through OCI; held for trading to fair value through OCI; and available-for-sale to amortised cost.

The Group and the Bank have classified and measured all equity instruments that are not held for trading at FVTPL except for certain equity instruments which have been identified to elect, at inception, the irrevocable option to present changes in fair value in OCI.

The Group and the Bank do not expect a significant impact arising from the changes in classification and measurement of the financial assets.

There will be no significant changes to the Group's and the Bank's accounting for financial liabilities as it largely retains the MFRS 139 requirements. All the financial liabilities, except for derivatives financial liabilities and financial liabilities designated at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 (continued)

* MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement" (continued).

Impairment of financial assets

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new impairment model requires the recognition of impairment allowances based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments, financial guarantee contracts and other loan commitments.

Under MFRS 9, impairment will be measured on each reporting date according to a three-stage expected credit loss impairment model:

* Stage 1 – from initial recognition of financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).

* Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset (Lifetime ECL).

* Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, and the population of financial assets to which full lifetime ECL applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with MFRS 139, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, will be recorded in profit or loss, allowance for credit losses will be more volatile under MFRS 9.

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

Hedge accounting

Under MFRS 9, the general hedge accounting requirements have been simplified for hedge effectiveness testing and permit hedge accounting to be applied to a greater variety of hedging instruments and risks. The Group and the Bank do not expect a significant impact arising from the changes in the hedge accounting requirements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 (continued)

* MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement" (continued).

Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group and the Bank's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group and the Bank will apply the new rules retrospectively from 1 July 2018, with the practical expedients permitted under the standard. Comparatives for 2018 will not be restated.

The Group and the Bank are still in the midst of finalising the financial impact in relation to the adoption of MFRS 9. Based on the preliminary assessments undertaken to-date, the Group and the Bank expect an increase in the allowance for impairment on loans, advances and financing under the new impairment requirements, which will result in a reduction in the Group's and the Bank's opening retained profits and overall capital positions as of 1 July 2018.

The Group and Bank are in finalisation stages of the MFRS 9 implementation with a view to ensure full compliance of the standard.

* MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, that is, when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:
* Identify contracts with customers;
* Identify the separate performance obligations;
* Determine the transaction price of the contract;
* Allocate the transaction price to each of the separate performance obligations; and
* Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

* Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.

* If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.

* The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.

* There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 (continued)

* MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations (continued).

  * As with any new standard, there are also increased disclosures.

  The Group and the Bank are in the process of finalising the financial implication arising from the adoption of this new standard. Based on the preliminary assessment, the Bank expects no significant impact to the fees and other income for the Group and the Bank.

(ii) Financial year beginning on/after 1 July 2019

* 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.

  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" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

  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.

* IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

* Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

  In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

  The amendments shall be applied retrospectively.

* Amendments to MFRS 9 'Prepayment features with negative compensation' (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

  The amendments will be applied retrospectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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)

(ii) Financial year beginning on/after 1 July 2019 (continued)

* Annual Improvements to MFRSs 2015 – 2017 Cycle:

  * Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  * Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

  * Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

  * Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

* Amendments to MFRS 119 'Plan amendment, curtailment or settlement' (effective 1 January 2019) requires an entity to use the updated actuarial assumptions from remeasurement of its net defined benefit liability or asset arising from plan amendment, curtailment or settlement, to determine current service cost and net interest for the remaining period after the change to the plan. The amendments will be applied prospectively.

None of the standards, amendments and interpretations that are effective for the respective financial years is expected to have a significant effect on the financial statements of the Group and the Bank, except for MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Consolidation

(i) Subsidiaries

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

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

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

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

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses from such re-measurement 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 139 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(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 re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. 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 profit or loss.

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.

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 income statement.

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 profit or loss where appropriate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(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 profit or loss, 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 income statement.

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 profit or loss where appropriate.

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

(vi) Loss of significant influence or joint control

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 profit or loss.

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

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

The amounts due from subsidiaries of which the Bank does not expect repayment in foreseeable future are considered as part of the Bank's investment in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 exactly 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 takes 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 on impaired financial assets is recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

When a loan/financing receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest/profit rate of the instrument, and continues unwinding the discount as interest/profit income. Interest/profit income on impaired loan/financing are recognised using the original effective interest/profit rate.

C Recognition of fees and other income

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Guarantee fees which are material are recognised as income based on time apportionment. Services charges and other fee income are recognised as income when the services are rendered.

Commitment fees for loans, advances and financing that are likely to be drawn down and deferred (together with direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is regarded as an adjustment to the effective interest rate of the financial instrument.

Dividends from financial assets held at fair value through profit or loss, financial investments available-for-sale and subsidiary companies 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.

Net profit from financial assets held at fair value through profit or loss and financial investment available-for-sale are recognised 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 classify their financial assets into the following categories: at fair value through profit or loss, loans and receivables, financial investments held-to-maturity and financial investments available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classifications of its securities at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets held-for-trading and other financial assets designated by the Group and the Bank as fair value through profit or loss upon initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial assets (continued)

(i) Classification (continued)

(a) Financial assets at fair value through profit or loss (continued)

A financial asset 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 and effective as hedging instruments.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative instruments with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. If the Group or the Bank sell other than an insignificant amount of financial investments held-to-maturity, the entire category will be tainted and reclassified as financial investments available-for-sale.

(d) Financial investments available-for-sale

Financial investments available-for-sale are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as financial assets at fair value through profit or loss, loans and receivables and financial investments held-to-maturity.

(ii) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Transaction costs for securities carried at fair value through profit or loss are taken directly to the statements of income.

(iii) Subsequent measurement

Financial assets at fair value through profit or loss and financial investments available-for-sale are subsequently carried at fair value, except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured in which case the investments are stated at cost. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the statements of income in the financial period which they arise. Gains and losses arising from changes in fair value of financial investments available-for-sale are recognised directly in other comprehensive income, until the securities are derecognised or impaired at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in statements of income. Foreign exchange gains or losses of financial investments available-for-sale are recognised in the statements of income in the financial period it arises.

Financial investments held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from the de-recognition or impairment of the securities are recognised in the statements of income.

Interest from financial assets held at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity is calculated using the effective interest method and is recognised in the statements of income. Dividends from available-for-sale equity instruments are recognised in the statements of income when the entity's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial assets (continued)

(iii) Subsequent measurement (continued)

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including the transaction costs, and measured subsequently at amortised cost using the effective interest rate method. Interest on loans is included in the statements of income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statements of income.

(iv) Reclassification of financial assets

The Group and the Bank may choose to reclassify a non-derivative financial assets held-for-trading out of the held-for-trading category if the financial asset is no longer held for the purposes of selling in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group and the Bank have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at the fair value at the date of the reclassification. The fair values of the securities becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. The effective interest rates for the securities reclassified to held-to-maturity category are determined at the reclassification date. Further changes in estimates of future cash flows are recognised as an adjustment to the effective interest rates.

E Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and 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.

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

This category comprises two sub-categories: financial liabilities classified 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 and effective as hedging instruments.

The Group and the Bank have also designated certain structured deposits at fair value through profit or loss as permitted under MFRS 139 “Financial Instruments: Recognition and Measurement” 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 at fair value through profit or loss fall into this category and are measured at amortised cost.

Financial liabilities that are derecognised when they have been redeemed or otherwise extinguished.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F Property and equipment and depreciation

Property, plant 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, plant and equipment. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. With effect from 1 June 2018, GST is reduced from 6% to 0%.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of income during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	Over the remaining period of the lease or 100 years (1%) whichever is shorter
Buildings on freehold land	2%
Buildings on leasehold land	Over the remaining period of the lease or 50 years (2%) whichever is shorter
Office furniture, fittings, equipment and renovations and computer equipment	10% - 33%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on assets under construction commences when the assets are ready for their intended use.

Property and equipment are reviewed for indication of impairment at each statements of financial position date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in non-interest income.

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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G Intangible assets (continued)

(ii) Goodwill (continued)

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(iii) Other intangible assets

Other intangible assets include core deposits and customer relationships. These intangible assets were acquired in a business combination and are valued using income approach methodologies. These intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets have finite useful lives as follows:

Core deposit: 7 years
Customer relationships: 10 years

H Leases

(i) Finance lease

Assets purchased under lease which in substance transfers 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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I Impairment of non-financial assets

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

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

J Current and deferred income taxes

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J Current and deferred income taxes (continued)

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 re-measurement of financial instruments available-for-sale, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statements of income together with the deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

K Derivative financial instruments and hedging

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 assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K Derivative financial instruments and hedging (continued)

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the statements of income. Amounts accumulated in equity are recycled to the statements of income in the financial periods in which the hedged item will affect statements of income.

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

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statements of income.

Gains and losses accumulated in the equity are reclassified to the statements of income when the foreign operation is partially disposed or sold.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L Currency translations

(ii) Foreign currency transactions and balances (continued)

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

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

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 2018

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of financial assets

(i) Assets carried at amortised cost

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The criteria the Group and the Bank use to determine that there is objective evidence of impairment loss include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group and the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of income. If a loan or financial investments held-to-maturity have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets that have not been individually assessed are grouped together for portfolio impairment assessment. These financial assets are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment and any shortfall will be recognised to statements of income. Such loans are written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

If in a subsequent period, the amount of impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statements of income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of financial assets (continued)

(ii) Assets classified as available-for-sale

The Group and the Bank assess at each date of the statements of financial position whether there is objective evidence that financial asset or a group of financial assets is impaired.

For debt securities, the Bank uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss in subsequent periods.

O Derecognition of financial assets and financial liabilities

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

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

P Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Q Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer 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. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The financial guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees and the amount determined in accordance with MFRS 137 "Provision, Contingent Liabilities and Contingent Assets", and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the statements of income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 statement 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 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statements of income over the period of the borrowings using the effective interest method.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

W Segment reporting

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X Non-current assets/disposal groups held-for-sale

Non-current assets/disposal groups are classified as assets held-for-sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

The Group applies the above policy to an investment or portion of an investment in an associate or joint venture that meets the criteria to be classified as held for sale. Where the Group maintains either significant influence or joint control over the investee, any retained portion of the investment that has not been classified as held for sale continues to be accounted for, using the equity method of accounting, until the disposal of the portion that is classified as held for sale takes place. In cases where significant influence or joint control is lost, the retained interest is accounted for in accordance with MFRS 139 "Financial Instruments: Recognition and Measurement".

An impairment loss is recognised for any initial or subsequent write-down of the asset/disposal groups to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset/disposal groups, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset/disposal groups is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

Y 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y 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.

Z 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.

AA 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.

AB 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 CASH AND SHORT-TERM FUNDS

	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Cash and balances with banks and other financial institutions	**2,254,164**	2,007,296	**1,926,289**	1,819,538
Money at call and deposit placements maturing within one month	**4,218,241**	8,816,014	**3,624,099**	8,379,656
	6,472,405	10,823,310	**5,550,388**	10,199,194

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Licensed banks	**2,595,628**	726,377	**2,705,522**	393,664
Other financial institutions	**200,852**	100,366	**–**	–
	2,796,480	826,743	**2,705,522**	393,664

5 FINANCIAL ASSETS HELD-FOR-TRADING

	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Money market instruments				
Malaysian Government securities	**2,441,976**	433,166	**2,441,976**	433,166
Malaysian Government investment certificates	**786,622**	684,572	**635,595**	511,679
Negotiable instruments of deposits	**2,554,359**	3,946,521	**2,354,549**	4,027,953
Cagamas bonds	**–**	1,013	**–**	1,013
Other Government securities	**–**	47,996	**–**	47,996
	5,782,957	5,113,268	**5,432,120**	5,021,807
Quoted securities				
Foreign currency bonds in Malaysia	**40,093**	195,592	**40,093**	195,592
Foreign currency bonds outside Malaysia	**68,847**	62,860	**68,847**	62,860
	5,891,897	5,371,720	**5,541,060**	5,280,259
Unquoted securities				
Malaysian Government sukuk	**–**	191,394	**–**	–
Corporate bonds and sukuk	**45,605**	96,525	**45,605**	96,525
Foreign currency bonds outside Malaysia	**32,370**	28,526	**32,370**	28,526
	5,969,872	5,688,165	**5,619,035**	5,405,310

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Money market instruments				
Malaysian Government securities	**109,684**	130,659	**109,684**	130,659
Malaysian Government investment certificates	**4,339,789**	4,385,118	**3,135,157**	3,086,177
Other Government securities	**657,700**	329,592	**592,486**	239,189
Cagamas bonds	**1,430,259**	1,388,060	**1,263,793**	1,247,119
Khazanah bonds	**673,444**	406,904	**638,603**	406,904
	7,210,876	6,640,333	**5,739,723**	5,110,048
Quoted securities				
Shares in Malaysia	**–**	421	**–**	421
Shares outside Malaysia	**–**	27	**–**	27
Wholesale fund	**7,100,400**	5,203,264	**7,100,400**	5,203,264
Foreign currency bonds in Malaysia	**2,996,117**	3,056,104	**2,984,839**	3,043,838
Foreign currency bonds outside Malaysia	**1,660,272**	1,818,131	**1,660,272**	1,818,131
	18,967,665	16,718,280	**17,485,234**	15,175,729
Unquoted securities				
Malaysian Government sukuk	**2,385,470**	2,040,793	**2,024,205**	1,849,179
Corporate bonds and sukuk	**8,335,213**	7,513,242	**7,334,553**	6,479,470
Shares in Malaysia	**467,512**	456,820	**467,512**	456,820
Shares outside Malaysia	**–**	149,361	**–**	149,361
Foreign currency bonds in Malaysia	**1,048,287**	294,300	**1,048,287**	294,300
Foreign currency bonds outside Malaysia	**658,789**	489,020	**658,789**	489,020
	31,862,936	27,661,816	**29,018,580**	24,893,879
Allowance for impairment losses	**–**	(7,599)	**–**	(7,599)
	31,862,936	27,654,217	**29,018,580**	24,886,280

The table below shows the movements in allowance for impairment losses during the financial year for the Group and the Bank:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 July	**7,599**	10,165	**7,599**	9,049
Amount written back in respect of recoveries	**–**	(2,566)	**–**	(1,450)
Amount written off	**(7,599)**	–	**(7,599)**	–
At 30 June	**–**	7,599	**–**	7,599

Included in the financial investments available-for-sale 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 RM3,821,124,000 (2017: RM2,808,719,000) and RM3,794,195,000 (2017: RM2,799,044,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

7 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Money market instruments				
Government treasury bills	**52,950**	57,367	**52,950**	57,367
Malaysian Government securities	**1,357,392**	2,553,716	**1,357,392**	2,553,716
Malaysian Government investment certificates	**10,914,275**	8,964,061	**8,083,221**	6,661,173
Other Government securities	**383,739**	484,230	**297,037**	390,232
	12,708,356	12,059,374	**9,790,600**	9,662,488
Unquoted securities				
Loan stocks	**–**	6,095	**–**	6,095
Malaysian Government sukuk	**1,548,339**	814,591	**935,715**	559,666
Corporate bonds and sukuk	**61,435**	108,283	**61,435**	108,283
Redeemable preference shares	**30,866**	32,066	**30,866**	32,066
Foreign currency bonds outside Malaysia	**87,949**	154,039	**87,949**	154,039
	14,436,945	13,174,448	**10,906,565**	10,522,637
Allowance for impairment losses	**–**	(113,844)	**–**	(113,844)
	14,436,945	13,060,604	**10,906,565**	10,408,793

The table below shows the movements in allowance for impairment losses during the financial year for the Group and the Bank:

	The Group and The Bank	
	2018 RM'000	2017 RM'000
At 1 July	**113,844**	116,479
Amount written back in respect of recoveries	**(6,454)**	(2,635)
Amount written off	**(107,390)**	–
At 30 June	**–**	113,844

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

8 LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Overdrafts	**3,794,584**	3,776,243	**3,251,673**	3,346,825
Term loans/financing:				
- Housing and shop loans/financing	**70,332,643**	65,998,057	**56,771,907**	54,037,251
- Syndicated/term loans or financing	**9,953,665**	9,225,253	**7,902,161**	7,773,693
- Hire purchase receivables	**17,229,742**	18,159,364	**13,757,021**	14,588,595
- Other term loans/financing	**7,472,341**	7,898,856	**5,272,900**	5,739,809
Credit/charge card receivables	**3,899,183**	3,997,701	**3,899,183**	3,997,701
Bills receivable	**996,560**	1,081,635	**880,816**	1,000,654
Trust receipts	**328,628**	314,042	**283,561**	265,020
Claims on customers under acceptance credits	**7,839,208**	7,451,325	**7,301,016**	6,967,783
Revolving credit	**6,627,619**	6,611,688	**5,169,171**	5,171,465
Staff loans/financing	**146,027**	146,672	**141,341**	141,834
Other loans/financing	**448,360**	485,668	**448,356**	485,664
Gross loans, advances and financing	**129,068,560**	125,146,504	**105,079,106**	103,516,294
Fair value changes arising from fair value hedges	**(2,540)**	(34)	**(2,540)**	(34)
Unamortised fair value changes arising from terminated fair value hedges	**(13)**	(36)	**–**	–
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	**(804,726)**	(830,067)	**(621,694)**	(666,787)
- Individual assessment allowance	**(202,176)**	(325,426)	**(179,969)**	(310,923)
	(1,006,902)	(1,155,493)	**(801,663)**	(977,710)
Total net loans, advances and financing	**128,059,105**	123,990,941	**104,274,903**	102,538,550

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group and the Bank amounting to RM177,874,000 (2017: RM184,571,000) and RM177,874,000 (2017: RM184,571,000) respectively.

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

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Maturing within:				
- one year	**26,653,901**	26,570,075	**23,793,306**	23,576,443
- one year to three years	**6,007,978**	5,481,213	**4,929,344**	4,617,290
- three years to five years	**9,069,429**	10,265,641	**6,997,601**	8,396,767
- over five years	**87,337,252**	82,829,575	**69,358,855**	66,925,794
Gross loans, advances and financing	**129,068,560**	125,146,504	**105,079,106**	103,516,294

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Domestic non-bank financial institutions other than stockbroking companies	**597,185**	651,907	**248,848**	226,859
Domestic business enterprises:				
- small and medium enterprises	**20,480,084**	20,377,235	**17,433,561**	17,888,565
- others	**16,377,193**	15,370,541	**13,226,492**	12,440,268
Government and statutory bodies	**19,374**	29,072	**7,803**	17,492
Individuals	**84,422,878**	81,370,008	**67,261,406**	65,852,784
Other domestic entities	**269,937**	79,052	**207,752**	21,655
Foreign entities	**6,901,909**	7,268,689	**6,693,244**	7,068,671
Gross loans, advances and financing	**129,068,560**	125,146,504	**105,079,106**	103,516,294

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

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate:				
- Housing and shop loans/financing	**2,583,078**	4,753,906	**1,769,012**	3,371,016
- Hire purchase receivables	**16,916,260**	17,747,828	**13,444,246**	14,177,059
- Credit card	**3,899,183**	3,997,701	**3,899,183**	3,997,701
- Other fixed rate loans/financing	**2,777,605**	2,930,770	**1,381,055**	1,820,721
Variable rate:				
- Base rate/base lending rate plus	**86,079,824**	78,636,505	**71,114,897**	66,091,018
- Cost plus	**16,407,547**	16,681,983	**13,470,713**	14,058,779
- Other variable rates	**405,063**	397,811	**–**	–
Gross loans, advances and financing	**129,068,560**	125,146,504	**105,079,106**	103,516,294

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

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Purchase of securities	**382,505**	490,252	**381,331**	486,882
Purchase of transport vehicles	**16,893,592**	17,583,583	**13,370,936**	13,949,451
Residential property (housing)	**61,370,372**	56,860,638	**48,915,309**	46,001,510
Non-residential property	**15,553,253**	15,774,407	**13,925,835**	14,427,100
Purchase of fixed assets (excluding landed properties)	**546,924**	379,050	**482,511**	326,595
Personal use	**3,248,454**	3,563,125	**2,170,175**	2,611,693
Credit card	**3,899,183**	3,997,701	**3,899,183**	3,997,701
Construction	**1,552,918**	1,238,539	**1,024,050**	894,464
Mergers and acquisition	**362,600**	201,182	**179,269**	201,182
Working capital	**23,850,860**	23,190,404	**19,761,563**	19,087,337
Other purpose	**1,407,899**	1,867,623	**968,944**	1,532,379
Gross loans, advances and financing	**129,068,560**	125,146,504	**105,079,106**	103,516,294

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
In Malaysia	**122,542,932**	118,561,256	**99,981,335**	98,137,161
Outside Malaysia:				
- Singapore	**5,097,771**	5,379,133	**5,097,771**	5,379,133
- Vietnam	**405,063**	397,813	**–**	–
- Cambodia	**1,022,794**	808,302	**–**	–
Gross loans, advances and financing	**129,068,560**	125,146,504	**105,079,106**	103,516,294

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

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Purchase of securities	**1,256**	2,196	**1,256**	2,196
Purchase of transport vehicles	**134,022**	142,643	**101,223**	108,758
Residential property (housing)	**352,900**	306,758	**253,976**	225,075
Non-residential property	**170,961**	133,296	**165,421**	131,408
Purchase of fixed assets (excluding landed properties)	**3,465**	3,332	**3,465**	2,101
Personal use	**46,682**	44,066	**29,519**	34,086
Credit card	**39,562**	48,005	**39,562**	48,005
Construction	**3,530**	7,209	**2,963**	5,399
Working capital	**369,990**	499,734	**306,284**	444,903
Other purpose	**3,134**	16,201	**2,564**	16,051
Gross impaired loans, advances and financing	**1,125,502**	1,203,440	**906,233**	1,017,982

(vii) Movements in the impaired loans, advances and financing are as follows:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 July	**1,203,440**	956,579	**1,017,982**	836,568
Classified as impaired during the financial year	**1,663,447**	1,813,591	**1,278,452**	1,466,120
Reclassified as non-impaired during the financial year	**(889,043)**	(821,519)	**(652,719)**	(639,505)
Amount written back in respect of recoveries	**(387,313)**	(336,403)	**(329,643)**	(285,379)
Amount written off	**(460,834)**	(407,656)	**(404,026)**	(358,292)
Exchange difference	**(4,195)**	(1,152)	**(3,813)**	(1,530)
At 30 June	**1,125,502**	1,203,440	**906,233**	1,017,982
Gross impaired loans as a % of gross loans, advances and financing	**0.87%**	0.96%	**0.86%**	0.98%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
In Malaysia	**1,112,810**	1,197,355	**904,839**	1,017,511
Outside Malaysia:				
- Singapore	**1,394**	471	**1,394**	471
- Vietnam	**3,937**	5,098	**–**	–
- Cambodia	**7,361**	516	**–**	–
Gross impaired loans, advances and financing	**1,125,502**	1,203,440	**906,233**	1,017,982

(ix) Movements in the allowance for impaired loans, advances and financing are as follows:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Collective assessment allowance				
At 1 July	**830,067**	856,057	**666,787**	714,272
Net allowances made during the financial year	**299,887**	283,057	**224,340**	217,958
Amount transferred to individual assessment	**–**	(729)	**–**	(744)
Amount written off	**(310,061)**	(298,120)	**(257,615)**	(256,059)
Unwinding income	**(14,475)**	(10,732)	**(11,488)**	(8,911)
Exchange difference	**(692)**	534	**(330)**	271
At 30 June	**804,726**	830,067	**621,694**	666,787
Individual assessment allowance				
At 1 July	**325,426**	289,744	**310,923**	280,216
Allowances made during the financial year	**63,397**	162,669	**50,952**	149,891
Amount transferred from collective assessment	**–**	729	**–**	744
Amount written back in respect of recoveries	**(55,505)**	(46,433)	**(52,077)**	(42,003)
Amount written off	**(119,266)**	(72,260)	**(118,014)**	(68,890)
Unwinding income	**(7,959)**	(8,741)	**(7,951)**	(8,712)
Exchange difference	**(3,917)**	(282)	**(3,864)**	(323)
At 30 June	**202,176**	325,426	**179,969**	310,923

9 OTHER ASSETS

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Foreclosed properties	**46**	46	**46**	46
Sundry debtors and other prepayments	**204,716**	154,350	**162,716**	144,081
Treasury related receivables	**65,547**	457,935	**65,547**	393,525
Cash collateral pledged for derivative transactions	**310,933**	653,625	**310,933**	653,625
Other receivables	**198,827**	141,775	**147,454**	118,062
	780,069	1,407,731	**686,696**	1,309,339

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

10 DERIVATIVE FINANCIAL INSTRUMENTS

		The Group		The Bank	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		**210,128**	197,366	**206,624**	195,026
- cross currency swaps		**252,786**	428,774	**252,786**	428,774
- foreign currency forwards		**422,115**	275,214	**416,540**	272,095
- foreign currency options		**15,972**	19,761	**15,972**	19,761
- futures		**634**	18	**634**	18
- future options		**587**	–	**587**	–
- equity options		**13,876**	8,568	**13,876**	8,568
- swaption		**–**	23,341	**23,938**	23,341
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	**1,094**	–	**1,094**	–
Derivatives designated as fair value hedge:					
- interest rate swaps		**875**	–	**875**	–
Total derivative financial instruments assets		**918,067**	953,042	**932,926**	947,583

		The Group		The Bank	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		**(299,893)**	(310,984)	**(267,367)**	(294,031)
- cross currency swaps		**(295,894)**	(700,460)	**(295,255)**	(700,460)
- foreign currency forwards		**(343,228)**	(287,315)	**(339,877)**	(285,502)
- foreign currency options		**(12,834)**	(17,009)	**(12,834)**	(17,009)
- equity options		**(13,876)**	(8,568)	**(13,876)**	(8,568)
- futures		**(4,913)**	(1,228)	**(4,913)**	(1,228)
- swaption		**(49,135)**	(78,484)	**(49,135)**	(55,252)
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	**(423)**	(1,405)	**(423)**	(1,405)
Derivatives designated as fair value hedge:					
- interest rate swaps	(b)	**–**	(199)	**–**	(199)
Total derivative financial instruments liabilities		**(1,020,196)**	(1,405,652)	**(983,680)**	(1,363,654)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(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 gain of RM832,000 (2017: unrealised loss of RM1,068,000) from the hedging relationship as disclosed in Note 28(f) were recognised through other comprehensive income.

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
As at 30 June 2018					
Cash inflows (hedging instruments)	**1,380**	**2,770**	**4,239**	**8,382**	**34,814**
Cash outflows (hedged items)	**(1,376)**	**(2,524)**	**(3,990)**	**(7,879)**	**(32,374)**
Net cash inflows	**4**	**246**	**249**	**503**	**2,440**
As at 30 June 2017					
Cash inflows (hedging instruments)	1,283	1,767	3,070	6,174	34,679
Cash outflows (hedged items)	(1,279)	(1,563)	(2,801)	(5,638)	(31,188)
Net cash inflows	4	204	269	536	3,491

(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 RM401,786,000 (2017: RM 196,429,000) 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 RM875,000 (2017: RM 199,000) 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gain on hedging instruments	**(2,505)**	32	**(2,505)**	32
Loss on the hedged items attributable to the hedged risks	**2,353**	(35)	**2,353**	(35)
	(152)	(3)	**(152)**	(3)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

11 AMOUNT DUE FROM SUBSIDIARIES

	The Bank	
	2018 RM'000	2017 RM'000
Intercompany settlement	**43,563**	13,484

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	
	2018 RM'000	2017 RM'000
Investment in subsidiary companies		
Unquoted shares, at cost:		
- in Malaysia	**963,124**	963,124
- outside Malaysia	**775,989**	699,285
	1,739,113	1,662,409
Subordinated facilities issued by subsidiary companies, at cost:		
Additional Tier 1 perpetual subordinated sukuk wakalah financing facility issued by HLISB	**401,799**	–
Subordinated financing facility issued by Hong Leong Bank (Cambodia) PLC	**16,220**	–
	418,019	–
	2,157,132	1,662,409

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

13 SUBSIDIARY COMPANIES (CONTINUED)

The subsidiary companies of the Bank are as follows:

Name		Percentage (%) of equity held 2018	2017	Principal activities
(a)	Hong Leong Islamic Bank Berhad	**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	Dormant
(c)	EB Nominees (Tempatan) Sendirian Berhad	**100**	100	Nominees services
(d)	EB Nominees (Asing) Sendirian Berhad	**100**	100	Nominees services
(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**	100	Dormant
	(iii) Chew Geok Lin Finance Sdn Bhd	**100**	100	Dormant
	(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	Agent and nominee for clients
(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	Dormant
(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 2018

14 INVESTMENT IN JOINT VENTURE

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Retained portion				
Unquoted shares outside Malaysia, at cost	**24,657**	24,657	**24,657**	24,657
Cumulative share of results, net of dividends received	**26,342**	20,882	**–**	–
Exchange fluctuation reserve	**6,674**	8,842	**–**	–
	57,673	54,381	**24,657**	24,657
Equity interest held for sale	**121,753**	114,804	**52,054**	52,054
	179,426	169,185	**76,711**	76,711

(a) Information about joint venture

On 1 March 2010, HLB together with Bank of Chengdu Co., Ltd. ("BOCD"), obtained operation approval from China Banking Regulatory Commission ("CBRC") for Sichuan Jincheng Consumer Finance Limited Company ("JV Co"), a joint venture company that is part of the first batch of approved companies, to start consumer finance operations in Central and Western China. This JV Co focuses primarily in the consumer financing business with HLB having a 49% equity interest and BOCD having a 51% equity interest in the JV Co. 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 has approved the divestment of 37% of the Bank's stake through non-subscription of the issuance of new share capital by JV Co and selling down the original share capital held by the Bank to new strategic investors through an exercise to be conducted via Southwest United Equity Exchange. The sale was completed upon obtaining approval from CBRC vide its letter dated 3 September 2018. Post completion of the divestment exercise, the Bank would continue to equity account the retained interest of 12% as the Bank is still deemed to have significant influence in JV Co.

Investment in joint venture classified as held for sale as at the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. The investment classified as held for sale amounted to RM121,753,000 for the financial year ended 30 June 2018. The foreign currency translation differences accumulated in equity relating to joint venture classified as held for sale amounted to RM14,089,000 for the financial year ended 30 June 2018.

JV Co is a private company and there is no quoted market price available for its shares.

(b) Summarised financial information of the joint venture, which is accounted for using the equity method is as follows:

	The Group	
	2018 RM'000	2017 RM'000
Total assets	**1,184,983**	783,476
Total liabilities	**(818,808)**	(438,201)
Net assets	**366,175**	345,275

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

14 INVESTMENT IN JOINT VENTURE (CONTINUED)

(b) Summarised financial information of the joint venture, which is accounted for using the equity method is as follows: (continued)

There are no commitments or contingent liabilities relating to the Group's interest in the joint venture.

	The Group	
	2018 RM'000	2017 RM'000
Interest income	**113,659**	86,490
Interest expenses	**(29,369)**	(26,608)
Non-interest income	**22,197**	37,263
Profit before taxation	**56,148**	57,740
Profit after taxation	**41,935**	43,169
Dividend paid by the joint venture during the financial year	**7,271**	6,996

(c) Reconciliation of the summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	The Group	
	2018 RM'000	2017 RM'000
Opening net assets as at 1 July	**345,275**	295,663
Profit for the financial year	**41,935**	43,169
Dividend paid	**(7,271)**	(6,996)
Exchange fluctuation reserve	**(13,764)**	13,439
Closing net assets as at 30 June	**366,175**	345,275

The information presented above is based on the financial statements of the joint venture after reflecting adjustments made by the Group when using the equity method, such as differences in accounting policies between the Group and the joint venture.

15 INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Quoted shares (2017: Unquoted shares) outside Malaysia, at cost	**938,311**	946,505	**946,505**	946,505
Unquoted shares in Malaysia, at cost	**20**	20	**20**	20
Cumulative share of results, net of dividends received	**2,225,589**	1,829,187	**–**	–
Cumulative share of changes in other comprehensive income	**(250)**	572	**–**	–
Exchange fluctuation reserve	**487,421**	690,607	**–**	–
	3,651,091	3,466,891	**946,525**	946,525

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

15 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(a) Information about associated companies

Name	Country of incorporation	The Group Percentage (%) of equity held 2018	2017	Principal activities
Bank of Chengdu Co., Ltd. ("BOCD")	China	**18%**	20%	Commercial banking
Community CSR Sdn Bhd ("CCSR")	Malaysia	**20%**	20%	Investment holding

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% and a dilution loss of RM26.80 million is recognised in statements of income (refer to Note 33).

The market value of BOCD's shares held by the Bank is RM3.47 billion at RM5.34 per share as at 30 June 2018.

(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.

The Group deems BOCD as a material associated company.

(b) The summarised financial information of the material associated company, BOCD, which is accounted for using the equity method is as follows:

	The Group 2018 RM'000	2017 RM'000
Total assets	**292,049,818**	242,523,008
Total liabilities	**(271,754,702)**	(225,188,553)
Net assets	**20,295,116**	17,334,455

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

15 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(b) The summarised financial information of the material associated company, BOCD, which is accounted for using the equity method is as follows: (continued)

	The Group 2018 RM'000	The Group 2017 RM'000
Interest income	**10,215,530**	8,185,397
Interest expenses	**(4,969,863)**	(3,729,548)
Non-interest income	**1,619,781**	868,127
Profit before taxation	**3,084,753**	2,051,831
Profit after taxation	**2,690,594**	1,714,550
Total comprehensive income	**2,686,344**	1,642,045
Dividends paid by the associated company during the financial year	**562,040**	909,765
Share of results of associated company (%)	**18%**	20%
Share of results of associated company (RM'000)	**516,111**	342,910
Dividends received from the associated company (RM'000)	**101,111**	181,953

(c) Reconciliation of the summarised financial information to the carrying amount of the interest in the material associated company recognised in the consolidated financial statements:

	The Group 2018 RM'000	The Group 2017 RM'000
Opening net assets as at 1 July	**17,334,455**	15,888,840
Effect arising from IPO*	**1,579,992**	–
Profit for the financial year	**2,690,594**	1,714,550
Other comprehensive loss for the financial year	**(4,250)**	(72,505)
Dividends paid	**(562,040)**	(909,765)
Exchange fluctuation reserve	**(743,635)**	713,335
Closing net assets as at 30 June	**20,295,116**	17,334,455
Interest in associated company (%)	**18%**	20%
Interest in associated company (RM'000)	**3,651,091**	3,466,891

* This includes issuance of additional new shares and dilution of goodwill arising from IPO.

The information presented above is based on the financial statements of the associated company 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 company.

The summarised financial information above represents amount shown in the material associate's financial statements prepared in accordance with MFRSs (adjusted by the Group for equity accounting purposes).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

16 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	Property work-in progress RM'000	Total RM'000
2018												
Cost												
At 1 July	66,361	60,509	1,693	40,825	2,233	94,838	524,807	965,180	8,012	116,145	599,591	2,480,194
Additions	–	–	–	–	–	–	7,031	38,910	767	77,981	–	124,689
Reclassification/ Transfer	70,500	529,091	–	–	–	–	43,693	81,974	–	(126,772)	(599,591)	(1,105)
Disposals/Write off	(667)	(1,240)	–	–	–	–	(36,619)	(48,757)	(1,264)	–	–	(88,547)
Exchange fluctuation	–	–	–	–	–	–	(1,772)	(3,877)	(83)	(24)	–	(5,756)
At 30 June	136,194	588,360	1,693	40,825	2,233	94,838	537,140	1,033,430	7,432	67,330	–	2,509,475
Accumulated depreciation												
At 1 July	–	18,449	1,407	3,976	1,066	18,042	399,547	608,351	6,259	–	–	1,057,097
Charge for the financial year	–	13,176	7	464	45	1,900	30,357	74,006	857	–	–	120,812
Disposals/Write off	–	(562)	–	–	–	–	(31,977)	(46,587)	(1,134)	–	–	(80,260)
Exchange fluctuation	–	–	–	–	–	–	(817)	(2,255)	(77)	–	–	(3,149)
At 30 June	–	31,063	1,414	4,440	1,111	19,942	397,110	633,515	5,905	–	–	1,094,500
Net book value as at 30 June 2018	136,194	557,297	279	36,385	1,122	74,896	140,030	399,915	1,527	67,330	–	1,414,975

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

16 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	Property work-in progress RM'000	Total RM'000
2017												
Cost												
At 1 July	66,361	63,839	1,693	40,825	2,233	94,838	517,043	863,157	7,279	111,250	620,075	2,388,593
Additions	–	–	–	–	–	–	19,611	127,657	1,046	8,717	1,096	158,127
Reclassification/ Adjustments	–	–	–	–	–	–	(5,481)	6,605	–	(3,876)	(21,580)	(24,332)
Disposals/Write off	–	(3,330)	–	–	–	–	(7,824)	(34,968)	(387)	–	–	(46,509)
Exchange fluctuation	–	–	–	–	–	–	1,458	2,729	74	54	–	4,315
At 30 June	66,361	60,509	1,693	40,825	2,233	94,838	524,807	965,180	8,012	116,145	599,591	2,480,194
Accumulated depreciation												
At 1 July	–	18,367	1,400	4,887	1,021	16,142	381,834	577,096	5,387	–	–	1,006,134
Charge for the financial year	–	1,203	7	(911)	45	1,900	30,054	58,272	907	–	–	91,477
Reclassification/ Adjustments	–	–	–	–	–	–	(5,792)	5,792	–	–	–	–
Disposals/Write off	–	(1,121)	–	–	–	–	(7,258)	(34,424)	(97)	–	–	(42,900)
Exchange fluctuation	–	–	–	–	–	–	709	1,615	62	–	–	2,386
At 30 June	–	18,449	1,407	3,976	1,066	18,042	399,547	608,351	6,259	–	–	1,057,097
Net book value as at 30 June 2017	66,361	42,060	286	36,849	1,167	76,796	125,260	356,829	1,753	116,145	599,591	1,423,097

16 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
2018											
Cost											
At 1 July	56,499	57,403	433	39,774	1,972	91,596	491,161	927,589	7,663	113,994	1,788,084
Additions	–	–	–	–	–	–	6,513	38,406	649	74,374	119,942
Reclassification/Transfer	–	–	–	–	–	–	42,660	79,084	–	(122,286)	(542)
Disposals/Write off	(667)	(1,240)	–	–	–	–	(33,895)	(46,743)	(1,258)	–	(83,803)
Exchange fluctuation	–	–	–	–	–	–	(445)	(2,754)	(64)	–	(3,263)
At 30 June	55,832	56,163	433	39,774	1,972	91,596	505,994	995,582	6,990	66,082	1,820,418
Accumulated depreciation											
At 1 July	–	16,482	148	3,717	958	16,167	380,651	588,937	6,025	–	1,013,085
Charge for the financial year	–	1,134	7	454	39	1,822	27,314	70,549	766	–	102,085
Disposals/Write off	–	(562)	–	–	–	–	(29,556)	(44,702)	(1,129)	–	(75,949)
Exchange fluctuation	–	–	–	–	–	–	(122)	(1,470)	(64)	–	(1,656)
At 30 June	–	17,054	155	4,171	997	17,989	378,287	613,314	5,598	–	1,037,565
Net book value as at 30 June 2018	55,832	39,109	278	35,603	975	73,607	127,707	382,268	1,392	66,082	782,853

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

16 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
2017											
Cost											
At 1 July	56,499	60,733	433	39,774	1,972	91,596	484,535	829,934	6,950	110,137	1,682,563
Additions	–	–	–	–	–	–	19,238	123,527	713	3,857	147,335
Reclassification/Adjustments	–	–	–	–	–	–	(6,582)	6,582	–	–	–
Disposals/Write off	–	(3,330)	–	–	–	–	(6,296)	(34,377)	(54)	–	(44,057)
Exchange fluctuation	–	–	–	–	–	–	266	1,923	54	–	2,243
At 30 June	56,499	57,403	433	39,774	1,972	91,596	491,161	927,589	7,663	113,994	1,788,084
Accumulated depreciation											
At 1 July	–	16,449	141	4,638	919	14,345	365,256	560,787	5,244	–	967,779
Charge for the financial year	–	1,154	7	(921)	39	1,822	26,756	55,286	782	–	84,925
Reclassification/Adjustments	–	–	–	–	–	–	(5,792)	5,792	–	–	–
Disposals/Write off	–	(1,121)	–	–	–	–	(5,813)	(34,067)	(55)	–	(41,056)
Exchange fluctuation	–	–	–	–	–	–	244	1,139	54	–	1,437
At 30 June	–	16,482	148	3,717	958	16,167	380,651	588,937	6,025	–	1,013,085
Net book value as at 30 June 2017	56,499	40,921	285	36,057	1,014	75,429	110,510	338,652	1,638	113,994	774,999

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

17 INTANGIBLE ASSETS

The Group 2018	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
Cost or valuation				
At 1 July	**152,434**	**127,426**	**525,424**	**805,284**
Additions	**–**	**–**	**11,337**	**11,337**
Reclassification	**–**	**–**	**755**	**755**
Disposals/Write off	**–**	**–**	**(11,807)**	**(11,807)**
Exchange fluctuation	**–**	**–**	**(2,068)**	**(2,068)**
At 30 June	**152,434**	**127,426**	**523,641**	**803,501**
Amortisation and impairment				
At 1 July	**134,286**	**78,581**	**379,094**	**591,961**
Amortisation during the financial year	**18,148**	**12,743**	**40,950**	**71,841**
Disposals/Write off	**–**	**–**	**(11,778)**	**(11,778)**
Exchange fluctuation	**–**	**–**	**(1,064)**	**(1,064)**
At 30 June	**152,434**	**91,324**	**407,202**	**650,960**
Net book value as at 30 June 2018	**–**	**36,102**	**116,439**	**152,541**

2017	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
Cost or valuation				
At 1 July	152,434	127,426	503,179	783,039
Additions	–	–	19,530	19,530
Reclassification	–	–	2,686	2,686
Disposals/Write off	–	–	(1,484)	(1,484)
Exchange fluctuation	–	–	1,513	1,513
At 30 June	152,434	127,426	525,424	805,284
Amortisation and impairment				
At 1 July	112,510	65,838	339,925	518,273
Amortisation during the financial year	21,776	12,743	39,950	74,469
Disposals/Write off	–	–	(1,427)	(1,427)
Exchange fluctuation	–	–	646	646
At 30 June	134,286	78,581	379,094	591,961
Net book value as at 30 June 2017	18,148	48,845	146,330	213,323

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

17 INTANGIBLE ASSETS (CONTINUED)

The Bank 2018	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
Cost or valuation				
At 1 July	**152,434**	**127,426**	**483,989**	**763,849**
Additions	**–**	**–**	**9,681**	**9,681**
Reclassification	**–**	**–**	**350**	**350**
Disposals/Write off	**–**	**–**	**(10,378)**	**(10,378)**
At 30 June	**152,434**	**127,426**	**483,642**	**763,502**
Amortisation and impairment				
At 1 July	**134,286**	**78,581**	**356,112**	**568,979**
Amortisation during the financial year	**18,148**	**12,743**	**36,828**	**67,719**
Disposals/Write off	**–**	**–**	**(10,362)**	**(10,362)**
At 30 June	**152,434**	**91,324**	**382,578**	**626,336**
Net book value as at 30 June 2018	**–**	**36,102**	**101,064**	**137,166**

2017	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
Cost or valuation				
At 1 July	152,434	127,426	466,818	746,678
Additions	–	–	18,613	18,613
Disposals/Write off	–	–	(1,442)	(1,442)
At 30 June	152,434	127,426	483,989	763,849
Amortisation and impairment				
At 1 July	112,510	65,838	321,546	499,894
Amortisation during the financial year	21,776	12,743	35,985	70,504
Disposals/Write off	–	–	(1,419)	(1,419)
At 30 June	134,286	78,581	356,112	568,979
Net book value as at 30 June 2017	18,148	48,845	127,877	194,870

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 3 years (2017: 4 years).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

18 GOODWILL

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 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 2018, 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 2019, which is approved by the Board of Directors with a further projection of 4 years (2017: 4 years). Cash flows beyond the 5 year period are extrapolated using an estimated growth rate of 4.7% (2017: 4.6%) representing the forecasted Gross Domestic Product growth rate of the country for all cash generating units.

The cash flow projections are derived based on a number of key factors including past performance and management's expectation of market developments.

The discount rates used are pre-tax and reflect specific risks relating to the CGUs.

The discount rates used in determining the recoverable amount are as follows:

	Discount rate	
	2018 %	2017 %
Personal Financial Services	**10.04**	10.79
Business & Corporate Banking	**10.08**	10.79
Global Markets	**10.11**	10.82

Based on the impairment test performed, impairment was not required for goodwill arising from all CGUs for the financial year ended 30 June 2018. Management believes that any reasonable possible change to the key assumptions applied would not cause the carrying value of any CGU to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
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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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets	**53,067**	4,851	**47,908**	–
Deferred tax liabilities	**–**	(172,194)	**–**	(171,131)
	53,067	(167,343)	**47,908**	(171,131)

The analysis of deferred tax assets and deferred tax liabilities after appropriate set off is as follows:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets				
- To be recovered within 12 months	**85,532**	–	**83,283**	–
- To be recovered after more than 12 months	**(32,465)**	4,851	**(35,375)**	–
	53,067	4,851	**47,908**	–
Deferred tax liabilities				
- To be recovered within 12 months	**–**	70,121	**–**	68,198
- To be recovered after more than 12 months	**–**	(242,315)	**–**	(239,329)
	–	(172,194)	**–**	(171,131)
	53,067	(167,343)	**47,908**	(171,131)

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 available-for-sale RM'000	Cash flow hedge reserve RM'000	Intangible assets RM'000	Senior bonds RM'000	Provisions and advances RM'000	Total RM'000
Deferred tax assets/ (liabilities)								
2018								
At 1 July		**(94,213)**	**(142,097)**	**337**	**(16,079)**	**–**	**84,709**	**(167,343)**
Credited to statements of income	38	**14,566**	**14,642**	**–**	**7,414**	**–**	**14,027**	**50,649**
Credited/(Charged) to equity	40	**–**	**170,532**	**(498)**	**–**	**–**	**–**	**170,034**
Exchange difference		**–**	**–**	**–**	**–**	**–**	**(273)**	**(273)**
At 30 June		**(79,647)**	**43,077**	**(161)**	**(8,665)**	**–**	**98,463**	**53,067**
2017								
At 1 July		(104,875)	(116,251)	543	(24,363)	69,732	59,070	(116,144)
Credited/(Charged) to statements of income	38	10,662	(13,467)	–	8,284	(69,732)	25,354	(38,899)
Charged to equity	40	–	(12,379)	(206)	–	–	–	(12,585)
Exchange difference		–	–	–	–	–	285	285
At 30 June		(94,213)	(142,097)	337	(16,079)	–	84,709	(167,343)

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 available-for-sale RM'000	Cash flow hedge reserve RM'000	Intangible assets RM'000	Senior bonds RM'000	Provisions and advances RM'000	Total RM'000
Deferred tax assets/ (liabilities)								
2018								
At 1 July		**(91,221)**	**(142,021)**	**337**	**(16,079)**	**–**	**77,853**	**(171,131)**
Credited to statements of income	38	**15,227**	**14,642**	**–**	**7,414**	**–**	**15,246**	**52,529**
Credited/(Charged) to equity	40	**–**	**167,008**	**(498)**	**–**	**–**	**–**	**166,510**
At 30 June		**(75,994)**	**39,629**	**(161)**	**(8,665)**	**–**	**93,099**	**47,908**
2017								
At 1 July		(101,435)	(112,427)	543	(24,363)	69,732	53,423	(114,527)
Credited/(Charged) to statements of income	38	10,214	(13,467)	–	8,284	(69,732)	24,430	(40,271)
Charged to equity	40	–	(16,127)	(206)	–	–	–	(16,333)
At 30 June		(91,221)	(142,021)	337	(16,079)	–	77,853	(171,131)

20 DEPOSITS FROM CUSTOMERS

	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Amortised cost				
Fixed deposits	**88,222,375**	87,976,350	**71,745,421**	71,583,689
Negotiable instruments of deposits	**6,892,073**	5,713,184	**5,394,717**	4,913,965
Short-term placements	**16,950,886**	19,281,420	**14,687,624**	17,987,726
	112,065,334	112,970,954	**91,827,762**	94,485,380
Demand deposits	**23,638,473**	21,232,553	**20,232,702**	18,142,847
Savings deposits	**17,563,850**	17,531,603	**14,657,220**	14,701,048
Others	**979,288**	1,017,170	**847,170**	901,445
	154,246,945	152,752,280	**127,564,854**	128,230,720
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	**3,334,428**	2,597,863	**2,132,691**	1,708,752
Fair value changes arising from designation at fair value through profit or loss *	**(167,278)**	(116,938)	**(114,120)**	(80,069)
	3,167,150	2,480,925	**2,018,571**	1,628,683
	157,414,095	155,233,205	**129,583,425**	129,859,403

NOTES TO THE FINANCIAL STATEMENTS
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20 DEPOSITS FROM CUSTOMERS (CONTINUED)

* 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 139 "Financial Instruments: Recognition and Measurement" 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 RM150,847,000 (2017: RM106,355,000) and the Bank is RM104,426,000 (2017: RM73,597,000) 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Due within:				
- six months	**83,581,278**	93,770,712	**67,728,986**	78,802,850
- six months to one year	**26,159,087**	17,376,145	**21,998,104**	13,904,358
- one year to five years	**2,324,969**	1,824,097	**2,100,672**	1,778,172
	112,065,334	112,970,954	**91,827,762**	94,485,380

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

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Government and statutory bodies	**3,977,104**	2,939,005	**2,016,899**	1,872,815
Business enterprises	**62,744,665**	63,339,512	**48,300,831**	49,509,606
Individuals	**88,159,470**	86,175,897	**77,108,346**	76,006,815
Others	**2,532,856**	2,778,791	**2,157,349**	2,470,167
	157,414,095	155,233,205	**129,583,425**	129,859,403

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Licensed banks	**7,084,745**	5,484,605	**7,095,827**	5,460,076
Licensed investment banks	**150,027**	–	**150,027**	–
Other financial institutions	**2,662**	2,087	**–**	–
	7,237,434	5,486,692	**7,245,854**	5,460,076

NOTES TO THE FINANCIAL STATEMENTS
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22 OTHER LIABILITIES

	The Group		The Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Zakat	**350**	350	**–**	–
Post employment benefits obligation				
- defined contribution plan	**297**	294	**297**	294
Loan advance payment	**3,229,766**	2,987,067	**2,586,339**	2,415,873
Amount due to subsidiary companies	**–**	–	**–**	57,820
Treasury and cheque clearing	**50,106**	129,556	**50,106**	129,556
Treasury related payables	**231,223**	235,295	**231,223**	235,295
Sundry creditors and accruals	**531,979**	310,745	**494,991**	283,492
Provision for bonus and staff related expenses	**176,617**	157,091	**168,984**	150,118
Others	**499,108**	232,269	**400,229**	203,241
	4,719,446	4,052,667	**3,932,169**	3,475,689

23 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.

24 TIER 2 SUBORDINATED BONDS

		The Group		The Bank	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
RM1.5 billion Tier 2 subordinated debt, at par	(a)	**1,500,000**	1,500,000	**1,500,000**	1,500,000
Add: Interest payable		**1,664**	1,664	**1,664**	1,664
		1,501,664	1,501,664	**1,501,664**	1,501,664
Less: Unamortised discounts		**(91)**	(277)	**(91)**	(277)
		1,501,573	1,501,387	**1,501,573**	1,501,387
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(b)	**400,000**	400,000	**–**	–
Add: Profit payable		**684**	631	**–**	–
		400,684	400,631	**–**	–
Less: Unamortised discounts		**(54)**	(128)	**–**	–
		400,630	400,503	**–**	–
RM1.0 billion Tier 2 subordinated notes, at par	(c)	**1,000,000**	500,000	**1,000,000**	500,000
Add: Interest payable		**794**	526	**794**	526
		1,000,794	500,526	**1,000,794**	500,526
Less: Unamortised discounts		**(89)**	(271)	**(89)**	(271)
		1,000,705	500,255	**1,000,705**	500,255
		2,902,908	2,402,145	**2,502,278**	2,001,642

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24 TIER 2 SUBORDINATED BONDS (CONTINUED)

(a) On 22 June 2012, the Bank had completed the issuance of RM1.5 billion nominal value of Tier 2 Subordinated Notes ("Sub Notes"). The RM1.5 billion Sub Notes will mature in 2024 and are callable on any interest payment date falling on or after the 7th anniversary of the issue date subject to approval of BNM. The Sub Notes which bears interest of 4.50% per annum is payable semi-annually in arrears.

The Sub Notes constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

(b) On 17 June 2014, Hong Leong Islamic Bank Berhad ("HLISB"), a wholly owned subsidiary of the Bank, had completed the first issuance of RM400.0 million nominal value of Tier 2 Subordinated Sukuk Ijarah ("Subordinated Sukuk Ijarah") out of its RM1.0 billion Tier 2 Subordinated Sukuk Ijarah Programme. The RM400.0 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment date thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

The Subordinated Sukuk Ijarah constitute direct, unconditional, subordinated and unsecured obligations of HLISB and subordinated in right and priority of payment, to the extend and in the manner provided in the Subordinated Sukuk Ijarah, ranking pari passu among themselves. The Subordinated Sukuk Ijarah is subordinated in right of payment to all deposit liabilities and other liabilities of HLISB, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Subordinated Sukuk Ijarah. The Subordinated Sukuk Ijarah qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLISB.

(c) On 23 June 2014, HLB had completed the first issuance of RM500.0 million nominal value of Tier 2 Subordinated Notes ("Sub Notes") out of its RM10.0 billion Multi-Currency Sub Notes Programme. The RM500.0 million Sub Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub Notes which bears interest rate of 4.80% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub Notes shall be subject to the approval of BNM.

The Sub Notes constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub Notes. The Sub Notes may be written off, either fully or partially, at the discretion of BNM at the point of non-viability as determined by BNM or Perbadanan Insurans Deposit Malaysia. The Sub Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

Subsequently, 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.

25 MULTI-CURRENCY ADDITIONAL TIER 1 CAPITAL SECURITIES

	The Group and The Bank	
	2018 RM'000	2017 RM'000
RM400 million Multi-currency Additional Tier-1 capital securities at par	**400,000**	–
Add: Interest payable	**1,799**	–
	401,799	–
Less: Unamortised discounts	**(607)**	–
	401,192	–

NOTES TO THE FINANCIAL STATEMENTS

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25 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, Hong Leong Financial Group Berhad. 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 Additional Tier 1 perpetual surbordinated sukuk wakalah issued by HLISB, a wholly-owned subsidiary of the Bank.

26 INNOVATIVE TIER 1 CAPITAL SECURITIES

	The Group and The Bank 2018 RM'000	2017 RM'000
RM500 million Innovative Tier 1 capital securities, at par	**500,000**	500,000
Add: Interest payable	**12,545**	12,771
	512,545	512,771
Less: Unamortised discounts	**(2,439)**	(4,223)
Fair value adjustments on completion of business combination accounting	**2,246**	7,075
	512,352	515,623

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.

27 SHARE CAPITAL

	The Group and The Bank 2018 Number of ordinary shares '000	2018 RM'000	2017 Number of ordinary shares '000	2017 RM'000
Ordinary shares issued and fully paid:				
At 1 July - ordinary shares of RM1.00 each	**2,167,718**	**7,739,063**	2,167,718	2,167,718
Transition to no par value regime under the Companies Act 2016 *	**–**	**–**	–	5,571,345
At 30 June - ordinary shares with no par value	**2,167,718**	**7,739,063**	2,167,718	7,739,063

* The new Companies Act 2016 ("New Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM5,571,345,000 becomes part of the Group and the Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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28 RESERVES

		The Group		The Bank	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Retained profits	(a)	**15,184,533**	13,560,582	**11,212,525**	10,245,205
Share options reserve	(b)	**26,707**	18,543	**26,707**	18,543
Fair value reserve	(c)	**164,127**	342,429	**194,544**	360,928
Exchange fluctuation reserve	(d)	**756,325**	1,081,342	**184,585**	241,993
Regulatory reserves	(e)	**752,939**	678,483	**637,098**	571,678
Cash flow hedge reserve	(f)	**832**	(1,068)	**832**	(1,068)
		1,700,930	2,119,729	**1,043,766**	1,192,074
		16,885,463	15,680,311	**12,256,291**	11,437,279

(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 53 to the financial statements.

(c) Movement of the fair value reserve is as follows:

		The Group		The Bank	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 July		**342,429**	318,319	**360,928**	310,050
Net (loss)/gain from change in fair value		**(198,264)**	96,877	**(183,810)**	112,429
Reclassification to net profit on disposal and impairment		**(149,748)**	(45,887)	**(149,582)**	(45,424)
Deferred taxation	40	**170,532**	(12,379)	**167,008**	(16,127)
Share of fair value reserve of associated company		**(822)**	(14,501)	**–**	–
Net change in fair value reserve		**(178,302)**	24,110	**(166,384)**	50,878
At 30 June		**164,127**	342,429	**194,544**	360,928

(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) The Bank and its wholly owned subsidiary, Hong Leong Islamic Bank Berhad are required to maintain in aggregate collective impairment allowances of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances, in accordance with BNM circular dated 6 April 2015 titled 'Classification and Impairment Provisions for Loans/Financing'.

During the financial year, an additional amount of RM74.5 million (2017: RM79.7 million) at Group and RM65.4 million (2017: RM76.7 million) at Bank have been transferred from retained profits to regulatory reserves.

Included in the Group is the regulatory reserve maintained by the Group's banking subsidiary company in Vietnam of RM11.2 million (2017: RM11.2 million) in line with the requirements of the State Bank of Vietnam.

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

29 TREASURY SHARES

		The Group		The Bank	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 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)	**300,438**	302,132	**300,438**	302,132
		732,267	733,961	**732,267**	733,961

(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 2018, the total number of shares bought was 81,101,700 (2017: 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 2018 after deducting treasury shares purchased is 2,086,616,584 shares (2017: 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 2018, a total of 229,992 ordinary shares were vested and transferred pursuant to the Bank's ESS. As at 30 June 2018, the total number of shares held was 40,786,550 (2017: 41,016,542).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

30 INTEREST INCOME

	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Loans, advances and financing	**4,642,090**	4,621,500	**4,562,593**	4,546,702
Money at call and deposit placements with financial institutions	**209,538**	129,127	**209,566**	116,701
Securities purchased under resale agreements	**3,513**	35,504	**3,513**	35,504
Financial assets held-for-trading	**382,004**	382,427	**382,086**	386,508
Financial investments available-for-sale	**742,369**	638,942	**738,767**	634,351
Financial investments held-to-maturity	**375,142**	354,968	**370,398**	352,683
Others	**2,903**	666	**2,404**	440
	6,357,559	6,163,134	**6,269,327**	6,072,889
Of which:				
Accretion of discount less amortisation of premium	**228,294**	183,932	**228,294**	183,932
Interest income earned on impaired loans, advances and financing	**52,766**	53,446	**52,766**	53,446

31 INTEREST EXPENSE

	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Deposits and placements of banks and other financial institutions	**165,480**	89,709	**175,551**	92,010
Deposits from other customers	**2,803,439**	2,724,809	**2,757,875**	2,689,718
Short-term placements	**344,662**	322,177	**344,662**	322,177
Senior bonds	**–**	33,764	**–**	33,764
Tier 2 subordinated bonds	**92,268**	92,117	**92,268**	92,117
Multi-currency Additional Tier-1 capital securities	**12,783**	–	**12,051**	–
Innovative Tier 1 capital securities	**38,205**	35,362	**38,205**	35,362
Recourse obligation on loans sold to Cagamas	**7,602**	6,727	**7,602**	6,727
Borrowings	**–**	3,859	**–**	–
Others	**–**	203	**–**	–
	3,464,439	3,308,727	**3,428,214**	3,271,875

32 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group 2018 RM'000	The Group 2017 RM'000
Income derived from investment of depositors' funds and others	**1,279,994**	1,108,101
Income derived from investment of shareholders' funds	**137,744**	128,043
Income attributable to depositors	**(771,674)**	(686,045)
	646,064	550,099
Of which:		
Financing income earned on impaired financing and advances	**11,941**	7,574

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

33 NON-INTEREST INCOME

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fee income				
Commissions	**172,773**	161,653	**168,814**	159,508
Service charges and fees	**62,674**	62,661	**62,032**	62,002
Guarantee fees	**14,213**	13,663	**14,117**	13,597
Credit card related fees	**218,225**	236,211	**218,225**	236,211
Corporate advisory fees	**481**	2,114	**481**	2,114
Commitment fees	**33,086**	34,916	**32,407**	34,479
Fee on loans, advances and financing	**39,136**	50,541	**35,340**	46,071
Other fee income	**33,133**	47,428	**32,380**	47,162
	573,721	609,187	**563,796**	601,144
Net income from securities				
Net realised gain from sale/redemption of securities portfolio:				
- Financial assets held-for-trading	**10,902**	7,321	**10,902**	7,321
- Derivative financial instruments	**28,185**	31,620	**28,185**	31,620
- Financial investments available-for-sale	**197,037**	60,377	**196,818**	59,768
- Financial investments held-to-maturity	**7**	37	**7**	37
Dividend income from:				
- Subsidiary companies	**–**	–	**43,400**	–
- Associated company	**–**	–	**138,560**	249,342
- Joint venture	**–**	–	**4,882**	4,698
- Financial investments available-for-sale	**281,087**	259,157	**281,087**	259,157
Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	**(2,457)**	(2,039)	**(2,457)**	(2,039)
- Derivative financial instruments	**109,026**	70,574	**109,026**	70,574
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	**(800)**	(115)	**(800)**	(115)
Net loss on fair value changes arising from fair value hedges	**(152)**	(3)	**(152)**	(3)
	622,835	426,929	**809,458**	680,360
Other income				
Foreign exchange gain	**104,749**	91,170	**103,180**	89,779
Rental income	**7,770**	4,267	**5,597**	4,267
Gain on disposal of property and equipment	**2,492**	1,178	**2,492**	1,178
Net loss on dilution of investment in associated company	**(26,800)**	–	**–**	–
Other non-operating income	**15,614**	13,412	**15,062**	13,554
	103,825	110,027	**126,331**	108,778
	1,300,381	1,146,143	**1,499,585**	1,390,282

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

34 OVERHEAD EXPENSES

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Personnel costs	**1,106,354**	1,112,178	**919,275**	923,658
Establishment costs	**533,573**	483,914	**484,058**	418,337
Marketing expenses	**160,641**	155,598	**154,897**	150,020
Administration and general expenses	**259,881**	255,833	**239,018**	243,987
	2,060,449	2,007,523	**1,797,248**	1,736,002

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries, bonus and allowances	**1,008,943**	1,006,908	**838,865**	835,520
Medical expenses	**35,791**	34,660	**31,108**	29,061
Training and convention expenses	**26,317**	29,407	**21,569**	26,064
Staff welfare	**9,253**	11,086	**7,973**	9,510
Other employees benefits	**26,050**	30,117	**19,760**	23,503
	1,106,354	1,112,178	**919,275**	923,658

(ii) Establishment costs comprise the following:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Depreciation of property and equipment	**120,812**	91,477	**102,085**	84,925
Amortisation of intangible assets	**71,841**	74,469	**67,719**	70,504
Rental of premises	**73,071**	82,255	**87,041**	66,719
Information technology expenses	**164,271**	147,713	**153,584**	133,385
Security services	**28,896**	28,451	**22,677**	22,988
Electricity, water and sewerage	**26,447**	24,154	**20,812**	20,783
Hire of plant and machinery	**12,661**	14,529	**12,026**	13,661
Others	**35,574**	20,866	**18,114**	5,372
	533,573	483,914	**484,058**	418,337

(iii) Marketing expenses comprise the following:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Advertisement and publicity	**36,888**	31,029	**33,796**	28,026
Credit card related fees	**107,491**	108,998	**107,491**	108,998
Others	**16,262**	15,571	**13,610**	12,996
	160,641	155,598	**154,897**	150,020

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

34 OVERHEAD EXPENSES (CONTINUED)

(iv) Administration and general expenses comprise the following:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Teletransmission expenses	**16,225**	17,123	**15,826**	16,769
Stationery and printing expenses	**14,860**	16,454	**13,965**	15,829
Professional fees	**88,287**	73,986	**83,884**	71,264
Insurance fees	**41,772**	40,175	**36,459**	35,363
Stamp, postage and courier	**13,971**	18,572	**13,639**	18,232
Travelling and transport expenses	**4,414**	4,077	**3,283**	2,927
Registration and license fees	**9,125**	9,117	**8,154**	8,111
Brokerage and commission	**7,946**	6,681	**3,793**	3,569
Credit card fees	**39,854**	39,331	**39,854**	39,331
Others	**23,427**	30,317	**20,161**	32,592
	259,881	255,833	**239,018**	243,987

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors' remuneration (Note 37)	**16,695**	13,160	**13,209**	9,080
Hire of equipment	**12,661**	14,529	**12,026**	13,661
Auditors' remuneration*:				
Malaysian firm				
- statutory audit	**1,820**	1,727	**1,579**	1,489
- regulatory related fees	**877**	805	**601**	519
- tax compliance	**70**	60	**42**	37
- other services	**603**	770	**575**	669
PwC overseas affiliated firms				
- statutory audit	**572**	540	**441**	407
- regulatory related fees	**192**	201	**192**	201
- tax compliance	**130**	142	**101**	88
Loss on disposal of property and equipment	**218**	130	**209**	128
Property and equipment written off	**4,879**	823	**4,568**	528
Intangible assets disposal/written off	**29**	57	**16**	23

* There was no indemnity given to or insurance effected for the Group and the Bank during the financial year.

35 ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Allowance for/(write back of) impairment losses on loans, advances and financing:				
- collective assessment allowance	**299,887**	283,057	**224,340**	217,958
- individual assessment allowance	**7,892**	116,236	**(1,125)**	107,888
Impaired loans and financing:				
- written off	**19,719**	22,508	**15,992**	19,114
- recovered from bad debt written off	**(250,847)**	(260,642)	**(206,558)**	(235,687)
	76,651	161,159	**32,649**	109,273

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

36 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
Joint venture of the Group as disclosed in Note 14	Joint venture of the Group
Associated companies of the Group as disclosed in Note 15	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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances

The Group 2018	Parent company RM'000	Other related companies RM'000	Associated company RM'000	Key management personnel RM'000
Income				
Interest:				
- loans	–	9,526	–	37
- redeemable preference shares	–	1,341	–	–
Commitment fee and bank charges	–	–	–	51
Dividend income	–	261,472	–	–
Commission on Group products/services sold	–	31,774	–	–
Brokerage commission	–	931	–	–
Reimbursement of shared service cost	266	6,908	–	–
	266	311,952	–	88
Expenditure				
Rental and maintenance	–	20,565	–	–
Insurance	57	12,527	–	–
Interest on current accounts and fixed deposits	–	1,614	–	3,669
Interest on short-term placements	584	17,440	–	1,601
Interest on subordinated notes and capital securities	–	33,255	–	–
Management fees	7,777	32,786	–	–
Other miscellaneous expenses	274	8,545	–	–
	8,692	126,732	–	5,270
Amounts due from				
Interbank placements	–	–	–	–
Current accounts	–	–	20,373	–
Redeemable preference shares	–	30,866	–	–
Loans	–	158,920	–	1,076
Wholesale funds	–	6,945,610	–	–
Derivative assets	327	532	–	–
Credit card balances	–	–	–	421
Advance rental and deposit	–	5,203	–	–
Others	–	594	–	–
	327	7,141,725	20,373	1,497
Amounts due to				
Current accounts and fixed deposits	–	76,436	–	119,945
Short-term placements	–	1,688,239	–	56,505
Subordinated notes and capital securities	–	698,806	–	–
Derivative liabilities	–	27,638	–	–
Others	–	24,430	–	–
	–	2,515,549	–	176,450
Commitment and contingencies				
Derivative related contracts	100,000	635,482	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Group 2017	Parent company RM'000	Other related companies RM'000	Associated company RM'000	Key management personnel RM'000
Income				
Interest:				
- loans	–	9,443	–	39
- redeemable preference shares	–	2,318	–	–
Commitment fee and bank charges	–	–	–	41
Dividend income	–	55,601	–	–
Commission on Group products/services sold	–	28,315	–	–
Reimbursement of shared service cost	261	7,754	–	–
	261	103,431	–	80
Expenditure				
Rental and maintenance	–	26,477	–	–
Insurance	57	1,333	–	–
Interest on current accounts and fixed deposits	–	288	–	1,747
Interest on short-term placements	–	17,918	–	2,256
Interest on subordinated notes and capital securities	–	33,255	–	–
Management fees	4,816	28,473	–	–
Other miscellaneous expenses	85	39,249	–	–
	4,958	146,993	–	4,003
Amounts due from				
Interbank placements	–	–	4,913	–
Current accounts	–	–	20,849	–
Redeemable preference shares	–	32,066	–	–
Loans	–	201,182	–	966
Wholesale funds	–	5,056,972	–	–
Derivative assets	874	925	–	–
Credit card balances	–	–	–	198
Advance rental and deposit	–	5,203	–	–
Others	–	658	–	–
	874	5,297,006	25,762	1,164
Amounts due to				
Current accounts and fixed deposits	1	99,861	–	113,480
Short-term placements	6,601	1,763,472	–	36,821
Subordinated notes and capital securities	–	698,361	–	–
Derivative liabilities	–	11,671	–	–
Others	–	5,862	–	–
	6,602	2,579,227	–	150,301
Commitment and contingencies				
Derivative related contracts	100,000	575,319	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank 2018	Parent company RM'000	Subsidiary companies RM'000	Associated company RM'000	Other related companies RM'000	Key management personnel RM'000
Income					
Interest:					
- loans	–	14,473	–	9,526	37
- interbank placements	–	11,320	–	–	–
- current accounts	–	–	1,277	–	–
- negotiable instruments of deposits	–	82	–	–	–
- redeemable preference shares	–	–	–	1,341	–
- subdebt	–	65	–	–	–
Dividend income	–	43,400	138,560	266,354	–
Commitment fee and bank charges	–	–	–	–	51
Commission on Group products/services sold	–	–	–	31,774	–
Brokerage commission	–	–	–	931	–
Reimbursement of shared service cost	266	143,416	–	6,908	–
	266	212,756	139,837	316,834	88
Expenditure*					
Rental and maintenance	–	29,405	–	20,225	–
Insurance	57	–	–	12,527	–
Interest on current accounts and fixed deposits	–	1,095	–	114	3,659
Interest on short-term placements	584	1,616	–	17,440	1,601
Interest on interbank placements	–	2,067	–	–	–
Interest on subordinated notes and capital securities	–	–	–	32,271	–
Management fees	7,777	26	–	32,786	–
Other miscellaneous expenses	274	1,055	350	8,503	–
	8,692	35,264	350	123,866	5,260
Amounts due from					
Interbank placements	–	959,027	–	–	–
Current accounts	–	–	20,373	–	–
Redeemable preference shares	–	–	–	30,866	–
Loans	–	358,226	–	158,920	818
Wholesale funds	–	–	–	6,945,610	–
Credit card balances	–	–	–	–	421
Derivative assets	327	60,863	–	532	–
Advance rental and deposit	–	8,414	–	5,203	–
Others	–	43,563	–	594	–
	327	1,430,093	20,373	7,141,725	1,239
Amounts due to					
Current accounts and fixed deposits	–	129,249	–	76,436	119,302
Short-term placements	–	–	–	1,688,239	56,505
Subordinated notes and capital securities	–	–	–	678,237	–
Derivative liabilities	–	1,890	–	27,638	–
	–	131,139	–	2,470,550	175,807
Commitment and contingencies					
Derivative related contracts	100,000	2,979,856	–	635,482	–

* Pursuant to requirements as set out in Bank Negara Malaysia's ("BNM") circular dated 28 March 2018 on Standards on Intercompany Charges Paid/Payable to Foreign Shareholders/Related Entities, the intercompany payments by the Bank are primarily transacted with related parties domiciled in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
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36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank 2017	Parent company RM'000	Subsidiary companies RM'000	Associated company RM'000	Other related companies RM'000	Key management personnel RM'000
Income					
Interest:					
- loans	–	8,974	–	9,443	39
- interbank placements	–	6,046	–	–	–
- current accounts	–	–	312	–	–
- negotiable instruments of deposits	–	6,756	–	–	–
- redeemable preference shares	–	–	–	2,318	–
- subdebt	–	951	–	–	–
Dividend income	–	–	249,342	60,299	–
Commitment fee and bank charges	–	–	–	–	41
Commission on Group products/services sold	–	–	–	28,315	–
Reimbursement of shared service cost	261	143,130	–	7,754	–
	261	165,857	249,654	108,129	80
Expenditure					
Rental and maintenance	–	1,367	–	26,477	–
Insurance	57	–	–	1,333	–
Interest on current accounts and fixed deposits	–	609	–	288	1,747
Interest on short-term placements	–	–	–	17,918	2,256
Interest on interbank placements	–	365	–	–	–
Interest on subordinated notes and capital securities	–	–	–	32,271	–
Management fees	4,816	–	–	28,473	–
Other miscellaneous expenses	85	–	–	39,249	–
	4,958	2,341	–	146,009	4,003
Amounts due from					
Interbank placements	–	769,538	4,913	–	–
Current accounts	–	–	20,849	–	–
Negotiable instruments of deposits	–	499,877	–	–	–
Redeemable preference shares	–	–	–	32,066	–
Loans	–	361,163	–	201,182	674
Wholesale funds	–	–	–	5,056,972	–
Credit card balances	–	–		–	198
Derivative assets	874	47,785	–	925	–
Advance rental and deposit	–	–	–	5,203	–
Others	–	13,484	–	658	–
	874	1,691,847	25,762	5,297,006	872
Amounts due to					
Current accounts and fixed deposits	1	85,002	–	99,861	113,480
Short-term placements	6,601	–	–	1,763,472	36,821
Subordinated notes and capital securities	–	–	–	677,801	–
Derivative liabilities	–	1,533	–	11,671	–
Others	–	57,820	–	–	–
	6,602	144,355	–	2,552,805	150,301
Commitment and contingencies					
Derivative related contracts	100,000	2,070,880	–	575,319	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

	The Group	
	2018 RM'000	2017 RM'000
The approved limit on loans, advances and financing for key management personnel	**6,160**	5,579

(c) Key management personnel

Key management compensation

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries and other short-term employee benefits	**21,328**	18,513	**21,328**	18,513
Director fees	**1,256**	1,103	**1,088**	965
ESS expenses	**13,077**	8,386	**13,077**	8,386

Included in the above is the Directors' remuneration which is disclosed in Note 37 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 2018 and 2017 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Outstanding credit exposures with connected parties	**2,340,089**	1,826,420	**2,317,297**	1,655,767
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**1.61%**	1.30%	**1.96%**	1.42%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.0002%**	0.0133%	**0.0003%**	0.0160%

NOTES TO THE FINANCIAL STATEMENTS
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37 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			
2018	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
CEO								
Mr Domenic Fuda	7,641	–	4,383	12,024	7,641	–	4,383	12,024
Executive Director								
Mr Tan Kong Khoon	–	–	–	–	–	–	–	–
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	–	–	–	–	–	–	–	–
Mr Kwek Leng Hai	–	–	–	–	–	–	–	–
Ms Lim Lean See	26	265	–	291	26	265	–	291
Ms Chok Kwee Bee	18	195	–	213	18	195	–	213
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	29	285	–	314	29	285	–	314
YBhg Datuk Wira Azhar bin Abdul Hamid *	14	183	–	197	14	183	–	197
YBhg Datuk Dr Md Hamzah bin Md Kassim	25	328	–	353	10	160	–	170
	112#	1,256	–	1,368	97#	1,088	–	1,185
Directors of subsidiaries	2,661	580	62	3,303	–	–	–	–
Total CEO and Directors' remuneration	10,414	1,836	4,445	16,695	7,738	1,088	4,383	13,209

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 14 May 2018.

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 premium paid for the Directors' & Officers' Liability Insurance by the Group and the Bank was RM54,920.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 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			
2017	Salaries and bonuses and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000	Salaries and bonuses and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000
CEO and Executive Director								
Mr Domenic Fuda *	6,110	–	2,005	8,115	6,110	–	2,005	8,115
Mr Tan Kong Khoon	–	–	–	–	–	–	–	–
	6,110	–	2,005	8,115	6,110	–	2,005	8,115
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	–	–	–	–	–	–	–	–
Mr Kwek Leng Hai	–	–	–	–	–	–	–	–
Ms Lim Lean See	–	239	–	239	–	239	–	239
Ms Chok Kwee Bee	–	165	–	165	–	165	–	165
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	–	255	–	255	–	255	–	255
YBhg Datuk Wira Azhar bin Abdul Hamid	–	180	–	180	–	180	–	180
YBhg Datuk Dr Md Hamzah bin Md Kassim	–	264	–	264	–	126	–	126
Mr Quek Kon Sean ^	–	–	–	–	–	–	–	–
	–	1,103	–	1,103	–	965	–	965
Directors of subsidiaries	3,302	587	53	3,942	–	–	–	–
Total CEO and Directors' remuneration	9,412	1,690	2,058	13,160	6,110	965	2,005	9,080

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.

* Resigned as Board member with effect from 1 January 2017.

^ Resigned with effect from 9 July 2016.

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 premium paid for the Directors' & Officers' Liability Insurance by the Group and the Bank was RM57,162.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

38 TAXATION

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Current year income tax		**655,010**	499,689	**594,634**	496,219
Deferred taxation	19	**(50,649)**	38,899	**(52,529)**	40,271
Under accrual in prior years		**3,816**	64,648	**3,416**	66,586
Taxation		**608,177**	603,236	**545,521**	603,076

The effective tax rate for the Group and Bank differed from the statutory rate of taxation due to:

	The Group 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Profit before taxation	**3,246,255**	2,748,252	**2,517,932**	2,347,127
Tax calculated at a rate of 24%	**779,101**	659,580	**604,304**	563,310
Tax effects of:				
- Income not subject to tax	**(64,045)**	(72,283)	**(80,978)**	(62,928)
- Share of net income of foreign associated company and joint venture company	**(128,798)**	(87,375)	**–**	–
- Expenses not deductible for tax purposes	**18,103**	38,666	**18,779**	36,108
Under accrual in prior years*	**3,816**	64,648	**3,416**	66,586
Taxation	**608,177**	603,236	**545,521**	603,076

* Included in the under accrual in prior years is under accrual of tax of a subsidiary company absorbed by the Bank amounting to RM101,846,000 in 2017.

	The Group 2018 RM'000	The Group 2017 RM'000
Unused tax losses from a wholly owned subsidiary for which no deferred tax is recognised in the financial statements	**29,046**	29,083

39 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 2018 RM'000	The Group 2017 RM'000	The Bank 2018 RM'000	The Bank 2017 RM'000
Net profit attributable to equity holders	**2,638,078**	2,145,016	**1,972,411**	1,744,051
Weighted average number of ordinary shares in issue ('000)	**2,045,677**	2,045,503	**2,045,677**	2,045,503
Basic earnings per share (sen)	**129.0**	104.9	**96.4**	85.3

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

39 EARNINGS PER SHARE (CONTINUED)

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net profit attributable to equity holders	**2,638,078**	2,145,016	**1,972,411**	1,744,051
Weighted average number of ordinary shares in issue ('000)	**2,045,677**	2,045,503	**2,045,677**	2,045,503
- adjustment for ESS	**3,423**	551	**3,423**	551
	2,049,100	2,046,054	**2,049,100**	2,046,054
Diluted earnings per share (sen)	**128.7**	104.8	**96.3**	85.2

40 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)

	2018			2017		
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
Financial investments available-for-sale - net fair value gain/(loss)	**(348,012)**	**170,532**	**(177,480)**	50,990	(12,379)	38,611
Cash flow hedge - net fair value gain/(loss)	**2,398**	**(498)**	**1,900**	856	(206)	650
The Bank						
Financial investments available-for-sale - net fair value gain/(loss)	**(333,392)**	**167,008**	**(166,384)**	67,005	(16,127)	50,878
Cash flow hedge - net fair value gain/(loss)	**2,398**	**(498)**	**1,900**	856	(206)	650

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

41 DIVIDENDS

	The Group and The Bank			
	2018		2017	
	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 2017	**30.0**	**613,680**	–	–
- for financial year ended 30 June 2016	–	–	26.0	531,818
Interim single tier dividend paid				
- for financial year ended 30 June 2018	**16.0**	**327,333**	–	–
Interim dividend paid				
- for financial year ended 30 June 2017	–	–	15.0	306,840
	46.0	**941,013**	41.0	838,658

A final single tier dividend in respect of the financial year ended 30 June 2018 of 32.0 sen per share (2017: 30.0 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 40,786,550 shares) of 2,045,830,034 shares as at 30 June 2018, the dividend amount would approximately be RM654,665,611. The proposed dividend will be reflected in the financial statements for the financial year ending 30 June 2019 when approved by shareholders.

42 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The notional amounts of the commitments and contingencies constitute the following:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Direct credit substitutes *	**108,341**	81,785	**50,361**	28,387
Certain transaction related contingent items	**1,286,782**	1,391,110	**1,165,364**	1,285,746
Short-term self liquidating trade related contingencies	**831,871**	769,864	**800,721**	733,985
Irrevocable commitments to extend credit:				
- maturity more than one year	**14,301,856**	13,257,147	**10,410,497**	9,601,053
- maturity less than one year	**16,074,688**	16,097,927	**14,108,380**	14,562,467
Foreign exchange related contracts: ^				
- less than one year	**42,895,473**	35,909,765	**41,893,038**	35,531,864
- one year to less than five years	**2,640,932**	3,646,999	**2,640,932**	3,646,999
- five years and above	**517,408**	1,153,405	**517,408**	1,153,405
Interest rate related contracts: ^				
- less than one year	**28,281,796**	43,388,997	**28,281,796**	43,138,997
- one year to less than five years	**46,342,804**	34,308,796	**48,687,804**	34,423,796
- five years and above	**6,839,805**	5,562,786	**6,389,805**	4,862,786
Equity related contracts: ^				
- less than one year	**306,258**	155,471	**306,258**	155,471
- one year to less than five years	**503,502**	279,187	**503,502**	279,187
Unutilised credit card lines	**6,908,565**	7,001,256	**6,908,565**	7,001,256
	167,840,081	163,004,495	**162,664,431**	156,405,399

^ 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 RM96,689,047 and RM46,689,047 at Group and Bank, respectively (2017: RM74,011,530 and RM24,011,530 at Group and Bank, respectively), of which fair value at the time of issuance is nil.

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43 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Authorised and contracted for	**143,576**	93,296	**137,080**	88,257
Authorised but not contracted for	**26,212**	38,087	**23,812**	35,495
	169,788	131,383	**160,892**	123,752

44 LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rented premise, photocopier machine and fax, all of which are classified as operating leases. A summary of the future minimum lease payments, under non-cancellable operating lease commitment are as follows:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Not later than one year	**16,982**	20,315	**30,908**	16,344
Later than one year and not later than five years	**3,390**	3,767	**1,094**	1,190
Later than five years	**1,562**	1,848	**1,562**	1,848
	21,934	25,930	**33,564**	19,382

45 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 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 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.

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 Group's risk management framework as well as the attendant capital management framework, risk appetite statement, risk management strategies and risk policies.

Dedicated management level committees are established by the Group to oversee the development and the risk management policies effectiveness, 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.

From the financial risk perspective, the BRMC is assisted by the Group Risk Management ("GRM") functions. 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 are to identify all key 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 and emerging best market practice.

Credit Risk Management

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfil their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Group.

The Group has established a credit risk management framework 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 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, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Credit Risk Management (continued)

Internal Audit conducts independent post approval reviews on sampling basis to ensure that the quality of credit appraisals and approval standards 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.

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 Asset-Liability Committee, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cashflow, maintenance of high quality long-term and short-term marketable debt securities, diversification of funding base as well as maintenance of a liquidity compliance buffer to meet any unexpected cash outflows.

The 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
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46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(i) Interest/Profit rate risk sensitivity analysis

The interest/profit rate sensitivity results below shows the impact on profit after tax and equity of financial assets and financial liabilities bearing floating interest/profit rates and fixed rate financial assets and financial liabilities.

	The Group		The Bank	
2018	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
+100 basis points ('bps')	**95,130**	**(375,925)**	**86,289**	**(293,449)**
-100 bps	**(95,130)**	**375,925**	**(86,289)**	**293,449**
2017				
+100 basis points ('bps')	17,488	(329,989)	11,787	(266,694)
-100 bps	(17,488)	329,989	(11,787)	266,694

(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	2018 RM'000	2017 RM'000
United States Dollar ("USD")	**126,020**	596,842
Euro ("EUR")	**(88,263)**	22
Great Britain Pound ("GBP")	**(2,296)**	(5,464)
Singapore Dollar ("SGD")	**(68,339)**	(89,220)
Australian Dollar ("AUD")	**(14,383)**	39,509
Chinese Yuan Renminbi ("CNY")	**1,717**	18,744
Hong Kong Dollar ("HKD")	**(112,732)**	(441,036)
Others	**101,063**	(3,896)
	(57,213)	115,501

The Bank	2018 RM'000	2017 RM'000
United States Dollar ("USD")	**143,504**	585,047
Euro ("EUR")	**(91,955)**	(6,102)
Great Britain Pound ("GBP")	**(7,415)**	(6,954)
Singapore Dollar ("SGD")	**(69,373)**	(91,416)
Australian Dollar ("AUD")	**(16,223)**	38,202
Chinese Yuan Renminbi ("CNY")	**943**	18,591
Hong Kong Dollar ("HKD")	**(113,665)**	(441,719)
Others	**100,186**	(3,400)
	(53,998)	92,249

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46 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	2018 RM'000	2017 RM'000
-1%		
United States Dollar ("USD")	**(958)**	(4,536)
Euro ("EUR")	**671**	–
Great Britain Pound ("GBP")	**17**	42
Singapore Dollar ("SGD")	**519**	678
Australian Dollar ("AUD")	**109**	(300)
Chinese Yuan Renminbi ("CNY")	**(13)**	(142)
Hong Kong Dollar ("HKD")	**857**	3,352
Others	**(768)**	30
	434	(876)
+1%		
United States Dollar ("USD")	**958**	4,536
Euro ("EUR")	**(671)**	–
Great Britain Pound ("GBP")	**(17)**	(42)
Singapore Dollar ("SGD")	**(519)**	(678)
Australian Dollar ("AUD")	**(109)**	300
Chinese Yuan Renminbi ("CNY")	**13**	142
Hong Kong Dollar ("HKD")	**(857)**	(3,352)
Others	**768**	(30)
	(434)	876

The Bank	2018 RM'000	2017 RM'000
-1%		
United States Dollar ("USD")	**(1,091)**	(4,446)
Euro ("EUR")	**699**	46
Great Britain Pound ("GBP")	**56**	53
Singapore Dollar ("SGD")	**527**	695
Australian Dollar ("AUD")	**123**	(290)
Chinese Yuan Renminbi ("CNY")	**(7)**	(141)
Hong Kong Dollar ("HKD")	**864**	3,357
Others	**(761)**	26
	410	(700)
+1%		
United States Dollar ("USD")	**1,091**	4,446
Euro ("EUR")	**(699)**	(46)
Great Britain Pound ("GBP")	**(56)**	(53)
Singapore Dollar ("SGD")	**(527)**	(695)
Australian Dollar ("AUD")	**(123)**	290
Chinese Yuan Renminbi ("CNY")	**7**	141
Hong Kong Dollar ("HKD")	**(864)**	(3,357)
Others	**761**	(26)
	(410)	700

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 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 2018 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	4,193,725	–	–	–	–	2,278,680	–	6,472,405
Deposits and placements with banks and other financial institutions	–	2,078,011	701,736	–	–	16,733	–	2,796,480
Financial assets held-for-trading	–	–	–	–	–	–	5,969,872	5,969,872
Financial investments available-for-sale	5,723,383	2,843,693	1,392,227	17,352,547	3,821,978	729,108	–	31,862,936
Financial investments held-to-maturity	–	201,862	1,724,068	11,692,057	610,091	208,867	–	14,436,945
Loans, advances and financing								
- performing	106,638,879	1,040,811	631,803	9,017,525	9,978,099	–	–	127,307,117
- impaired ^	153,564	6,844	12,206	96,640	482,734	–	–	751,988
Other assets	34,540	–	–	–	–	666,905	–	701,445
Derivative financial instruments								
- trading derivatives	–	–	–	–	–	–	916,098	916,098
- hedging derivatives	–	–	–	1,286	683	–	–	1,969
Statutory deposits with Central Banks	–	–	–	–	171,369	4,141,113	–	4,312,482
Total financial assets	116,744,091	6,171,221	4,462,040	38,160,055	15,064,954	8,041,406	6,885,970	195,529,737

^ 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 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Group 2018 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	60,227,115	25,867,804	42,790,885	4,048,868	1,409,132	23,070,291	–	157,414,095
Deposits and placements of banks and other financial institutions	4,070,353	2,862,530	280,259	–	–	24,292	–	7,237,434
Obligations on securities sold under repurchase agreements	752,569	3,068,376	–	–	–	10,924	–	3,831,869
Bills and acceptances payable	266,278	28,108	26,182	–	–	223,883	–	544,451
Other liabilities	–	–	–	–	–	4,440,166	–	4,440,166
Derivative financial instruments								
- trading derivatives	–	–	–	–	–	–	1,019,773	1,019,773
- hedging derivatives	–	–	–	423	–	–	–	423
Recourse obligation on loans sold to Cagamas	–	–	–	200,057	–	2,895	–	202,952
Tier 2 subordinated bonds	–	-	2,399,766	500,000	–	3,142	–	2,902,908
Multi-currency Additional Tier 1 Capital Securities	–	–	–	399,393	–	1,799	–	401,192
Innovative Tier 1 capital securities	–	–	–	499,808	–	12,544	–	512,352
Total financial liabilities	65,316,315	31,826,818	45,497,092	5,648,549	1,409,132	27,789,936	1,019,773	178,507,615
Net interest sensitivity gap	51,427,776	(25,655,597)	(41,035,052)	32,511,506	13,655,822			
Financial guarantees	–	–	–	–	–	616,389		
Credit related commitments and contingencies	–	–	–	–	–	37,285,109		
Treasury related commitments and contingencies (hedging)	–	–	–	500,000	351,786	–		
Net interest sensitivity gap	–	–	–	500,000	351,786	37,901,498		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Group 2017							
	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	8,816,014	–	–	–	–	2,007,296	–	10,823,310
Deposits and placements with banks and other financial institutions	–	624,735	200,000	–	–	2,008	–	826,743
Securities purchased under resale agreements	300,672	–	–	–	–	208	–	300,880
Financial assets held-for-trading	–	–	–	–	–	–	5,688,165	5,688,165
Financial investments available-for-sale	4,999	475,285	1,476,604	16,636,308	3,037,351	6,023,670*	–	27,654,217
Financial investments held-to-maturity	–	1,061,374	384,462	10,029,848	1,406,512	178,408	–	13,060,604
Loans, advances and financing								
- performing	99,429,541	1,248,245	687,176	9,793,861	12,169,722	–	–	123,328,545
- impaired ^	131,992	44,914	9,495	77,959	398,036	–	–	662,396
Other assets	32,375	–	–	–	–	1,295,179	–	1,327,554
Derivative financial instruments								
- trading derivatives	–	–	–	–	–	–	953,042	953,042
Statutory deposits with Central Banks	–	–	–	–	157,297	3,580,933	–	3,738,230
Total financial assets	108,715,593	3,454,553	2,757,737	36,537,976	17,168,918	13,087,702	6,641,207	188,363,686

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

The Group 2017	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	62,516,952	29,735,585	38,157,355	3,042,102	1,134,826	20,646,385	–	155,233,205
Deposits and placements of banks and other financial institutions	2,886,329	1,552,561	1,017,246	–	–	30,556	–	5,486,692
Obligations on securities sold under repurchase agreements	557,416	1,897,279	372,600	–	–	2,322	–	2,829,617
Bills and acceptances payable	57,552	47,464	15,865	–	–	243,794	–	364,675
Other liabilities	–	–	–	–	–	3,830,510	–	3,830,510
Derivative financial instruments								
- trading derivatives	–	–	–	–	–	–	1,404,048	1,404,048
- hedging derivatives	–	–	–	1,409	195	–	–	1,604
Recourse obligation on loans sold to Cagamas	–	–	–	200,052	–	2,874	–	202,926
Tier 2 subordinated bonds	–	–	–	2,399,324	–	2,821	–	2,402,145
Innovative Tier 1 capital securities	–	–	–	502,852	–	12,771	–	515,623
Total financial liabilities	66,018,249	33,232,889	39,563,066	6,145,739	1,135,021	24,772,033	1,404,048	172,271,045
Net interest sensitivity gap	42,697,344	(29,778,336)	(36,805,329)	30,392,237	16,033,897			
Financial guarantees	–	–	–	–	–	563,049		
Credit related commitments and contingencies	–	–	–	–	–	36,356,330		
Treasury related commitments and contingencies (hedging)	–	–	–	400,000	146,429	–		
Net interest sensitivity gap	–	–	–	400,000	146,429	36,919,379		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2018 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	3,599,583	–	–	–	–	1,950,805	–	5,550,388
Deposits and placements with banks and other financial institutions	–	2,087,905	601,736	–	–	15,881	–	2,705,522
Financial assets held-for-trading	–	–	–	–	–	–	5,619,035	5,619,035
Financial investments available-for-sale	5,713,378	2,838,691	1,352,195	15,813,942	2,607,246	693,128	–	29,018,580
Financial investments held-to-maturity	–	201,862	1,182,783	8,836,602	518,386	166,932	–	10,906,565
Loans, advances and financing								
- performing	88,212,412	900,505	387,298	7,108,305	7,068,241	–	–	103,676,761
- impaired ^	113,412	6,634	9,323	73,147	395,626	–	–	598,142
Other assets	34,540	–	–	–	–	591,301	–	625,841
Derivative financial instruments								
- trading derivatives	–	–	–	–	–	–	930,957	930,957
- hedging derivatives	–	–	–	1,286	683	–	–	1,969
Amount due from subsidiaries	–	–	–	–	–	43,563	–	43,563
Statutory deposits with Central Banks	–	–	–	–	–	3,453,017	–	3,453,017
Total financial assets	97,673,325	6,035,597	3,533,335	31,833,282	10,590,182	6,914,627	6,549,992	163,130,340

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2018 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	49,382,454	20,592,117	35,597,409	3,516,211	593,082	19,902,152	–	129,583,425
Deposits and placements of banks and other financial institutions	4,347,853	2,696,513	176,812	–	–	24,676	–	7,245,854
Obligations on securities sold under repurchase agreements	743,922	3,050,273	–	–	–	10,924	–	3,805,119
Bills and acceptances payable	265,634	26,294	24,460	–	–	190,583	–	506,971
Other liabilities	–	–	–	–	–	3,724,286	–	3,724,286
Derivative financial instruments								
- trading derivatives	–	–	–	–	–	–	983,257	983,257
- hedging derivatives	–	–	–	423	–	–	–	423
Recourse obligation on loans sold to Cagamas	–	–	–	200,057	–	2,895	–	202,952
Tier 2 subordinated bonds	–	–	1,999,820	500,000	–	2,458	–	2,502,278
Multi-currency Additional Tier 1 Capital Securities	–	–	–	399,393	–	1,799	–	401,192
Innovative Tier 1 capital securities	–	–	–	499,807	–	12,545	–	512,352
Total financial liabilities	54,739,863	26,365,197	37,798,501	5,115,891	593,082	23,872,318	983,257	149,468,109
Net interest sensitivity gap	42,933,462	(20,329,600)	(34,265,166)	26,717,391	9,997,100			
Financial guarantees	–	–	–	–	–	528,028		
Credit related commitments and contingencies	–	–	–	–	–	31,427,442		
Treasury related commitments and contingencies (hedging)	–	–	–	500,000	351,786	–		
Net interest sensitivity gap	–	–	–	500,000	351,786	31,955,470		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2017							
	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	8,379,656	–	–	–	–	1,819,538	–	10,199,194
Deposits and placements with banks and other financial institutions	–	292,609	100,000	–	–	1,055	–	393,664
Securities purchased under resale agreements	300,672	–	–	–	–	208	–	300,880
Financial assets held-for-trading	–	–	–	–	–	–	5,405,310	5,405,310
Financial investments available-for-sale	4,999	460,281	1,276,387	14,546,493	2,604,860	5,993,260	–	24,886,280
Financial investments held-to-maturity	–	941,388	384,462	7,969,338	965,600	148,005	–	10,408,793
Loans, advances and financing								
- performing	83,534,537	1,190,129	493,948	8,111,849	8,671,787	–	–	102,002,250
- impaired ^	123,119	3,362	7,939	66,447	335,433	–	–	536,300
Other assets	32,375	–	–	–	–	1,201,778	–	1,234,153
Derivative financial instruments								
- trading derivatives	–	–	–	–	–	–	947,583	947,583
Amount due from subsidiaries	–	–	–	–	–	13,484	–	13,484
Statutory deposits with Central Banks	–	–	–	–	–	2,986,547	–	2,986,547
Total financial assets	92,375,358	2,887,769	2,262,736	30,694,127	12,577,680	12,163,875	6,352,893	159,314,438

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

The Bank
2017

	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	52,376,675	24,649,354	31,875,749	2,731,953	452,051	17,773,621	–	129,859,403
Deposits and placements of banks and other financial institutions	2,913,416	1,498,826	1,017,246	–	–	30,588	–	5,460,076
Obligations on securities sold under repurchase agreements	529,165	1,897,279	372,600	–	–	2,322	–	2,801,366
Bills and acceptances payable	57,339	46,223	14,870	–	–	230,409	–	348,841
Other liabilities	–	–	–	–	–	3,290,832	–	3,290,832
Derivative financial instruments								
- trading derivatives	–	–	–	–	–	–	1,362,050	1,362,050
- hedging derivatives	–	–	–	1,409	195	–	–	1,604
Recourse obligation on loans sold to Cagamas	–	–	–	200,052	–	2,874	–	202,926
Tier 2 subordinated bonds	–	–	–	1,999,452	–	2,190	–	2,001,642
Innovative Tier 1 capital securities	–	–	–	502,852	–	12,771	–	515,623
Total financial liabilities	55,876,595	28,091,682	33,280,465	5,435,718	452,246	21,345,607	1,362,050	145,844,363
Net interest sensitivity gap	36,498,763	(25,203,913)	(31,017,729)	25,258,409	12,125,434			
Financial guarantees	–	–	–	–	–	474,419		
Credit related commitments and contingencies	–	–	–	–	–	31,164,776		
Treasury related commitments and contingencies (hedging)	–	–	–	400,000	146,429	–		
Net interest sensitivity gap	–	–	–	400,000	146,429	31,639,195		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 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 2018 based on the remaining contractual maturity:

	The Group 2018							
	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	5,010,896	1,461,509	–	–	–	–	–	6,472,405
Deposits and placements with banks and other financial institutions	–	–	2,091,492	664,596	40,392	–	–	2,796,480
Financial assets held-for-trading	400,168	601,228	1,424,652	150,111	10,065	3,383,648	–	5,969,872
Financial investments available-for-sale	4,603,924	1,119,715	2,845,539	235,461	1,109,591	21,481,194	467,512	31,862,936
Financial investments held-to-maturity	–	–	204,482	141,135	1,671,354	12,419,974	–	14,436,945
Loans, advances and financing	12,484,785	6,087,736	5,250,306	1,788,511	595,167	101,852,600	–	128,059,105
Other assets	545,398	7,450	9,384	11,525	4,647	16,427	185,238	780,069
Derivative financial instruments	32,753	67,845	229,657	168,826	76,187	342,799	–	918,067
Statutory deposits with Central Banks	–	–	–	–	–	–	4,312,482	4,312,482
Investment in associated companies	–	–	–	–	–	–	3,651,091	3,651,091
Investment in joint venture	–	–	–	–	–	–	179,426	179,426
Property and equipment	–	–	–	–	–	–	1,414,975	1,414,975
Intangible assets	–	–	–	–	–	–	152,541	152,541
Goodwill	–	–	–	–	–	–	1,831,312	1,831,312
Deferred tax assets	–	–	–	–	–	–	53,067	53,067
Total assets	**23,077,924**	**9,345,483**	**12,055,512**	**3,160,165**	**3,507,403**	**139,496,642**	**12,247,644**	**202,890,773**

46 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 2018 based on the remaining contractual maturity: (continued)

	The Group 2018							
	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	58,579,387	24,848,207	25,449,016	16,726,662	26,303,065	5,507,758	–	157,414,095
Deposits and placements of banks and other financial institutions	3,499,882	590,203	2,867,119	208,129	72,101	–	–	7,237,434
Obligations on securities sold under repurchase agreements	1,594	751,540	3,078,735	–	–	–	–	3,831,869
Bills and acceptances payable	39,140	227,138	28,108	26,182	–	–	223,883	544,451
Other liabilities	4,387,338	–	–	–	199,233	–	132,875	4,719,446
Derivative financial instruments	94,764	117,336	109,292	204,696	82,230	411,878	–	1,020,196
Recourse obligation on loans sold to Cagamas	–	–	–	–	–	202,952	–	202,952
Tier 2 subordinated bonds	–	–	–	–	2,402,509	500,399	–	2,902,908
Multi-currency Additional Tier 1 Capital Securities	–	–	–	–	–	401,192	–	401,192
Innovative Tier 1 capital securities	–	–	–	–	–	512,352	–	512,352
Taxation	–	–	–	–	–	–	211,619	211,619
Total liabilities	66,602,105	26,534,424	31,532,270	17,165,669	29,059,138	7,536,531	568,377	178,998,514
Total equity	–	–	–	–	–	–	23,892,259	23,892,259
Total liabilities and equity	66,602,105	26,534,424	31,532,270	17,165,669	29,059,138	7,536,531	24,460,636	202,890,773
Net liquidity gap	(43,524,181)	(17,188,941)	(19,476,758)	(14,005,504)	(25,551,735)	131,960,111	11,679,267	23,892,259

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 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 2017 based on the remaining contractual maturity: (continued)

	The Group 2017							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	10,686,387	136,923	–	–	–	–	–	10,823,310
Deposits and placements with banks and other financial institutions	–	–	626,363	200,380	–	–	–	826,743
Securities purchased under resale agreements	–	300,880	–	–	–	–	–	300,880
Financial assets held-for-trading	1,550,722	602,835	1,520,395	371,805	20,473	1,621,935	–	5,688,165
Financial investments available-for-sale	–	5,076	471,236	527,753	643,437	20,199,421	5,807,294	27,654,217
Financial investments held-to-maturity	48	–	1,073,692	384,880	141,407	11,460,577	–	13,060,604
Loans, advances and financing	10,504,859	5,954,327	6,664,066	2,292,636	616,847	97,958,206	–	123,990,941
Other assets	1,223,271	6,896	10,702	14,461	6,177	18,820	127,404	1,407,731
Derivative financial instruments	64,364	59,284	144,844	53,230	157,570	473,750	–	953,042
Statutory deposits with Central Banks	–	–	–	–	–	–	3,738,230	3,738,230
Investment in associated companies	–	–	–	–	–	–	3,466,891	3,466,891
Investment in joint venture	–	–	–	–	–	–	169,185	169,185
Property and equipment	–	–	–	–	–	–	1,423,097	1,423,097
Intangible assets	–	–	–	–	–	–	213,323	213,323
Goodwill	–	–	–	–	–	–	1,831,312	1,831,312
Deferred tax assets	–	–	–	–	–	–	4,851	4,851
Total assets	24,029,651	7,066,221	10,511,298	3,845,145	1,585,911	131,732,709	16,781,587	195,552,522

46 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 2017 based on the remaining contractual maturity: (continued)

The Group 2017	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	55,497,392	27,513,960	29,768,525	20,789,567	17,340,846	4,322,915	–	155,233,205
Deposits and placements of banks and other financial institutions	1,835,226	1,079,129	1,554,589	983,331	34,417	–	–	5,486,692
Obligations on securities sold under repurchase agreements	529,165	28,251	1,899,275	372,926	–	–	–	2,829,617
Bills and acceptances payable	270	57,282	47,464	15,865	–	–	243,794	364,675
Other liabilities	3,825,483	–	–	–	170,459	–	56,725	4,052,667
Derivative financial instruments	28,698	42,115	78,590	203,734	274,995	777,520	–	1,405,652
Recourse obligation on loans sold to Cagamas	–	–	–	–	–	202,926	–	202,926
Tier 2 subordinated bonds	–	–	–	–	–	2,402,145	–	2,402,145
Innovative Tier 1 capital securities	–	–	–	–	–	515,623	–	515,623
Taxation	–	–	–	–	–	–	201,713	201,713
Deferred tax liabilities	–	–	-	–	–	–	172,194	172,194
Total liabilities	61,716,234	28,720,737	33,348,443	22,365,423	17,820,717	8,221,129	674,426	172,867,109
Total equity	–	–	–	–	–	–	22,685,413	22,685,413
Total liabilities and equity	61,716,234	28,720,737	33,348,443	22,365,423	17,820,717	8,221,129	23,359,839	195,552,522
Net liquidity gap	(37,686,583)	(21,654,516)	(22,837,145)	(18,520,278)	(16,234,806)	123,511,580	16,107,161	22,685,413

46 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 2018 based on the remaining contractual maturity: (continued)

	The Bank 2018							
	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	3,604,463	1,945,925	–	–	–	–	–	5,550,388
Deposits and placements with banks and other financial institutions	–	–	2,100,965	564,165	40,392	–	–	2,705,522
Financial assets held-for-trading	400,168	401,418	1,424,652	150,111	10,065	3,232,621	–	5,619,035
Financial investments available-for-sale	4,603,924	1,109,454	2,840,482	220,333	1,038,398	18,738,477	467,512	29,018,580
Financial investments held-to-maturity	–	–	204,482	141,135	1,049,460	9,511,488	–	10,906,565
Loans, advances and financing	11,124,805	5,333,867	4,910,310	1,567,186	446,077	80,892,658	–	104,274,903
Other assets	516,828	4,922	9,186	11,229	4,571	16,202	123,758	686,696
Derivative financial instruments	32,061	67,792	226,287	167,365	76,160	363,261	–	932,926
Amount due from subsidiaries	–	–	–	–	–	–	43,563	43,563
Statutory deposits with Central Banks	–	–	–	–	–	–	3,453,017	3,453,017
Subsidiary companies	–	–	–	–	–	–	2,157,132	2,157,132
Investment in associated companies	–	–	–	–	–	–	946,525	946,525
Investment in joint venture	–	–	–	–	–	–	76,711	76,711
Property and equipment	–	–	–	–	–	–	782,853	782,853
Intangible assets	–	–	–	–	–	–	137,166	137,166
Goodwill	–	–	–	–	–	–	1,771,547	1,771,547
Deferred tax assets	–	–	–	–	–	–	47,908	47,908
Total assets	20,282,249	8,863,378	11,716,364	2,821,524	2,665,123	112,754,707	10,007,692	169,111,037

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 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 2018 based on the remaining contractual maturity: (continued)

	The Bank 2018							
	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	49,133,318	20,106,097	20,409,995	13,644,822	22,152,549	4,136,644	–	129,583,425
Deposits and placements of banks and other financial institutions	3,777,382	590,203	2,701,102	105,066	72,101	–	–	7,245,854
Obligations on securities sold under repurchase agreements	1,594	742,893	3,060,632	–	–	–	–	3,805,119
Bills and acceptances payable	38,777	226,857	26,294	24,460	–	–	190,583	506,971
Other liabilities	3,684,210	–	–	-	194,840	–	53,119	3,932,169
Derivative financial instruments	94,244	116,459	108,104	203,282	82,230	379,361	–	983,680
Recourse obligation on loans sold to Cagamas	–	–	–	–	–	202,952	–	202,952
Tier 2 subordinated bonds	–	–	–	-	2,001,879	500,399	–	2,502,278
Multi-currency Additional Tier 1 Capital Securities	–	–	–	–	–	401,192	–	401,192
Innovative Tier 1 capital securities	–	–	–	–	–	512,352	–	512,352
Taxation	–	–	–	–	–	–	171,958	171,958
Total liabilities	56,729,525	21,782,509	26,306,127	13,977,630	24,503,599	6,132,900	415,660	149,847,950
Total equity	–	–	–	–	–	–	19,263,087	19,263,087
Total liabilities and equity	56,729,525	21,782,509	26,306,127	13,977,630	24,503,599	6,132,900	19,678,747	169,111,037
Net liquidity gap	(36,447,276)	(12,919,131)	(14,589,763)	(11,156,106)	(21,838,476)	106,621,807	9,592,032	19,263,087

46 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 2017 based on the remaining contractual maturity: (continued)

	The Bank 2017							
	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	9,699,564	499,630	–	–	–	–	–	10,199,194
Deposits and placements with banks and other financial institutions	–	–	293,650	100,014	–	–	–	393,664
Securities purchased under resale agreements	–	300,880	–	–	–	–	–	300,880
Financial assets held-for-trading	1,900,702	503,014	1,351,669	371,805	20,473	1,257,647	–	5,405,310
Financial investments available-for-sale	–	5,076	456,086	381,760	587,787	17,648,277	5,807,294	24,886,280
Financial investments held-to-maturity	48	–	952,371	384,880	141,407	8,930,087	–	10,408,793
Loans, advances and financing	9,246,875	5,291,056	5,971,562	2,081,208	477,702	79,470,147	–	102,538,550
Other assets	1,157,336	6,777	10,502	14,185	6,171	16,524	97,844	1,309,339
Derivative financial instruments	63,817	57,557	144,131	53,097	157,164	471,817	–	947,583
Amount due from subsidiaries	–	–	–	–	–	–	13,484	13,484
Statutory deposits with Central Banks	–	–	–	–	–	–	2,986,547	2,986,547
Subsidiary companies	–	–	–	–	–	–	1,662,409	1,662,409
Investment in associated companies	–	–	–	–	–	–	946,525	946,525
Investment in joint venture	–	–	–	–	–	–	76,711	76,711
Property and equipment	–	–	–	–	–	–	774,999	774,999
Intangible assets	–	–	–	–	–	–	194,870	194,870
Goodwill	–	–	–	–	–	–	1,771,547	1,771,547
Total assets	22,068,342	6,663,990	9,179,971	3,386,949	1,390,704	107,794,499	14,332,230	164,816,685

46 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 2017 based on the remaining contractual maturity: (continued)

The Bank 2017	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	46,569,608	23,413,305	24,500,847	18,022,027	13,934,823	3,418,793	–	129,859,403
Deposits and placements of banks and other financial institutions	1,952,922	988,552	1,500,854	983,331	34,417	–	–	5,460,076
Obligations on securities sold under repurchase agreements	529,165	–	1,899,275	372,926	–	–	–	2,801,366
Bills and acceptances payable	246	57,095	46,223	14,870	–	–	230,407	348,841
Other liabilities	3,262,291	–	–	–	165,880	–	47,518	3,475,689
Derivative financial instruments	28,696	40,399	78,505	203,726	274,507	737,821	–	1,363,654
Recourse obligation on loans sold to Cagamas	–	–	–	–	–	202,926	–	202,926
Tier 2 subordinated bonds	–	–	–	–	–	2,001,642	–	2,001,642
Innovative Tier 1 capital securities	–	–	–	–	–	515,623	–	515,623
Taxation	–	–	–	–	–	–	173,953	173,953
Deferred tax liabilities	–	–	–	–	–	–	171,131	171,131
Total liabilities	52,342,928	24,499,351	28,025,704	19,596,880	14,409,627	6,876,805	623,009	146,374,304
Total equity	–	–	–	–	–	–	18,442,381	18,442,381
Total liabilities and equity	52,342,928	24,499,351	28,025,704	19,596,880	14,409,627	6,876,805	19,065,390	164,816,685
Net liquidity gap	(30,274,586)	(17,835,361)	(18,845,733)	(16,209,931)	(13,018,923)	100,917,694	13,709,221	18,442,381

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 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 2018					
	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	56,837,193	27,440,620	45,626,651	28,162,572	1,584,809	159,651,845
Deposits and placements of banks and other financial institutions	5,332,302	4,086,074	221,212	–	–	9,639,588
Obligations on securities sold under repurchase agreements	791,773	3,105,697	–	–	–	3,897,470
Bills and acceptances payable	485,936	5,517	11,314	–	–	502,767
Other liabilities	4,440,166	–	–	–	–	4,440,166
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(8,034,144)	(4,205,619)	(3,896,490)	(727,391)	(1,482,113)	(18,345,757)
- Outflow	8,212,419	4,300,253	4,166,101	793,892	1,501,885	18,974,550
- Net settled derivatives	20,609	26,149	114,568	285,422	107,430	554,178
Recourse obligation on loans sold to Cagamas	–	3,791	3,853	203,848	–	211,492
Tier 2 subordinated bonds	19,147	–	2,535,118	597,466	–	3,151,731
Multi-currency Additional Tier 1 capital securities	–	–	20,520	471,961	–	492,481
Innovative Tier 1 capital securities	–	20,568	20,568	520,682	–	561,818
Total financial liabilities	68,105,401	34,783,050	48,823,415	30,308,452	1,712,011	183,732,329

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 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 2017					
	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	83,202,914	30,144,990	38,617,452	3,693,534	1,255,188	156,914,078
Deposits and placements of banks and other financial institutions	3,753,776	3,039,855	164,300	–	–	6,957,931
Obligations on securities sold under repurchase agreements	28,251	2,427,391	388,132	–	–	2,843,774
Bills and acceptances payable	297,817	26,867	2,501	–	–	327,185
Other liabilities	3,830,510	–	–	–	–	3,830,510
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(3,729,159)	(2,377,441)	(8,265,623)	(2,310,471)	(1,683,057)	(18,365,751)
- Outflow	3,770,397	2,456,719	8,757,402	2,680,188	1,705,165	19,369,871
- Net settled derivatives	25,490	27,218	165,119	391,031	66,290	675,148
Recourse obligation on loans sold to Cagamas	–	3,791	3,853	211,486	–	219,130
Tier 2 subordinated bonds	–	–	110,779	2,510,951	–	2,621,730
Innovative Tier 1 capital securities	–	20,908	20,568	561,818	–	603,294
Total financial liabilities	91,179,996	35,770,298	39,964,483	7,738,537	1,343,586	175,996,900

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 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 2018					
	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	42,832,078	22,052,579	38,274,239	27,388,084	711,595	131,258,575
Deposits and placements of banks and other financial institutions	4,684,259	3,773,428	178,392	–	–	8,636,079
Obligations on securities sold under repurchase agreements	783,126	3,087,594	–	–	–	3,870,720
Bills and acceptances payable	452,289	5,246	10,793	–	–	468,328
Other liabilities	3,724,286	–	–	–	–	3,724,286
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(7,866,195)	(4,053,926)	(3,863,512)	(727,391)	(1,482,113)	(17,993,137)
- Outflow	8,043,608	4,145,406	4,131,774	793,892	1,501,885	18,616,565
- Net settled derivatives	21,294	27,508	120,339	232,981	101,356	503,478
Recourse obligation on loans sold to Cagamas	–	3,791	3,853	203,848	–	211,492
Tier 2 subordinated bonds	–	–	2,115,971	597,466	–	2,713,437
Multi-currency Additional Tier 1 capital securities	–	–	20,520	471,961	–	492,481
Innovative Tier 1 capital securities	–	20,568	20,568	520,682	–	561,818
Total financial liabilities	52,674,745	29,062,194	41,012,937	29,481,523	832,723	153,064,122

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 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 2017	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	69,660,461	24,776,257	32,323,110	3,316,225	513,054	130,589,107
Deposits and placements of banks and other financial institutions	3,041,178	3,032,043	164,300	–	–	6,237,521
Obligations on securities sold under repurchase agreements	–	2,427,391	388,132	–	–	2,815,523
Bills and acceptances payable	284,433	26,867	2,501	–	–	313,801
Other liabilities	3,290,832	–	–	–	–	3,290,832
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(3,602,915)	(2,262,798)	(8,265,185)	(2,310,471)	(1,683,057)	(18,124,426)
- Outflow	3,642,483	2,340,137	8,756,953	2,680,188	1,705,165	19,124,926
- Net settled derivatives	24,288	31,047	169,466	371,864	38,992	635,657
Recourse obligation on loans sold to Cagamas	–	3,791	3,853	211,486	–	219,130
Tier 2 subordinated bonds	–	–	91,632	2,091,804	–	2,183,436
Innovative Tier 1 capital securities	–	20,908	20,568	561,818	–	603,294
Total financial liabilities	76,340,760	30,395,643	33,655,330	6,922,914	574,154	147,888,801

The following table presents the contractual expiry by maturity of the Group's and Bank's commitments and contingencies:

The Group 2018	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	**57,374**	**50,967**	**108,341**
Short-term self liquidating trade related contingencies	**508,048**	**–**	**508,048**
Irrevocable commitments to extend credit	**16,074,688**	**14,301,856**	**30,376,544**
Unutilised credit card lines	**6,908,565**	**–**	**6,908,565**
Total commitments and contingencies	**23,548,675**	**14,352,823**	**37,901,498**
2017			
Direct credit substitutes	31,628	50,157	81,785
Short-term self liquidating trade related contingencies	433,912	47,352	481,264
Irrevocable commitments to extend credit	16,097,927	13,257,147	29,355,074
Unutilised credit card lines	7,001,256	–	7,001,256
Total commitments and contingencies	23,564,723	13,354,656	36,919,379

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 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: (continued)

The Bank 2018	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	**50,361**	**–**	**50,361**
Short-term self liquidating trade related contingencies	**477,667**	**–**	**477,667**
Irrevocable commitments to extend credit	**14,108,380**	**10,410,497**	**24,518,877**
Unutilised credit card lines	**6,908,565**	**–**	**6,908,565**
Total commitments and contingencies	**21,544,973**	**10,410,497**	**31,955,470**
2017			
Direct credit substitutes	28,230	157	28,387
Short-term self liquidating trade related contingencies	398,680	47,352	446,032
Irrevocable commitments to extend credit	14,562,467	9,601,053	24,163,520
Unutilised credit card lines	7,001,256	–	7,001,256
Total commitments and contingencies	21,990,633	9,648,562	31,639,195

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.

(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:

	The Group 2018 RM'000	The Group 2017 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)	**7,427,607**	9,956,192
Securities purchased under resale agreements	**–**	300,880
Financial assets and investments portfolios (exclude shares, and wholesale fund):		
- Financial assets held-for-trading	**5,969,872**	5,688,165
- Financial investments available-for-sale	**24,294,684**	21,846,485
- Financial investments held-to-maturity	**14,436,458**	13,060,070
Loans, advances and financing	**128,059,105**	123,990,941
Other assets	**666,905**	1,295,179
Derivative assets	**918,067**	953,042
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	**37,901,498**	36,919,379
Total maximum credit risk exposure	**219,674,196**	214,010,333

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

	The Bank 2018 RM'000	The Bank 2017 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	**6,684,995**	9,050,170
Securities purchased under resale agreements	**–**	300,880
Financial assets and investments portfolios (exclude shares, and wholesale fund):		
- Financial assets held-for-trading	**5,619,035**	5,405,310
- Financial investments available-for-sale	**21,450,328**	19,078,547
- Financial investments held-to-maturity	**10,906,078**	10,408,259
Loans, advances and financing	**104,274,903**	102,538,550
Other assets	**591,301**	1,201,778
Amount due from subsidiaries	**43,563**	13,484
Derivative assets	**932,926**	947,583
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	**31,955,470**	31,639,195
Total maximum credit risk exposure	**182,458,599**	180,583,756

(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 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 86.08% (2017: 85.28%) and 85.92% (2017: 84.85%) respectively. The financial effects of collateral held for the remaining financial assets are insignificant.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) 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.

The credit quality of financial assets other than loans, advances and financing are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other internationals rating agencies as defined below:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Neither past due nor impaired	**120,421,480**	116,427,519	**98,499,230**	96,710,351
Past due but not impaired	**7,521,578**	7,515,545	**5,673,643**	5,787,961
Individually impaired	**1,125,502**	1,203,440	**906,233**	1,017,982
Gross loans, advances and financing	**129,068,560**	125,146,504	**105,079,106**	103,516,294
Fair value changes arising from fair value hedges	**(2,540)**	(34)	**(2,540)**	(34)
Unamortised fair value changes arising from terminated fair value hedges	**(13)**	(36)	**–**	–
Less : Allowance for impaired loans, advances and financing				
- Individual assessment allowance	**(202,176)**	(325,426)	**(179,969)**	(310,923)
- Collective assessment allowance	**(804,726)**	(830,067)	**(621,694)**	(666,787)
Net loans, advances and financing	**128,059,105**	123,990,941	**104,274,903**	102,538,550

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing (continued)

(i) Loans, advances and financing neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's and the Bank's credit grading system is as follows:

		The Group		The Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Consumer loans/financing					
Risk Grade					
Good		**87,563,208**	84,893,412	**71,404,614**	70,208,652
Weakest		**423,168**	408,017	**395,202**	395,815
		87,986,376	85,301,429	**71,799,816**	70,604,467
Corporates loans/financing					
Risk Grade	Credit Quality				
A	Exceptional	**790,832**	979,207	**376,621**	620,572
B+	Superior	**3,419,183**	3,286,343	**2,497,509**	2,107,371
B	Excellent	**4,924,645**	5,105,050	**4,166,425**	4,372,311
B-	Strong	**6,504,184**	5,987,873	**5,567,254**	5,117,836
C+	Good	**6,385,261**	5,179,776	**5,105,759**	4,451,494
C	Satisfactory	**6,507,306**	6,769,870	**5,240,671**	5,765,541
C-	Fair	**2,941,250**	2,790,420	**2,871,616**	2,759,077
D+	Adequate	**502,313**	508,591	**457,534**	426,452
D	Marginal	**163,024**	189,345	**134,668**	183,846
Un-graded		**297,106**	329,615	**281,357**	301,384
		32,435,104	31,126,090	**26,699,414**	26,105,884
Total neither past due nor impaired		**120,421,480**	116,427,519	**98,499,230**	96,710,351

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing (continued)

(ii) Loans, advances and financing past due but not impaired

A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.

Loans, advances and financing less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans, advances and financing by class to customers that were past due but not impaired were as follows:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Past due less than 30 days	**5,239,218**	5,130,954	**4,037,213**	3,978,685
Past due 30 to less than 60 days	**1,595,500**	1,667,456	**1,158,107**	1,265,428
Past due 60 to less than 90 days	**686,860**	717,135	**478,323**	543,848
Past due but not impaired	**7,521,578**	7,515,545	**5,673,643**	5,787,961

(iii) Loans, advances and financing that are determined to be impaired as at 30 June 2018 and 30 June 2017 are as follows:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gross amount of impaired loans	**1,125,502**	1,203,440	**906,233**	1,017,982
Less: Individual assessment impairment allowance	**(202,176)**	(325,426)	**(179,969)**	(310,923)
Less: Collective assessment impairment allowance	**(171,338)**	(215,618)	**(128,122)**	(170,759)
Total net amount impaired loans	**751,988**	662,396	**598,142**	536,300

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Other financial assets

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2018, based on Moody's ratings or its equivalent are as follows:

The Group 2018	Short-term funds and deposits and placements with banks and other financial institutions* RM'000	Securities purchased under resale agreements^ RM'000	Financial assets held-for-trading# RM'000	Financial investments available-for-sale# RM'000	Financial investments held-to-maturity# RM'000	Other assets RM'000	Derivative assets RM'000
Neither past due nor impaired							
AAA to AA3	**615,596**	**–**	**2,179,626**	**9,189,187**	**437,936**	**–**	**260,413**
A1 to A3	**5,834,635**	**–**	**512,023**	**2,069,712**	**–**	**–**	**319,354**
Baa1 to Baa3	**279,441**	**–**	**–**	**262,108**	**–**	**–**	**66,900**
P1 to P3	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-rated	**697,935**	**–**	**3,278,223**	**12,773,677**	**13,998,522**	**666,905**	**271,400**
	7,427,607	**–**	**5,969,872**	**24,294,684**	**14,436,458**	**666,905**	**918,067**

The amount of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

* Placements with banks and other financial institutions with no ratings mainly comprise placements with BNM.

^ Comprises securities purchased under resale agreements with local financial institutions.

Securities with no ratings consist of government securities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2017, based on Moody's ratings or its equivalent are as follows:

The Group 2017	Short-term funds and deposits and placements with banks and other financial institutions* RM'000	Securities purchased under resale agreements^ RM'000	Financial assets held-for-trading# RM'000	Financial investments available-for-sale# RM'000	Financial investments held-to-maturity# RM'000	Other assets RM'000	Derivative assets RM'000
Neither past due nor impaired							
AAA to AA3	1,894,731	–	3,055,710	6,163,966	447,600	–	136,073
A1 to A3	861,992	–	1,720,399	3,725,266	–	–	588,519
Baa1 to Baa3	580,208	–	38,888	734,692	–	–	8,177
P1 to P3	–	–	–	105,323	–	–	–
Non-rated	6,619,261	300,880	873,168	11,117,238	12,612,470	1,295,179	220,273
	9,956,192	300,880	5,688,165	21,846,485	13,060,070	1,295,179	953,042

The amount of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

* Placements with banks and other financial institutions with no ratings mainly comprise placements with BNM.

^ Comprises securities purchased under resale agreements with local financial institutions.

\# Securities with no ratings consist of government securities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2018, based on Moody's ratings or its equivalent are as follows:

	The Bank 2018							
	Short-term funds and deposits and placements with banks and other financial institutions* RM'000	Securities purchased under resale agreements^ RM'000	Financial assets held-for-trading# RM'000	Financial investments available-for-sale# RM'000	Financial investments held-to-maturity# RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000
Neither past due nor impaired								
AAA to AA3	998,700	–	1,979,816	8,551,606	437,936	–	–	250,505
A1 to A3	5,491,704	–	512,023	2,058,434	–	–	–	313,137
Baa1 to Baa3	106,245	–	–	262,108	–	–	–	66,900
P1 to P3	–	–	–	–	–	–	–	–
Non-rated	88,346	–	3,127,196	10,578,180	10,468,142	591,301	43,563	302,384
	6,684,995	–	5,619,035	21,450,328	10,906,078	591,301	43,563	932,926

The amount of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

* Placements with banks and other financial institutions with no ratings mainly comprise placements with BNM.

^ Comprises securities purchased under resale agreements with local financial institutions.

\# Securities with no ratings consist of government securities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2017, based on Moody's ratings or its equivalent are as follows:

	The Bank 2017							
	Short-term funds and deposits and placements with banks and other financial institutions* RM'000	Securities purchased under resale agreements^ RM'000	Financial assets held-for-trading# RM'000	Financial investments available-for-sale# RM'000	Financial investments held-to-maturity# RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000
Neither past due nor impaired								
AAA to AA3	1,793,058	–	2,637,224	5,277,436	447,600	–	–	136,073
A1 to A3	762,913	–	1,720,399	3,712,999	–	–	–	578,670
Baa1 to Baa3	578,647	–	38,888	734,692	–	–	–	8,177
P1 to P3	–	–	–	105,323	–	–	–	–
Non-rated	5,915,552	300,880	1,008,799	9,248,097	9,960,659	1,201,778	13,484	224,663
	9,050,170	300,880	5,405,310	19,078,547	10,408,259	1,201,778	13,484	947,583

The amount of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

* Placements with banks and other financial institutions with no ratings mainly comprise placements with BNM.

^ Comprises securities purchased under resale agreements with local financial institutions.

\# Securities with no ratings consist of government securities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Repossessed collaterals

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Industrial and residential properties, lands and automobiles	**211,505**	146,604	**182,886**	125,068

Repossed 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 repossed collaterals for its business use.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (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 2018

	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity 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	–	–	–	99,232	–	2,665,114	–	–	2,764,346	952,054	1,009
Mining and quarrying	–	–	–	40,280	–	147,534	–	–	187,814	187,379	188
Manufacturing	–	–	–	–	–	9,586,845	–	–	9,586,845	6,318,050	238,560
Electricity, gas and water	–	–	20,170	2,179,768	60,949	201,063	–	–	2,461,950	192,924	46
Construction	–	–	–	266,875	–	2,742,754	–	–	3,009,629	1,941,674	13,680
Wholesale and retail	–	–	–	39,359	–	10,581,176	–	–	10,620,535	5,101,312	258,714
Transport, storage and communications	–	–	–	320,204	–	3,332,904	–	–	3,653,108	496,715	5,528
Finance, insurance, real estate and business services	6,702,964	–	2,672,772	12,316,293	30,866	9,531,963	660,014	918,067	32,832,939	3,582,847	94,993
Government and government agencies	724,643	–	3,276,930	9,032,673	14,344,643	–	6,891	–	27,385,780	–	206
Education, health and others	–	–	–	–	–	1,728,563	–	–	1,728,563	210,314	–
Household	–	–	–	–	–	86,942,754	–	–	86,942,754	18,169,084	3,465
Others	–	–	–	–	–	598,435	–	–	598,435	132,756	–
	7,427,607	–	5,969,872	24,294,684	14,436,458	128,059,105	666,905	918,067	181,772,698	37,285,109	616,389

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (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 2017										
	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity 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	–	–	–	64,756	–	2,693,449	–	–	2,758,205	1,044,645	83
Mining and quarrying	–	–	–	43,812	–	261,228	–	–	305,040	79,247	–
Manufacturing	–	–	–	34,610	–	8,846,409	–	–	8,881,019	6,421,783	180,192
Electricity, gas and water	–	–	25,689	2,207,950	–	192,950	–	–	2,426,589	77,583	674
Construction	–	–	–	299,594	–	2,441,120	–	–	2,740,714	1,901,560	5,443
Wholesale and retail	–	–	–	65,234	–	10,228,205	–	–	10,293,439	4,969,794	235,875
Transport, storage and communications	–	–	–	416,628	–	2,932,632	–	–	3,349,260	676,862	7,395
Finance, insurance, real estate and business services	5,390,256	–	4,276,825	10,588,828	32,066	9,644,935	1,277,669	953,042	32,163,621	3,086,173	128,490
Government and government agencies	4,565,936	300,880	1,385,651	8,013,129	13,028,004	–	17,510	–	27,311,110	–	200
Education, health and others	–	–	–	–	–	1,927,915	–	–	1,927,915	248,723	–
Household	–	–	–	–	–	84,109,089	–	–	84,109,089	17,756,977	4,296
Others	–	–	–	111,944	–	713,009	–	–	824,953	92,983	401
	9,956,192	300,880	5,688,165	21,846,485	13,060,070	123,990,941	1,295,179	953,042	177,090,954	36,356,330	563,049

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (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 2018											
	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity 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	–	–	–	99,232	–	1,737,836	–	–	–	1,837,068	530,970	1,009
Mining and quarrying	–	–	–	40,280	–	108,005	–	–	–	148,285	187,064	188
Manufacturing	–	–	–	–	–	8,458,984	–	–	–	8,458,984	5,275,412	231,061
Electricity, gas and water	–	–	20,170	1,744,943	60,949	148,231	–	–	–	1,974,293	79,688	–
Construction	–	–	–	201,515	–	2,174,120	–	–	–	2,375,635	1,560,014	13,173
Wholesale and retail	–	–	–	39,359	–	9,534,675	–	–	–	9,574,034	4,525,999	230,375
Transport, storage and communications	–	–	–	315,169	–	3,184,093	–	–	–	3,499,262	411,398	3,558
Finance, insurance, real estate and business services	6,595,027	–	2,472,962	11,653,156	30,866	8,193,488	584,433	43,563	932,926	30,506,421	2,706,143	44,993
Government and government agencies	89,968	–	3,125,903	7,356,674	10,814,263	–	6,868	–	–	21,393,676	–	206
Education, health and others	–	–	–	–	–	907,090	–	–	–	907,090	192,616	–
Household	–	–	–	–	–	69,757,031	–	–	–	69,757,031	15,850,853	3,465
Others	–	–	–	–	–	71,350	–	–	–	71,350	107,285	–
	6,684,995	–	5,619,035	21,450,328	10,906,078	104,274,903	591,301	43,563	932,926	150,503,129	31,427,442	528,028

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (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 2017											
	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity 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	–	–	–	64,756	–	1,794,124	–	–	–	1,858,880	586,807	83
Mining and quarrying	–	–	–	43,812	–	209,368	–	–	–	253,180	77,926	–
Manufacturing	–	–	–	34,610	–	8,076,680	–	–	–	8,111,290	5,514,135	176,713
Electricity, gas and water	–	–	25,689	1,843,666	–	139,509	–	–	–	2,008,864	63,962	674
Construction	–	–	–	218,752	–	2,084,697	–	–	–	2,303,449	1,549,823	3,700
Wholesale and retail	–	–	–	65,234	–	9,351,160	–	–	–	9,416,394	4,504,382	212,474
Transport, storage and communications	–	–	–	267,838	–	2,483,611	–	–	–	2,751,449	615,647	5,494
Finance, insurance, real estate and business services	5,213,753	–	4,358,256	10,081,651	32,066	8,443,719	1,184,277	13,484	947,583	30,274,789	2,496,601	70,785
Government and government agencies	3,836,417	300,880	1,021,365	6,346,284	10,376,193	–	17,501	–	–	21,898,640	–	200
Education, health and others	–	–	–	–	–	1,107,227	–	–	–	1,107,227	191,541	–
Household	–	–	–	–	–	68,694,445	–	–	–	68,694,445	15,470,970	4,296
Others	–	–	–	111,944	–	154,010	–	–	–	265,954	92,982	–
	9,050,170	300,880	5,405,310	19,078,547	10,408,259	102,538,550	1,201,778	13,484	947,583	148,944,561	31,164,776	474,419

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

47 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.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2.

In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

47 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 2018 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 held-for-trading				
- Money market instrument	–	5,782,957	–	5,782,957
- Quoted securities	108,940	–	–	108,940
- Unquoted securities	–	77,975	–	77,975
Financial investments available-for-sale				
- Money market instrument	–	7,210,876	–	7,210,876
- Quoted securities	11,756,789	–	–	11,756,789
- Unquoted securities	–	12,427,759	467,512	12,895,271
Derivative financial instruments	1,221	902,970	13,876	918,067
	11,866,950	26,402,537	481,388	38,750,875
Financial Liabilities				
Derivative financial instruments	4,913	1,001,407	13,876	1,020,196
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	–	3,167,150	–	3,167,150
	4,913	4,168,557	13,876	4,187,346

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 (2017: RM Nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

47 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 2017 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 held-for-trading				
- Money market instrument	–	5,113,268	–	5,113,268
- Quoted securities	258,452	–	–	258,452
- Unquoted securities	–	316,445	–	316,445
Financial investments available-for-sale				
- Money market instrument	–	6,640,333	–	6,640,333
- Quoted securities	10,077,526	–	–	10,077,526
- Unquoted securities	–	10,481,598	454,760	10,936,358
Derivative financial instruments	18	944,456	8,568	953,042
	10,335,996	23,496,100	463,328	34,295,424
Financial Liabilities				
Derivative financial instruments	1,228	1,395,856	8,568	1,405,652
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	–	2,480,925	–	2,480,925
	1,228	3,876,781	8,568	3,886,577

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

47 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 2018 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 held-for-trading				
- Money market instrument	–	5,432,120	–	5,432,120
- Quoted securities	108,940	–	–	108,940
- Unquoted securities	–	77,975	–	77,975
Financial investments available-for-sale				
- Money market instrument	–	5,739,723	–	5,739,723
- Quoted securities	11,745,511	–	–	11,745,511
- Unquoted securities	–	11,065,834	467,512	11,533,346
Derivative financial instruments	1,221	917,829	13,876	932,926
	11,855,672	23,233,481	481,388	35,570,541
Financial Liabilities				
Derivative financial instruments	4,913	964,891	13,876	983,680
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	–	2,018,571	–	2,018,571
	4,913	2,983,462	13,876	3,002,251

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 (2017: RM Nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

47 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 2017 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 held-for-trading				
- Money market instrument	–	5,021,807	–	5,021,807
- Quoted securities	258,452	–	–	258,452
- Unquoted securities	–	125,051	–	125,051
Financial investments available-for-sale				
- Money market instrument	–	5,110,048	–	5,110,048
- Quoted securities	10,065,260	–	–	10,065,260
- Unquoted securities	–	9,256,212	454,760	9,710,972
Derivative financial instruments	18	938,997	8,568	947,583
	10,323,730	20,452,115	463,328	31,239,173
Financial Liabilities				
Derivative financial instruments	1,228	1,353,858	8,568	1,363,654
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	–	1,628,683	–	1,628,683
	1,228	2,982,541	8,568	2,992,337

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

47 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 2018	Financial Assets Financial investments available-for-sale RM'000	Financial Assets Derivative financial instruments RM'000	Financial Liability Derivative financial instruments RM'000
At 1 July	454,760	8,568	8,568
Fair value changes recognised in statements of income	–	4,672	4,672
Net fair value changes recognised in other comprehensive income	162,113	–	–
Purchases	–	6,672	6,672
Settlements	–	(6,036)	(6,036)
Disposal	(149,361)	–	–
At 30 June	467,512	13,876	13,876
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2018	–	4,672	4,672
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	162,113	–	–

The Bank 2018	Financial Assets Financial investments available-for-sale RM'000	Financial Assets Derivative financial instruments RM'000	Financial Liability Derivative financial instruments RM'000
At 1 July	454,760	8,568	8,568
Fair value changes recognised in statements of income	–	4,672	4,672
Net fair value changes recognised in other comprehensive income	162,113	–	–
Purchases	–	6,672	6,672
Settlements	–	(6,036)	(6,036)
Disposal	(149,361)	–	–
At 30 June	467,512	13,876	13,876
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2018	–	4,672	4,672
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	162,113	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

47 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 2017	Financial Assets: Financial investments available-for-sale RM'000	Financial Assets: Derivative financial instruments RM'000	Financial Liability: Derivative financial instruments RM'000
At 1 July	427,328	7,995	7,995
Fair value changes recognised in statements of income	–	7,297	7,297
Net fair value changes recognised in other comprehensive income	31,814	–	–
Purchases	–	7,582	7,582
Settlements	–	(14,306)	(14,306)
Disposal	(53)	–	–
Transfer out from Level 3	(4,329)	–	–
At 30 June	454,760	8,568	8,568
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2017	–	7,297	7,297
Total gain recognised in other comprehensive income relating to assets held on 30 June 2017	31,814	–	–

The Bank 2017	Financial Assets: Financial investments available-for-sale RM'000	Financial Assets: Derivative financial instruments RM'000	Financial Liability: Derivative financial instruments RM'000
At 1 July	427,328	7,995	7,995
Fair value changes recognised in statements of income	–	7,297	7,297
Net fair value changes recognised in other comprehensive income	31,814	–	–
Purchases	–	7,582	7,582
Settlements	–	(14,306)	(14,306)
Disposal	(53)	–	–
Transfer out from Level 3	(4,329)	–	–
At 30 June	454,760	8,568	8,568
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2017	–	7,297	7,297
Total gain recognised in other comprehensive income relating to assets held on 30 June 2017	31,814	–	–

During the financial year ended 30 June 2017, the Group and the Bank transferred certain financial instruments (mainly shares outside Malaysia) from Level 3 to Level 2 of the fair value hierarchy. The reason for the transfer was due to upliftment of conversion restriction whereby certain shares are now convertible to Class A shares which are currently listed on the New York Stock Exchange. Thus, these shares can now be reliably measured based on observable inputs under Level 2.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	The Group and the Bank Fair value assets RM'000	The Group and the Bank Fair value liabilities RM'000	Valuation technique(s)	Unobservable input	Range (weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
2018						
Financial investments available-for-sale						
Unquoted shares	**467,512**	**–**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
			Monte Carlo Simulation	Equity volatility	+1% to +8%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
Equity derivatives	**13,876**	**(13,876)**				
			Monte Carlo Simulation	Equity/FX Correlation between underlyers	-19% to +18%	An increase in correlation, would generally result in a higher fair value measurement and vice versa
2017						
Financial investments available-for-sale						
Unquoted shares	454,760	–	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
			Monte Carlo Simulation	Equity volatility	+3% to +37%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
Equity derivatives	8,568	(8,568)				
			Monte Carlo Simulation	Equity/FX Correlation between underlyers	-10% to +60%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Sensitivity analysis for Level 3

The Group and the Bank 2018	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Statements of income Favourable/(Unfavourable) changes RM'000
Financial assets			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	**1,084**
		-10%	**(1,113)**
	Equity/FX Correlation	+10%	**40**
		-10%	**(14)**
	Total*		**(3)**
Financial liabilities			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	**(1,084)**
		-10%	**1,113**
	Equity/FX Correlation	+10	**(40)**
		-10%	**14**
	Total*		**3**

* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.

The Group and the Bank 2017	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Statements of income Favourable/(Unfavourable) changes RM'000
Financial assets			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	514
		-10%	(529)
	Equity/FX Correlation	+10%	95
		-10%	(122)
	Total*		(42)
Financial liabilities			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	(514)
		-10%	529
	Equity/FX Correlation	+10	(95)
		-10%	122
	Total*		42

* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

47 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:

	2018		2017	
The Group	**Carrying Amount RM'000**	**Fair Value RM'000**	**Carrying Amount RM'000**	**Fair Value RM'000**
Financial Assets				
Financial investments held-to-maturity				
- Money market	**12,708,356**	**12,578,559**	12,059,374	11,998,585
- Unquoted securities	**1,728,589**	**1,704,579**	1,001,230	998,129
Loans, advances and financing	**128,059,105**	**128,173,423**	123,990,941	124,086,471
	142,496,050	**142,456,561**	137,051,545	137,083,185
Financial Liabilities				
Deposits from customers				
- At amortised cost	**154,246,945**	**154,653,657**	152,752,280	153,554,117
Recourse obligation on loans sold to Cagamas	**202,952**	**201,829**	202,926	201,195
Tier 2 subordinated bonds	**2,902,908**	**2,907,243**	2,402,145	2,398,710
Multi-currency Additional Tier 1 capital securities	**401,192**	**406,003**	–	–
Innovative Tier 1 capital securities	**512,352**	**533,665**	515,623	550,590
	158,266,349	**158,702,397**	155,872,974	156,704,612

The Bank				
Financial Assets				
Financial investments held-to-maturity				
- Money market	**9,790,600**	**9,683,606**	9,662,488	9,612,915
- Unquoted securities	**1,115,965**	**1,104,374**	746,305	750,427
Loans, advances and financing	**104,274,903**	**104,278,792**	102,538,550	102,523,943
	115,181,468	**115,066,772**	112,947,343	112,887,285
Financial Liabilities				
Deposits from customers				
- At amortised cost	**127,564,854**	**127,887,723**	128,230,720	128,980,028
Recourse obligation on loans sold to Cagamas	**202,952**	**201,829**	202,926	201,195
Tier 2 subordinated bonds	**2,502,278**	**2,506,283**	2,001,642	1,997,750
Multi-currency Additional Tier 1 capital securities	**401,192**	**406,003**	–	–
Innovative Tier 1 capital securities	**512,352**	**533,665**	515,623	550,590
	131,183,628	**131,535,503**	130,950,911	131,729,563

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

47 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 2018 but for which fair value is disclosed:

	The Group 2018			
	Carrying Amount RM'000	Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial Assets				
Financial investments held-to-maturity				
- Money market	12,708,356	–	12,578,559	–
- Unquoted securities	1,728,589	–	1,704,093	486
Loans, advances and financing	128,059,105	–	128,173,423	–
	142,496,050	–	142,456,075	486
Financial Liabilities				
Deposits from customers				
- At amortised cost	154,246,945	–	154,653,657	–
Recourse obligation on loans sold to Cagamas	202,952	–	201,829	–
Tier 2 subordinated bonds	2,902,908	–	2,907,243	–
Multi-currency Additional Tier 1 capital securities	401,192	–	406,003	–
Innovative Tier 1 capital securities	512,352	–	533,665	–
	158,266,349	–	158,702,397	–

	The Bank 2018			
	Carrying Amount RM'000	Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial Assets				
Financial investments held-to-maturity				
- Money market	9,790,600	–	9,683,606	–
- Unquoted securities	1,115,965	–	1,103,888	486
Loans, advances and financing	104,274,903	–	104,278,792	–
	115,181,468	–	115,066,286	486
Financial Liabilities				
Deposits from customers				
- At amortised cost	127,564,854	–	127,887,723	–
Recourse obligation on loans sold to Cagamas	202,952	–	201,829	–
Tier 2 subordinated bonds	2,502,278	–	2,506,283	–
Multi-currency Additional Tier 1 capital securities	401,192	–	406,003	–
Innovative Tier 1 capital securities	512,352	–	533,665	–
	131,183,628	–	131,535,503	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

47 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 2017 but for which fair value is disclosed: (continued)

	The Group 2017			
	Carrying Amount RM'000	Level 1 RM'000	Fair Value Level 2 RM'000	Level 3 RM'000
Financial Assets				
Financial investments held-to-maturity				
- Money market	12,059,374	–	11,998,585	–
- Unquoted securities	1,001,230	–	997,594	535
Loans, advances and financing	123,990,941	–	124,086,471	–
	137,051,545	–	137,082,650	535
Financial Liabilities				
Deposits from customers				
- At amortised cost	152,752,280	–	153,554,117	–
Recourse obligation on loans sold to Cagamas	202,926	–	201,195	–
Tier 2 subordinated bonds	2,402,145	–	2,398,710	–
Innovative Tier 1 capital securities	515,623	–	550,590	–
	155,872,974	–	156,704,612	–

	The Bank 2017			
	Carrying Amount RM'000	Level 1 RM'000	Fair Value Level 2 RM'000	Level 3 RM'000
Financial Assets				
Financial investments held-to-maturity				
- Money market	9,662,488	–	9,612,915	–
- Unquoted securities	746,305	–	749,892	535
Loans, advances and financing	102,538,550	–	102,523,943	–
	112,947,343	–	112,886,750	535
Financial Liabilities				
Deposits from customers				
- At amortised cost	128,230,720	–	128,980,028	–
Recourse obligation on loans sold to Cagamas	202,926	–	201,195	–
Tier 2 subordinated bonds	2,001,642	–	1,997,750	–
Innovative Tier 1 capital securities	515,623	–	550,590	–
	130,950,911	–	131,729,563	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

47 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.

Securities held at fair value through profit or loss, available-for-sale and held-to-maturity

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.

Subordinated obligations and capital securities

The fair value of subordinated obligations and capital securities are based on quoted market prices where available.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value methodologies and assumptions (continued)

Other financial assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive to sell or pay to transfer the contracts at the date of statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

48 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	Gross amount set off 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	Gross amount set off 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 2018												
Financial assets												
Derivatives	930,488	(12,421)	918,067	(393,649)	(169,232)	355,186	945,347	(12,421)	932,926	(391,418)	(169,232)	372,276
Reverse repurchase agreements	506,825	(506,825)	–	–	–	–	506,825	(506,825)	–	–	–	–
Total	1,437,313	(519,246)	918,067	(393,649)	(169,232)	355,186	1,452,172	(519,246)	932,926	(391,418)	(169,232)	372,276
Financial liabilities												
Derivatives	1,032,617	(12,421)	1,020,196	(393,649)	(191,852)	434,695	996,101	(12,421)	983,680	(391,418)	(191,852)	400,410
Repurchase agreements	4,338,694	(506,825)	3,831,869	(3,831,869)	–	–	4,311,944	(506,825)	3,805,119	(3,805,119)	–	–
Total	5,371,311	(519,246)	4,852,065	(4,225,518)	(191,852)	434,695	5,308,045	(519,246)	4,788,799	(4,196,537)	(191,852)	400,410

48 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	Gross amount set off 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	Gross amount set off 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 2017												
Financial assets												
Derivatives	968,058	(15,016)	953,042	(478,314)	(195,431)	279,297	962,599	(15,016)	947,583	(476,176)	(195,431)	275,976
Reverse repurchase agreements	807,536	(506,656)	300,880	(300,880)	–	–	807,536	(506,656)	300,880	(300,880)	–	–
Total	1,775,594	(521,672)	1,253,922	(779,194)	(195,431)	279,297	1,770,135	(521,672)	1,248,463	(777,056)	(195,431)	275,976
Financial liabilities												
Derivatives	1,420,668	(15,016)	1,405,652	(478,314)	(627,257)	300,081	1,378,670	(15,016)	1,363,654	(476,176)	(627,257)	260,221
Repurchase agreements	3,336,273	(506,656)	2,829,617	(2,829,617)	–	–	3,308,022	(506,656)	2,801,366	(2,801,366)	–	–
Total	4,756,941	(521,672)	4,235,269	(3,307,931)	(627,257)	300,081	4,686,692	(521,672)	4,165,020	(3,277,542)	(627,257)	260,221

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

49 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 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. 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 2018 are 6.375%, 7.875% and 9.875% respectively.

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	
	2018	2017	2018	2017
Before deducting proposed dividends				
CET I capital ratio	**13.113%**	13.788%	**12.545%**	13.078%
Tier I capital ratio	**13.797%**	14.193%	**12.997%**	13.556%
Total capital ratio	**16.752%**	16.280%	**16.301%**	15.997%
After deducting proposed dividends				
CET I capital ratio	**12.614%**	13.286%	**11.949%**	12.486%
Tier I capital ratio	**13.298%**	13.691%	**12.401%**	12.964%
Total capital ratio	**16.253%**	15.779%	**15.706%**	15.405%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

49 CAPITAL ADEQUACY (CONTINUED)

(b) The components of CET 1, Tier I and Tier II capital under the revised Capital Components Framework are as follows:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CET I capital				
Paid-up share capital	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Retained profits	**15,184,533**	13,560,582	**11,212,525**	10,245,205
Other reserves	**868,134**	1,265,223	**298,837**	422,954
Less: Treasury shares	**(732,267)**	(733,961)	**(732,267)**	(733,961)
Less: Deferred tax assets	**(53,067)**	(4,851)	**(47,908)**	–
Less: Other intangible assets	**(152,541)**	(213,323)	**(137,166)**	(194,870)
Less: Goodwill	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)
Less : Investment in subsidiary companies/ associated company/joint venture	**(3,830,517)**	(2,908,861)	**(2,778,569)**	(2,148,516)
Total CET I capital	**17,192,026**	16,872,560	**13,782,968**	13,558,328
Additional Tier I capital				
Multi-currency Additional Tier-1 capital securities	**399,393**	–	**399,393**	–
Innovative Tier I capital securities	**497,562**	495,778	**497,562**	495,778
Additional Tier I capital before regulatory adjustments	**896,955**	495,778	**896,955**	495,778
Less : Investment in Additional Tier 1 perpetual surbordinated sukuk wakalah	**–**	–	**(400,000)**	–
Total additional Tier I capital	**896,955**	495,778	**496,955**	495,778
Total Tier I capital	**18,088,981**	17,368,338	**14,279,923**	14,054,106
Tier II capital				
Collective assessment allowance^ and regulatory reserves#	**1,375,082**	1,281,686	**1,130,670**	1,067,705
Subordinated bonds	**2,499,820**	1,999,723	**2,499,820**	1,999,723
Tier II capital before regulatory adjustments	**3,874,902**	3,281,409	**3,630,490**	3,067,428
Less : Investment in subsidiary companies/ associated company/joint venture	**–**	(727,215)	**–**	(537,129)
Total Tier II capital	**3,874,902**	2,554,194	**3,630,490**	2,530,299
Total capital	**21,963,883**	19,922,532	**17,910,413**	16,584,405

^ Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM741,694,000 (2017: RM667,238,000) and RM637,098,000 (2017: RM571,678,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

49 CAPITAL ADEQUACY (CONTINUED)

(c) The breakdown of RWA by each major risk category is as follows:

	The Group		The Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Credit risk	**118,853,998**	111,299,987	**98,504,099**	93,397,418
Market risk	**3,850,444**	3,115,525	**4,140,291**	3,340,119
Operational risk	**8,403,939**	7,958,340	**7,226,134**	6,934,552
Total RWA	**131,108,381**	122,373,852	**109,870,524**	103,672,089

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	2018	2017
Before deducting proposed dividends		
CET I capital ratio	**10.461%**	10.622%
Tier I capital ratio	**12.404%**	10.622%
Total capital ratio	**15.477%**	13.946%
After deducting proposed dividends		
CET I capital ratio	**10.461%**	10.622%
Tier I capital ratio	**12.404%**	10.622%
Total capital ratio	**15.477%**	13.946%

50 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, Associate, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

50 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
2018							
Revenue							
- external	2,610,192	685,968	1,352,599	235,723	198,853	(243,770)	4,839,565
- inter-segment ^	(56,665)	454,651	(775,811)	–	377,825	–	–
Segment revenue	2,553,527	1,140,619	576,788	235,723	576,678	(243,770)	4,839,565
Overhead expenses of which:	(1,359,981)	(317,197)	(109,178)	(198,134)	(64,346)	(11,613)	(2,060,449)
Depreciation of property and equipment	53,799	4,851	13,333	9,454	39,233	142	120,812
Amortisation of intangible assets	9,977	1,672	1,199	3,258	55,735	–	71,841
(Allowance for)/ write-back of allowance for impairment losses on loans, advances and financing	(74,930)	979	–	15,298	(17,998)	–	(76,651)
Write-back of impairment losses on financial investments	–	6,381	542	208	–	–	7,131
Share of results of associated company	–	–	–	516,111	–	–	516,111
Share of results in joint venture	–	–	–	20,548	–	–	20,548
Segment results	1,118,616	830,782	468,152	589,754	494,334	(255,383)	3,246,255
Taxation							(608,177)
Net profit for the financial year							2,638,078
Segment assets	90,642,621	31,235,152	57,564,956	13,414,023	–	–	192,856,752
Unallocated assets							10,034,021
Total assets							202,890,773
Segment liabilities	93,547,364	39,191,881	31,436,788	12,450,549	–	–	176,626,582
Unallocated liabilities							2,371,932
Total liabilities							178,998,514
Other significant segment items							
Capital expenditure	60,281	17,062	2,198	5,354	51,131	–	136,026

^ 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 2018

50 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
2017							
Revenue							
- external	2,574,044	681,259	1,275,147	233,649	40,471	(253,921)	4,550,649
- inter-segment ^	(48,016)	413,286	(754,687)	–	389,417	–	–
Segment revenue	2,526,028	1,094,545	520,460	233,649	429,888	(253,921)	4,550,649
Overhead expenses	(1,328,744)	(296,655)	(111,135)	(198,783)	(73,676)	1,470	(2,007,523)
of which:							
Depreciation of property and equipment	48,635	4,300	10,771	8,286	19,343	142	91,477
Amortisation of intangible assets	10,217	1,668	1,194	3,082	58,308	–	74,469
(Allowance for)/ write-back of allowance for impairment losses on loans, advances and financing	(77,432)	(84,879)	–	1,152	–	–	(161,159)
Write-back of/ (allowance for) impairment losses on financial investments	–	5,375	(3,376)	223	–	–	2,222
Share of results of associated company	–	–	–	342,910	–	–	342,910
Share of results in joint venture	–	–	–	21,153	–	–	21,153
Segment results	1,119,852	718,386	405,949	400,304	356,212	(252,451)	2,748,252
Taxation							(603,236)
Net profit for the financial year							2,145,016
Segment assets	87,715,416	30,023,755	55,644,489	12,140,376	–	–	185,524,036
Unallocated assets							10,028,486
Total assets							195,552,522
Segment liabilities	91,573,091	40,001,306	27,676,608	11,188,959	–	–	170,439,964
Unallocated liabilities							2,427,145
Total liabilities							172,867,109
Other significant segment items							
Capital expenditure	52,546	11,184	3,757	22,347	87,823	–	177,657

^ 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 2018

50 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
2018				
Malaysia	**4,603,842**	**189,474,863**	**166,531,761**	**130,672**
Overseas operations	**235,723**	**13,415,910**	**12,466,753**	**5,354**
	4,839,565	**202,890,773**	**178,998,514**	**136,026**
2017				
Malaysia	4,317,000	183,407,294	161,678,150	155,311
Overseas operations	233,649	12,145,228	11,188,959	22,346
	4,550,649	195,552,522	172,867,109	177,657

51 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 2 November 2017, Hong Leong Investment Bank Berhad, on behalf of the Bank, lodged with Securities Commission Malaysia a multi-currency Additional Tier 1 capital securities programme for the issuance of Additional Tier 1 capital securities ("Capital Securities") of up to RM10.0 billion (or its equivalent in other currencies) in nominal value ("AT1 Programme").

Proceeds from issuances under the AT1 Programme shall be utilised, without limitation, for on-lending to the Bank's subsidiaries, for investment into the Bank's subsidiaries, for working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing financing obligations of the Bank and/or any existing Capital Securities issued under the AT1 Programme.

The AT1 Programme has been assigned an A1 rating by RAM Rating Services Berhad.

The Capital Securities are intended to qualify as Additional Tier 1 capital for the Bank pursuant to the Capital Adequacy Framework (Capital Components) issued by BNM on 4 August 2017 and as updated from time to time ("New CA Framework"), and to qualify as the consolidated Additional Tier 1 capital of Hong Leong Financial Group Berhad under the New CA Framework. Approval from BNM for the establishment of the AT1 Programme was obtained on 15 September 2017 (upon terms and conditions therein contained).

(b) On 31 January 2018, our associated company, 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%.

(c) On 25 June 2018, the Bank issued a second tranche of RM500.0 million nominal value of 10-years 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

51 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(d) Pursuant to Section 247(3) of the Companies Act 2016, the Companies Commission of Malaysia had on 5 July 2018 granted its approval for HLBVN, a wholly-owned subsidiary of the Bank incorporated in the Socialist Republic of Vietnam, to have a different financial year end from its holding company. The financial year end of HLBVN is 31 December as required under the Law on Credit Institutions of Vietnam.

(e) Pursuant to Section 247(3) of the Companies Act 2016, the Companies Commission of Malaysia had on 5 July 2018 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.

52 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.

53 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

53 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(i) ESOS

The ESOS which was approved by the shareholders of the Bank on 25 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

On 18 September 2012, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the ESOS.

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

The main features of the ESOS are, inter alia, as follows:

1. The option price for the options to be granted under the ESOS shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Bank preceding the Date of Offer as defined by the ESS Bye-Laws, and shall in no event be less than the par value of the shares of the Bank.

2. The options granted to an option holder under the ESOS is exercisable by the option holder during his employment or directorship with the HLB Group and upon meeting the vesting conditions of each ESOS plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.

During the financial year ended 30 June 2018, 22,750,000 (2017: Nil) share options have been granted under the ESOS with 29,624,263 (2017: 16,853,460) options remain outstanding. The options granted are subject to the achievement of certain performance criteria by the option holders over a performance period concluding at the end of the financial year ending 30 June 2019 ("FY 2019"). The achievement of the performance targets and the number of shares (if any) to be vested shall be determined at the end of FY 2019. The exercise period of the vested options will be up to the 30th month from the vesting date to be determined at the end of FY 2019.

The ordinary share options of the Bank granted under the ESOS that are still outstanding for the financial year ended 30 June 2018 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):

2018 Grant date	Expiry date	As at 1-Jul-17	Adjustment for rights issue	Expired	Forfeited	Exercised	Outstanding As at 30-Jun-18	Exercisable As at 30-Jun-18
2 April 2015	31 December 2018	**6,741,384**	–	–	**(2,791,679)**	–	**3,949,705**	–
2 April 2015	31 December 2019	**6,741,384**	–	–	**(2,791,679)**	–	**3,949,705**	–
2 April 2015	31 December 2020	**3,370,692**	–	–	**(1,395,839)**	–	**1,974,853**	–
		16,853,460	–	–	**(6,979,197)**	–	**9,874,263**	–

2017 Grant date	Expiry date	As at 1-Jul-16	Adjustment for rights issue	Expired	Forfeited	Exercised	Outstanding As at 30-Jun-17	Exercisable As at 30-Jun-17
2 April 2015	31 December 2018	8,705,898	–	–	(1,964,514)	–	6,741,384	–
2 April 2015	31 December 2019	8,705,898	–	–	(1,964,514)	–	6,741,384	–
2 April 2015	31 December 2020	4,352,950	–	–	(982,258)	–	3,370,692	–
		21,764,746	–	–	(4,911,286)	–	16,853,460	–

On 30 November 2015 ("modified grant date"), the options exercise price was adjusted and additional share options of 782,657 were granted due to the rights issue exercise pursuant to the ESS Bye-Laws.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

53 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(i) ESOS (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:

	Before Rights Issue	After Rights Issue
Fair value of share options (RM)	1.42-1.67	1.62-1.85
Share price at grant date/modified grant date (RM)	14.30	13.56
Exercise price (RM)	14.24	13.77
Weighted average option life at grant date/modified grant date (Years)	4.55	3.89
Expected volatility (%)	11.74	12.21
Weighted average dividend yield (%)	3.29	3.37
Weighted average risk free rate (%)	3.77	4.01

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 3.75 to 5.75 years from grant date. The weighted average remaining option life as at 30 June 2018 is 1.30 years.

The ordinary share options of the Bank granted under the ESOS that are still outstanding for the financial year ended 30 June 2018 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:

	After Rights Issue
Fair value of share options (RM)	1.19-1.48
Share price at grant date/modified grant date (RM)	13.56
Exercise price (RM)	13.77
Weighted average option life at grant date (Years)	3.89
Expected volatility (%)	12.21
Weighted average dividend yield (%)	3.37
Weighted average risk free rate (%)	4.01

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 to 3.09 to 5.10 years from grant date. The weighted average remaining option life as at 30 June 2018 is 1.30 years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

53 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(i) ESOS (continued)

(B) 22,750,000 share options at an exercise price of RM16.46:

2018							Outstanding	Exercisable
		As at					As at	As at
Grant date	Expiry date	1-Jul-17	Granted	Expired	Forfeited	Exercised	30-Jun-18	30-Jun-18
30 March 2018	31 August 2019	–	2,730,000	–	(360,000)	–	2,370,000	–
30 March 2018	31 August 2020	–	2,730,000	–	(360,000)	–	2,370,000	–
30 March 2018	31 August 2021	–	1,365,000	–	(180,000)	–	1,185,000	–
30 March 2018	31 August 2021	–	6,370,000	–	(840,000)	–	5,530,000	–
30 March 2018	31 August 2022	–	6,370,000	–	(840,000)	–	5,530,000	–
30 March 2018	31 August 2023	–	3,185,000	–	(420,000)	–	2,765,000	–
		–	22,750,000	–	(3,000,000)	–	19,750,000	–

The estimated fair value of each share option granted is between RM3.15 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 3.6 years, exercise price of RM16.46, expected volatility of 17.94%, weighted average expected dividend yield of 2.15% and a weighted average risk free interest rate of 3.84%.

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 1.25 to 5.25 years from grant date.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

53 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(ii) ESGS (continued)

(A) 696,946 ordinary shares at date of grant:

2018

Grant date	Vesting date	As at 1-Jul-17	Granted	Expired	Forfeited	Exercised	Outstanding As at 30-Jun-18	Exercisable As at 30-Jun-18
23 November 2016	28 February 2017	–	–	–	–	–	–	–
23 November 2016	28 February 2018	**229,992**	–	–	–	**(229,992)**	–	–
23 November 2016	28 February 2019	**181,205**	–	–	–	–	**181,205**	–
23 November 2016	28 February 2020	**139,391**	–	–	–	–	**139,391**	–
		550,588	–	–	–	**(229,992)**	**320,596**	–

2017

Grant date	Vesting date	As at 1-Jul-16	Granted	Expired	Forfeited	Exercised	Outstanding As at 30-Jun-17	Exercisable As at 30-Jun-17
23 November 2016	28 February 2017	–	146,358	–	–	(146,358)	–	–
23 November 2016	28 February 2018	–	229,992	–	–	–	229,992	–
23 November 2016	28 February 2019	–	181,205	–	–	–	181,205	–
23 November 2016	28 February 2020	–	139,391	–	–	–	139,391	–
		–	696,946	–	–	(146,358)	550,588	–

During the financial year ended 30 June 2018, a total of 229,992 ordinary shares were vested and transferred pursuant to the Bank's ESGS with 643,176 ordinary shares remain outstanding.

(B) 322,580 ordinary shares at date of grant:

2018

Grant date	Vesting date	As at 1-Jul-17	Granted	Expired	Forfeited	Exercised	Outstanding As at 30-Jun-18	Exercisable As at 30-Jun-18
18 December 2017	31 January 2020	–	**161,290**	–	–	–	**161,290**	–
18 December 2017	31 January 2021	–	**161,290**	–	–	–	**161,290**	–
		–	**322,580**	–	–	–	**322,580**	–

During the financial year ended 30 June 2018, an additional 322,580 ordinary shares have been granted on 18 December 2017 to an eligible executive of the Bank.

During the financial year ended 30 June 2018, the Group and the Bank had recognised share-based compensation expense arising from ESS amounting to RM11.2 million (2017: RM10.3 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

53 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			
	2018		2017	
	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	**40,787**	**742,323**	41,017	642,326

54 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 impairment losses on loans, advances and financing

It is the policy of the Group and the Bank to review their loans/financing portfolios and establish, through charges against profit, individual and collective assessment impairment allowances in respect of estimated and inherent credit losses in their portfolio.

In determining individual assessment impairment allowances for loans/financing above the set threshold, management considers objective evidence of impairment and exercises judgement in estimating cash flows and collateral value. Judgement is made in estimating the amount and timing of future cash flows in assessing allowance for impairment of financial assets. Among the factors considered are the net realisable value of the underlying collateral value, the viability of the customer's business model and the capacity to generate sufficient cash flow to service debt obligations.

55 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 19 September 2018.

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Kong Khoon and Lim Lean See, 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 128 to 274 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 2018 and financial performance 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

LIM LEAN SEE

Kuala Lumpur
19 September 2018

STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Foong Pik Yee, 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 128 to 274 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 Foong Pik Yee at	)	
Kuala Lumpur in Wilayah Persekutuan on	)	
19 September 2018	)	**FOONG PIK YEE**

Before me,

TAN SEOK KETT
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 2018, and of their financial performance and their cash flows for the 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 2018 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 128 to 274.

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' Code of Ethics for Professional Accountants ("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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONG LEONG BANK BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current 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 Refer to Note N(i) of the summary of significant accounting policies, and Notes 8, 35 and 54 to the financial statements. We focused on this area due to the size of the carrying value of loans, advances and financing, which represented 63.1% of total assets. In addition, impairment is a highly subjective area as the Group makes significant judgements on the following areas: Where the loans, advances and financing are individually assessed for impairment, the Group made subjective estimate on the timing of recognition of impairment and the estimation of the impairment loss. Where the loans, advances and financing are assessed for impairment on a collective basis, the Group made subjective estimate on the assumptions used in the loss models.	We understood and tested management's key controls over impairment of loans, advances and financing surrounding the following: - Identification of occurrence of loss events for individually assessed accounts, being the point of classification as impaired; - Collateral valuation process including assessment of panel valuer as collateral value is one of the key inputs in determination of the recoverable amount for secured accounts; - Accuracy of internal credit risk ratings, month-in-arrears data and extraction of these data inputs from source systems which formed the basis of assumptions used in deriving probability of default ("PD") for collective assessment; - Collection of historical loss data which formed the basis of assumptions used in deriving loss given default ("LGD") for collective assessment; and - Calculation of collective impairment allowance based on loss models and posting of model results to general ledger. We noted no significant exceptions based on the testing performed on these relevant controls. <u>Individual assessment</u> We tested samples of accounts where payment defaults have not occurred to check if these included any impairment indicators not identified by management. Our selection basis focused on loans, advances and financing identified by management as having lower credit quality, rescheduled and restructured, and borrowers with exposures in oil and gas, ship building and wholesale and retail trade industry. For accounts where impairment loss was recognised, we tested a sample of these accounts and checked whether objective evidence of impairment had been appropriately identified by management in the appropriate period. Where an impairment event has been identified, we checked the measurement of the impairment loss to future cash flow and evidence from past experience. We noted that certain individually assessed accounts had recorded impairment allowance which was different from our testing results. However these differences are not material in the context of the overall financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HONG LEONG BANK BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
	Collective assessment Our work to test the impairment calculations on a collective basis comprised the following: - On a sample basis, we tested completeness and accuracy of data inputs, particularly borrowers' internal credit risk ratings and months-in-arrears data used to derive PD statistics and recoveries data used to derive LGD rates; - Re-performed, on a sample basis, the calculation of collective impairment and checked the posting of model results to general ledger; and - Understood the basis used by the management to determine the key assumptions used in deriving the PD and LGD. Based on the procedures performed, the outcome of our independent testing results were not significantly different to the Directors' collective impairment estimation.

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:

• Chairman's Statement
• Group Managing Director/ Chief Executive Officer's Review
• Management Discussion & Analysis
• Five Year Group Financial Highlights
• Sustainability Statement
• Board Audit Committee Report
• Board Risk Management Committee Report
• Corporate Governance, Risk Management & Internal Control
• Directors' Report
• Basel II Pillar 3 Disclosures

Other information does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONG LEONG BANK BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or 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.

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)

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 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

NG YEE LING
03032/01/2019 J
Chartered Accountant

Kuala Lumpur
19 September 2018

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

1. INTRODUCTION

This document discloses Hong Leong Bank Berhad ("HLB" or "the Bank") and its banking subsidiaries ("the Group") risk profile, risk management practices in accordance with the disclosure requirements as outlined in the 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 which 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 Countercyclical 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. 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 2018 are 6.375%, 7.875% and 9.875% respectively.

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 the computation of Operational Risk in deriving the risk-weighted assets.

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 capital adequacy ratios of the Bank and the Group are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components).

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 by undertaking stress tests and taking into account the levels and trend of material risks. The sufficiency of capital is assessed against various risks in the balance sheet as well as future capital requirements based on the Group's expansion plans.

The Group has also formalised an overall capital management framework, 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 2018. BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) sets out the minimum capital adequacy ratios for the banking institutions and the methodology for calculating these ratios. As at 30 June 2018, 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 24, Note 25 and Note 26 to the financial statements.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group		The Bank	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Before deducting proposed dividends				
CET I capital ratio	**13.113%**	13.788%	**12.545%**	13.078%
Tier I capital ratio	**13.797%**	14.193%	**12.997%**	13.556%
Total capital ratio	**16.752%**	16.280%	**16.301%**	15.997%
After deducting proposed dividends				
CET I capital ratio	**12.614%**	13.286%	**11.949%**	12.486%
Tier I capital ratio	**13.298%**	13.691%	**12.401%**	12.964%
Total capital ratio	**16.253%**	15.779%	**15.706%**	15.405%

(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 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
CET I capital				
Paid-up share capital	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Retained profits	**15,184,533**	13,560,582	**11,212,525**	10,245,205
Other reserves	**868,134**	1,265,223	**298,837**	422,954
Less: Treasury shares	**(732,267)**	(733,961)	**(732,267)**	(733,961)
Less: Deferred tax assets	**(53,067)**	(4,851)	**(47,908)**	-
Less: Other intangible assets	**(152,541)**	(213,323)	**(137,166)**	(194,870)
Less: Goodwill	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)
Less: Investment in subsidiary companies/ associated company/joint venture	**(3,830,517)**	(2,908,861)	**(2,778,569)**	(2,148,516)
Total CET I capital	**17,192,026**	16,872,560	**13,782,968**	13,558,328
Additional Tier I capital				
Multi-currency Additional Tier-1 capital securities	**399,393**	-	**399,393**	-
Innovative Tier I capital securities	**497,562**	495,778	**497,562**	495,778
Additional Tier I capital before regulatory adjustments	**896,955**	495,778	**896,955**	495,778
Less: Investments in Additional Tier 1 perpetual surbordinated sukuk wakalah	**-**	-	**(400,000)**	-
Additional Tier I capital after regulatory adjustments	**896,955**	495,778	**496,955**	495,778
Total Tier I capital	**18,088,981**	17,368,338	**14,279,923**	14,054,106

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(b) The components of CET I, Tier I and Tier II capital under the revised Capital Components Framework are as follows: (continued)

	The Group		The Bank	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Tier II capital				
Collective assessment allowance^ and regulatory reserves#	**1,375,082**	1,281,686	**1,130,670**	1,067,705
Subordinated bonds	**2,499,820**	1,999,723	**2,499,820**	1,999,723
Tier II capital before regulatory adjustments	**3,874,902**	3,281,409	**3,630,490**	3,067,428
Less: Investment in subsidiary companies/ associated company/joint venture	**-**	(727,215)	-	(537,129)
Total Tier II capital	**3,874,902**	2,554,194	**3,630,490**	2,530,299
Total Capital	**21,963,883**	19,922,532	**17,910,413**	16,584,405

^ Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM741,694,000 (2017: RM667,238,000) and RM637,098,000 (2017: RM571,678,000) respectively.

(c) The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

	The Group		The Bank	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Credit risk	**118,853,998**	111,299,987	**98,504,099**	93,397,418
Market risk	**3,850,444**	3,115,525	**4,140,291**	3,340,119
Operational risk	**8,403,939**	7,958,340	**7,226,134**	6,934,552
Total RWA	**131,108,381**	122,373,852	**109,870,524**	103,672,089

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	30 June 2018	30 June 2017
Before deducting proposed dividends		
CET I capital ratio	**10.461%**	10.622%
Tier I capital ratio	**12.404%**	10.622%
Total capital ratio	**15.477%**	13.946%
After deducting proposed dividends		
CET I capital ratio	**10.461%**	10.622%
Tier I capital ratio	**12.404%**	10.622%
Total capital ratio	**15.477%**	13.946%

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows:

The Group 30 June 2018	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	33,253,839	33,253,839	-	-
Public Sector Entities	293,642	293,642	58,728	4,698
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	12,374,681	12,374,681	4,336,113	346,889
Insurance Cos, Securities Firms ("SF") and Fund Managers ("FM")	76,719	76,468	76,468	6,117
Corporates	37,923,078	36,979,415	33,624,769	2,689,982
Regulatory Retail	59,751,355	59,277,000	44,559,396	3,564,752
Residential Mortgages	35,024,844	35,006,876	13,941,243	1,115,299
Higher Risk Assets	513,647	513,634	770,451	61,636
Other Assets	10,629,659	10,629,659	8,471,458	677,717
Defaulted Exposures	796,925	795,261	930,002	74,400
Total On-Balance Sheet Exposures	190,638,389	189,200,475	106,768,628	8,541,490
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") Derivatives	3,314,510	3,314,510	1,452,642	116,211
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,566,377	12,385,329	10,484,437	838,755
Defaulted Exposures	99,308	98,860	148,291	11,863
Total Off-Balance Sheet Exposures	15,980,195^	15,798,699	12,085,370	966,829
Total On and Off-Balance Sheet Exposures	206,618,584	204,999,174	118,853,998	9,508,319
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	81,609,842	87,000,464	3,564,594	285,168
Foreign Currency Risk	274,973	274,561	277,495	22,200
Option Risk	-	-	8,355	668
Total	81,884,815	87,275,025	3,850,444	308,036
Operational Risk			8,403,939	672,315
Total RWA and Capital Requirements			131,108,381	10,488,670

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 313.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Group 30 June 2017	**Gross exposures before CRM RM'000**	**Net exposures after CRM RM'000**	**Risk weighted assets RM'000**	**Minimum capital requirements at 8% RM'000**
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	32,611,888	32,611,888	-	-
Public Sector Entities	572,996	572,996	114,599	9,168
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	11,425,790	11,425,790	3,484,431	278,755
Insurance Cos, Securities Firms ("SF") and Fund Managers ("FM")	180,903	180,903	118,056	9,445
Corporates	36,876,799	35,332,964	32,061,154	2,564,892
Regulatory Retail	53,897,849	53,358,056	40,132,767	3,210,621
Residential Mortgages	38,007,264	37,985,376	15,375,134	1,230,011
Higher Risk Assets	633,745	633,724	950,587	76,047
Other Assets	8,578,234	8,578,234	6,652,507	532,201
Defaulted Exposures	656,988	654,139	754,001	60,320
Total On-Balance Sheet Exposures	183,442,456	181,334,070	99,643,236	7,971,460
Off-Balance Sheet Exposures				
OTC Derivatives	3,245,889	3,245,889	1,438,419	115,073
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,144,754	11,955,351	10,165,897	813,272
Defaulted Exposures	34,969	34,957	52,435	4,195
Total Off-Balance Sheet Exposures	15,425,612^	15,236,197	11,656,751	932,540
Total On and Off-Balance Sheet Exposures	198,868,068	196,570,267	111,299,987	8,904,000
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	88,283,281	74,619,600	2,305,720	184,458
Foreign Currency Risk	755,449	562,499	755,450	60,436
Option Risk	-	-	54,355	4,348
Total	89,038,730	75,182,099	3,115,525	249,242
Operational Risk			7,958,340	636,667
Total RWA and Capital Requirements			122,373,852	9,789,909

Note:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 314.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Bank 30 June 2018	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	25,889,320	25,889,320	-	-
Public Sector Entities	293,642	293,642	58,728	4,698
Banks, DFIs and MDBs	11,879,555	11,879,555	4,213,658	337,093
Insurance Cos, SF and FM	76,719	76,468	76,468	6,117
Corporates	31,903,408	30,990,682	28,010,323	2,240,826
Regulatory Retail	46,902,551	46,448,026	34,875,627	2,790,050
Residential Mortgages	29,603,112	29,587,161	11,736,665	938,933
Higher Risk Assets	511,240	511,229	766,844	61,348
Other Assets	10,087,647	10,087,647	8,167,547	653,404
Defaulted Exposures	652,988	651,333	774,061	61,925
Total On-Balance Sheet Exposures	157,800,182	156,415,063	88,679,921	7,094,394
Off-Balance Sheet Exposures				
OTC Derivatives	3,111,793	3,111,793	1,340,588	107,247
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	10,161,502	9,984,689	8,423,777	673,902
Defaulted Exposures	40,322	39,875	59,813	4,785
Total Off-Balance Sheet Exposures	13,313,617 ^	13,136,357	9,824,178	785,934
Total On and Off-Balance Sheet Exposures	171,113,799	169,551,420	98,504,099	7,880,328
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	77,171,881	82,913,341	3,870,586	309,647
Foreign Currency Risk	261,350	258,417	261,350	20,908
Option Risk	-	-	8,355	668
Total	77,433,231	83,171,758	4,140,291	331,223
Operational Risk			7,226,134	578,091
Total RWA and Capital Requirements			109,870,524	8,789,642

Note:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 315.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Bank 30 June 2017	**Gross exposures before CRM RM'000**	**Net exposures after CRM RM'000**	**Risk weighted assets RM'000**	**Minimum capital requirements at 8% RM'000**
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	26,528,307	26,528,307	-	-
Public Sector Entities	572,996	572,996	114,599	9,168
Banks, DFIs and MDBs	10,787,030	10,787,030	3,337,062	266,965
Insurance Cos, SF and FM	180,903	180,903	118,056	9,445
Corporates	31,133,523	29,987,189	27,278,954	2,182,316
Regulatory Retail	43,188,689	42,669,692	32,050,590	2,564,047
Residential Mortgages	32,290,617	32,271,301	13,005,087	1,040,407
Higher Risk Assets	631,042	631,023	946,535	75,723
Other Assets	8,054,371	8,054,371	6,272,857	501,829
Defaulted Exposures	536,985	534,183	621,621	49,730
Total On-Balance Sheet Exposures	153,904,463	152,216,995	83,745,361	6,699,630
Off-Balance Sheet Exposures				
OTC Derivatives	3,101,772	3,101,772	1,355,793	108,463
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	9,898,470	9,714,820	8,246,994	659,759
Defaulted Exposures	32,859	32,847	49,270	3,942
Total Off-Balance Sheet Exposures	13,033,101 ^	12,849,439	9,652,057	772,164
Total On and Off-Balance Sheet Exposures	166,937,564	165,066,434	93,397,418	7,471,794
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	84,597,019	71,716,110	2,554,299	204,343
Foreign Currency Risk	731,465	561,709	731,465	58,517
Option Risk	-	-	54,355	4,348
Total	85,328,484	72,277,819	3,340,119	267,208
Operational Risk			6,934,552	554,764
Total RWA and Capital Requirements			103,672,089	8,293,766

Note:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 316.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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, 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.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

4. RISK MANAGEMENT (CONTINUED)

(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 management framework 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 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, Rating and Investment Inc ("R&I"), 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.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 30 June 2018	Malaysia RM'000	Other countries RM'000	Total RM'000
On-Balance Sheet Exposures			
Financial assets held-for-trading*	**5,868,654**	**101,218**	**5,969,872**
Financial investments available-for-sale*	**21,317,922**	**2,976,762**	**24,294,684**
Financial investments held-to-maturity	**13,911,820**	**524,638**	**14,436,458**
Loans, advances and financing	**121,547,921**	**6,511,184**	**128,059,105**
Derivative financial instruments	**882,739**	**35,328**	**918,067**
Total On-Balance Sheet Exposures	**163,529,056**	**10,149,130**	**173,678,186**
Off-Balance Sheet Exposures^			
OTC Derivatives	**3,246,165**	**68,345**	**3,314,510**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**12,493,817**	**171,868**	**12,665,685**
Total Off-Balance Sheet Exposures	**15,739,982**	**240,213**	**15,980,195**
Total On and Off-Balance Sheet Exposures	**179,269,038**	**10,389,343**	**189,658,381**
30 June 2017			
On-Balance Sheet Exposures			
Financial assets held-for-trading*	5,548,784	139,381	5,688,165
Financial investments available-for-sale*	19,209,742	2,636,743	21,846,485
Financial investments held-to-maturity	12,364,435	695,635	13,060,070
Loans, advances and financing	117,418,534	6,572,407	123,990,941
Derivative financial instruments	905,224	47,818	953,042
Total On-Balance Sheet Exposures	155,446,719	10,091,984	165,538,703
Off-Balance Sheet Exposures^			
OTC Derivatives	3,158,162	87,727	3,245,889
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,068,780	110,943	12,179,723
Total Off-Balance Sheet Exposures	15,226,942	198,670	15,425,612
Total On and Off-Balance Sheet Exposures	170,673,661	10,290,654	180,964,315

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 313 and page 314.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 30 June 2018	Malaysia RM'000	Other countries RM'000	Total RM'000
On-Balance Sheet Exposures			
Financial assets held-for-trading*	**5,517,817**	**101,218**	**5,619,035**
Financial investments available-for-sale*	**18,538,780**	**2,911,548**	**21,450,328**
Financial investments held-to-maturity	**10,468,142**	**437,936**	**10,906,078**
Loans, advances and financing	**99,185,037**	**5,089,866**	**104,274,903**
Derivative financial instruments	**897,603**	**35,323**	**932,926**
Total On-Balance Sheet Exposures	**134,607,379**	**8,575,891**	**143,183,270**
Off-Balance Sheet Exposures^			
OTC Derivatives	**3,046,499**	**65,294**	**3,111,793**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**10,109,620**	**92,204**	**10,201,824**
Total Off-Balance Sheet Exposures	**13,156,119**	**157,498**	**13,313,617**
Total On and Off-Balance Sheet Exposures	**147,763,498**	**8,733,389**	**156,496,887**
30 June 2017			
On-Balance Sheet Exposures			
Financial assets held-for-trading*	5,265,929	139,381	5,405,310
Financial investments available-for-sale*	16,532,208	2,546,339	19,078,547
Financial investments held-to-maturity	9,806,621	601,638	10,408,259
Loans, advances and financing	97,165,963	5,372,587	102,538,550
Derivative financial instruments	899,822	47,761	947,583
Total On-Balance Sheet Exposures	129,670,543	8,707,706	138,378,249
Off-Balance Sheet Exposures^			
OTC Derivatives	3,014,109	87,663	3,101,772
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	9,845,131	86,198	9,931,329
Total Off-Balance Sheet Exposures	12,859,240	173,861	13,033,101
Total On and Off-Balance Sheet Exposures	142,529,783	8,881,567	151,411,350

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 315 and page 316.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 30 June 2018	Financial assets held-for-trading* RM'000	Financial investments available-for-sale* RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC 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
Agriculture	-	99,232	-	2,665,114	-	2,764,346	-	327,826	327,826	3,092,172
Mining and quarrying	-	40,280	-	147,534	-	187,814	-	56,413	56,413	244,227
Manufacturing	-	-	-	9,586,845	-	9,586,845	-	2,344,396	2,344,396	11,931,241
Electricity, gas and water	20,170	2,179,768	60,949	201,063	-	2,461,950	-	69,563	69,563	2,531,513
Construction	-	266,875	-	2,742,754	-	3,009,629	-	642,003	642,003	3,651,632
Wholesale and retail	-	39,359	-	10,581,176	-	10,620,535	-	1,968,266	1,968,266	12,588,801
Transport, storage and communications	-	320,204	-	3,332,904	-	3,653,108	-	163,341	163,341	3,816,449
Finance, insurance, real estate and business services	2,672,772	12,316,293	30,866	9,531,963	918,067	25,469,961	3,314,510	1,302,848	4,617,358	30,087,319
Government and government agencies	3,276,930	9,032,673	14,344,643	-	-	26,654,246	-	309	309	26,654,555
Education, health and others	-	-	-	1,728,563	-	1,728,563	-	64,835	64,835	1,793,398
Household	-	-	-	86,942,754	-	86,942,754	-	5,688,101	5,688,101	92,630,855
Others	-	-	-	598,435	-	598,435	-	37,784	37,784	636,219
Total On and Off-Balance Sheet Exposures	**5,969,872**	**24,294,684**	**14,436,458**	**128,059,105**	**918,067**	**173,678,186**	**3,314,510**	**12,665,685**	**15,980,195**	**189,658,381**

* Excludes equity securities

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 30 June 2017	Financial assets held-for-trading* RM'000	Financial investments available-for-sale* RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC 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
Agriculture	-	64,756	-	2,693,449	-	2,758,205	-	360,975	360,975	3,119,180
Mining and quarrying	-	43,812	-	261,228	-	305,040	-	23,333	23,333	328,373
Manufacturing	-	34,610	-	8,846,409	-	8,881,019	-	2,295,784	2,295,784	11,176,803
Electricity, gas and water	25,689	2,207,950	-	192,950	-	2,426,589	-	25,466	25,466	2,452,055
Construction	-	299,594	-	2,441,120	-	2,740,714	-	607,371	607,371	3,348,085
Wholesale and retail	-	65,234	-	10,228,205	-	10,293,439	-	1,892,718	1,892,718	12,186,157
Transport, storage and communications	-	416,628	-	2,932,632	-	3,349,260	-	215,751	215,751	3,565,011
Finance, insurance, real estate and business services	4,276,825	10,588,827	32,066	9,644,935	932,991	25,475,644	3,245,889	1,175,355	4,421,244	29,896,888
Government and government agencies	1,385,651	8,013,130	13,028,004	-	-	22,426,785	-	345	345	22,427,130
Education, health and others	-	-	-	1,927,915	-	1,927,915	-	79,646	79,646	2,007,561
Household	-	-	-	84,109,089	19,134	84,128,223	-	5,475,426	5,475,426	89,603,649
Others	-	111,944	-	713,009	917	825,870	-	27,553	27,553	853,423
Total On and Off-Balance Sheet Exposures	5,688,165	21,846,485	13,060,070	123,990,941	953,042	165,538,703	3,245,889	12,179,723	15,425,612	180,964,315

* Excludes equity securities

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 30 June 2018	Financial assets held-for-trading* RM'000	Financial investments available-for-sale* RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC 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
Agriculture	-	99,232	-	1,737,836	-	1,837,068	-	160,476	160,476	1,997,544
Mining and quarrying	-	40,280	-	108,005	-	148,285	-	56,285	56,285	204,570
Manufacturing	-	-	-	8,458,984	-	8,458,984	-	1,926,427	1,926,427	10,385,411
Electricity, gas and water	20,170	1,744,943	60,949	148,231	-	1,974,293	-	23,857	23,857	1,998,150
Construction	-	201,515	-	2,174,120	-	2,375,635	-	486,820	486,820	2,862,455
Wholesale and retail	-	39,359	-	9,534,675	-	9,574,034	-	1,701,040	1,701,040	11,275,074
Transport, storage and communications	-	315,169	-	3,184,093	-	3,499,262	-	128,508	128,508	3,627,770
Finance, insurance, real estate and business services	2,472,962	11,653,156	30,866	8,193,488	932,926	23,283,398	3,111,793	877,743	3,989,536	27,272,934
Government and government agencies	3,125,903	7,356,674	10,814,263	-	-	21,296,840	-	309	309	21,297,149
Education, health and others	-	-	-	907,090	-	907,090	-	57,665	57,665	964,755
Household	-	-	-	69,757,031	-	69,757,031	-	4,750,575	4,750,575	74,507,606
Others	-	-	-	71,350	-	71,350	-	32,119	32,119	103,469
Total On and Off-Balance Sheet Exposures	**5,619,035**	**21,450,328**	**10,906,078**	**104,274,903**	**932,926**	**143,183,270**	**3,111,793**	**10,201,824**	**13,313,617**	**156,496,887**

* Excludes equity securities

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 30 June 2017	Financial assets held-for-trading* RM'000	Financial investments available-for-sale* RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC 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
Agriculture	-	64,756	-	1,794,124	-	1,858,880	-	171,738	171,738	2,030,618
Mining and quarrying	-	43,812	-	209,368	-	253,180	-	22,787	22,787	275,967
Manufacturing	-	34,610	-	8,076,680	-	8,111,290	-	1,917,168	1,917,168	10,028,458
Electricity, gas and water	25,689	1,843,666	-	139,509	-	2,008,864	-	19,866	19,866	2,028,730
Construction	-	218,752	-	2,084,697	-	2,303,449	-	459,583	459,583	2,763,032
Wholesale and retail	-	65,234	-	9,351,160	-	9,416,394	-	1,683,558	1,683,558	11,099,952
Transport, storage and communications	-	267,838	-	2,483,611	-	2,751,449	-	189,502	189,502	2,940,951
Finance, insurance, real estate and business services	4,358,256	10,081,651	32,066	8,443,719	927,532	23,843,224	3,101,772	852,119	3,953,891	27,797,115
Government and government agencies	1,021,365	6,346,284	10,376,193	-	-	17,743,842	-	345	345	17,744,187
Education, health and others	-	-	-	1,107,227	-	1,107,227	-	56,011	56,011	1,163,238
Household	-	-	-	68,694,445	19,134	68,713,579	-	4,531,462	4,531,462	73,245,041
Others	-	111,944	-	154,010	917	266,871	-	27,190	27,190	294,061
Total On and Off-Balance Sheet Exposures	5,405,310	19,078,547	10,408,259	102,538,550	947,583	138,378,249	3,101,772	9,931,329	13,033,101	151,411,350

* Excludes equity securities

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 30 June 2018	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures				
Financial assets held-for-trading*	**2,586,224**	**2,514,143**	**869,505**	**5,969,872**
Financial investments available-for-sale*	**2,813,489**	**17,610,277**	**3,870,918**	**24,294,684**
Financial investments held-to-maturity	**2,016,971**	**11,796,310**	**623,177**	**14,436,458**
Loans, advances and financing	**26,206,505**	**14,876,102**	**86,976,498**	**128,059,105**
Derivative financial instruments	**575,268**	**211,156**	**131,643**	**918,067**
Total On-Balance Sheet Exposures	**34,198,457**	**47,007,988**	**92,471,741**	**173,678,186**
Off-Balance Sheet Exposures^				
OTC Derivatives	**1,074,925**	**1,471,031**	**768,554**	**3,314,510**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**5,519,230**	**7,146,455**	**-**	**12,665,685**
Total Off-Balance Sheet Exposures	**6,594,155**	**8,617,486**	**768,554**	**15,980,195**
Total On and Off-Balance Sheet Exposures	**40,792,612**	**55,625,474**	**93,240,295**	**189,658,381**
30 June 2017				
On-Balance Sheet Exposures				
Financial assets held-for-trading*	4,066,230	1,262,754	359,181	5,688,165
Financial investments available-for-sale*	1,647,064	16,925,260	3,274,161	21,846,485
Financial investments held-to-maturity	1,599,979	10,028,926	1,431,165	13,060,070
Loans, advances and financing	26,032,735	15,496,384	82,461,822	123,990,941
Derivative financial instruments	479,292	368,108	105,642	953,042
Total On-Balance Sheet Exposures	33,825,300	44,081,432	87,631,971	165,538,703
Off-Balance Sheet Exposures^				
OTC Derivatives	1,030,257	1,504,671	710,961	3,245,889
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	5,551,149	6,628,574	-	12,179,723
Total Off-Balance Sheet Exposures	6,581,406	8,133,245	710,961	15,425,612
Total On and Off-Balance Sheet Exposures	40,406,706	52,214,677	88,342,932	180,964,315

* Excludes equity securities.
^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 313 and page 314.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 30 June 2018	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures				
Financial assets held-for-trading*	**2,386,414**	**2,514,143**	**718,478**	**5,619,035**
Financial investments available-for-sale*	**2,711,849**	**16,098,572**	**2,639,907**	**21,450,328**
Financial investments held-to-maturity	**1,395,077**	**8,981,439**	**529,562**	**10,906,078**
Loans, advances and financing	**23,382,245**	**11,791,544**	**69,101,114**	**104,274,903**
Derivative financial instruments	**569,665**	**234,874**	**128,387**	**932,926**
Total On-Balance Sheet Exposures	**30,445,250**	**39,620,572**	**73,117,448**	**143,183,270**
Off-Balance Sheet Exposures^				
OTC Derivatives	**1,054,301**	**1,415,153**	**642,339**	**3,111,793**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**4,996,575**	**5,205,249**	**-**	**10,201,824**
Total Off-Balance Sheet Exposures	**6,050,876**	**6,620,402**	**642,339**	**13,313,617**
Total On and Off-Balance Sheet Exposures	**36,496,126**	**46,240,974**	**73,759,787**	**156,496,887**
30 June 2017				
On-Balance Sheet Exposures				
Financial assets held-for-trading*	4,147,663	1,130,607	127,040	5,405,310
Financial investments available-for-sale*	1,430,271	14,814,517	2,833,759	19,078,547
Financial investments held-to-maturity	1,478,658	7,947,377	982,224	10,408,259
Loans, advances and financing	23,068,403	12,823,851	66,646,296	102,538,550
Derivative financial instruments	475,766	366,449	105,368	947,583
Total On-Balance Sheet Exposures	30,600,761	37,082,801	70,694,687	138,378,249
Off-Balance Sheet Exposures^				
OTC Derivatives	1,016,533	1,449,923	635,316	3,101,772
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	5,130,802	4,800,527	-	9,931,329
Total Off-Balance Sheet Exposures	6,147,335	6,250,450	635,316	13,033,101
Total On and Off-Balance Sheet Exposures	36,748,096	43,333,251	71,330,003	151,411,350

* Excludes equity securities.
^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 315 and page 316.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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, impaired loans, advances and financing, individual assessment impairment allowance, collective assessment impairment allowance, charge/(write back) for individual assessment impairment allowance during the year and write-offs during the year as follows:

The Group 30 June 2018	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	Individual assessment impairment allowance RM'000	Collective assessment impairment allowance RM'000	Charge/ (write back) for individual assessment impairment allowance during the year RM'000	Write-offs during the year RM'000
Agriculture	40,620	5,770	-	8,295	-	-
Mining and quarrying	1,225	50,474	21,150	1,119	12,309	-
Manufacturing	81,183	115,327	75,734	40,817	(9,946)	117,409
Electricity, gas and water	2,649	868	-	1,126	(161)	-
Construction	84,381	43,319	9,678	14,456	(2,013)	83
Wholesale and retail	154,048	200,576	68,800	54,231	15,721	1,731
Transport, storage and communications	25,304	15,922	10,895	6,684	(12,707)	-
Finance, insurance, real estate and business services	181,747	122,753	15,527	36,003	4,799	-
Education, health and others	23,362	3,826	-	6,098	-	-
Household	6,921,396	566,568	392	632,568	(110)	43
Others	5,663	99	-	3,329	-	-
	7,521,578	1,125,502	202,176	804,726	7,892	119,266

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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, impaired loans, advances and financing, individual assessment impairment allowance, collective assessment impairment allowance, charge/(write back) for individual assessment impairment allowance during the year and write-offs during the year as follows: (continued)

The Group 30 June 2017	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	Individual assessment impairment allowance RM'000	Collective assessment impairment allowance RM'000	Charge/ (write back) for individual assessment impairment allowance during the year RM'000	Write-offs during the year RM'000
Agriculture	17,932	13,009	-	8,154	(45)	-
Mining and quarrying	3,718	50,261	8,841	860	6,477	-
Manufacturing	67,806	253,786	207,774	31,452	73,969	27,146
Electricity, gas and water	3,770	1,321	169	1,572	199	-
Construction	73,146	41,241	12,037	14,897	10,877	6,240
Wholesale and retail	149,792	170,717	58,310	55,773	25,077	32,003
Transport, storage and communications	30,600	34,014	23,774	6,947	2,255	5,216
Finance, insurance, real estate and business services	111,274	108,339	14,056	40,214	(1,869)	134
Education, health and others	29,198	3,549	-	5,346	(163)	865
Household	6,913,465	523,835	88	662,166	87	-
Others	114,844	3,368	377	2,686	(628)	656
	7,515,545	1,203,440	325,426	830,067	116,236	72,260

BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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, impaired loans, advances and financing, individual assessment impairment allowance, collective assessment impairment allowance, charge/(write back) for individual assessment impairment allowance during the year and write-offs during the year as follows: (continued)

The Bank 30 June 2018	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	Individual assessment impairment allowance RM'000	Collective assessment impairment allowance RM'000	Charge/ (write back) for individual assessment impairment allowance during the year RM'000	Write-offs during the year RM'000
Agriculture	40,612	5,639	-	6,473	-	-
Mining and quarrying	1,121	474	-	1,056	-	-
Manufacturing	67,454	115,088	75,734	36,879	(9,946)	116,200
Electricity, gas and water	2,633	838	-	312	(161)	-
Construction	81,435	41,625	9,659	12,132	(1,735)	83
Wholesale and retail	119,419	186,572	68,144	47,011	18,615	1,731
Transport, storage and communications	24,184	15,880	10,895	6,168	(12,707)	-
Finance, insurance, real estate and business services	147,910	108,330	15,527	26,433	4,799	-
Education, health and others	22,150	3,826	-	3,979	-	-
Household	5,162,337	427,961	10	478,068	10	-
Others	4,388	-	-	3,183	-	-
	5,673,643	906,233	179,969	621,694	(1,125)	118,014

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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, impaired loans, advances and financing, individual assessment impairment allowance, collective assessment impairment allowance, charge/(write back) for individual assessment impairment allowance during the year and write-offs during the year as follows: (continued)

The Bank 30 June 2017	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	Individual assessment impairment allowance RM'000	Collective assessment impairment allowance RM'000	Charge/ (write back) for individual assessment impairment allowance during the year RM'000	Write-offs during the year RM'000
Agriculture	15,159	13,004	-	6,438	(45)	-
Mining and quarrying	3,593	251	-	805	-	-
Manufacturing	58,557	252,372	206,566	28,903	73,895	24,554
Electricity, gas and water	3,530	1,321	169	956	199	-
Construction	69,320	40,094	11,981	12,024	8,513	6,240
Wholesale and retail	118,917	165,954	54,752	50,277	25,127	32,003
Transport, storage and communications	30,066	33,793	23,774	6,114	2,255	5,216
Finance, insurance, real estate and business services	91,488	92,859	13,681	32,275	(1,893)	12
Education, health and others	23,949	3,498	-	3,905	(163)	865
Household	5,260,734	414,330	-	523,136	-	-
Others	112,648	506	-	1,954	-	-
	5,787,961	1,017,982	310,923	666,787	107,888	68,890

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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, individual assessment impairment allowance and collective assessment impairment allowance as follows:

The Group 30 June 2018	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	Individual assessment impairment allowance RM'000	Collective assessment impairment allowance RM'000
Malaysia	**7,325,188**	**1,112,810**	**201,267**	**791,192**
Other countries	**196,390**	**12,692**	**909**	**13,534**
	7,521,578	**1,125,502**	**202,176**	**804,726**
30 June 2017				
Malaysia	7,367,737	1,197,355	324,480	818,176
Other countries	147,808	6,085	946	11,891
	7,515,545	1,203,440	325,426	830,067
The Bank				
30 June 2018				
Malaysia	**5,526,877**	**904,839**	**179,442**	**614,316**
Other countries	**146,766**	**1,394**	**527**	**7,378**
	5,673,643	**906,233**	**179,969**	**621,694**
30 June 2017				
Malaysia	5,676,216	1,017,511	310,817	660,349
Other countries	111,745	471	106	6,438
	5,787,961	1,017,982	310,923	666,787

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 individual and collective assessment impairment allowances, refer to Note 2N (i) to the financial statements.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(iii) The table below sets out the movements in individual assessment impairment allowance and collective assessment impairment allowance during the financial year as follows:

	The Group		The Bank	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Collective assessment allowance				
At 1 July	**830,067**	856,057	**666,787**	714,272
Net allowance made during the financial year	**299,887**	283,057	**224,340**	217,958
Amount transferred to individual assessment	**-**	(729)	**-**	(744)
Amount written off	**(310,061)**	(298,120)	**(257,615)**	(256,059)
Unwinding income	**(14,475)**	(10,732)	**(11,488)**	(8,911)
Exchange difference	**(692)**	534	**(330)**	271
At 30 June	**804,726**	830,067	**621,694**	666,787
Individual assessment allowance				
At 1 July	**325,426**	289,744	**310,923**	280,216
Allowance made during the financial year	**63,397**	162,669	**50,952**	149,891
Amount transferred from collective assessment	**-**	729	**-**	744
Amount written back in respect of recoveries	**(55,505)**	(46,433)	**(52,077)**	(42,003)
Amount written off	**(119,266)**	(72,260)	**(118,014)**	(68,890)
Unwinding income	**(7,959)**	(8,741)	**(7,951)**	(8,712)
Exchange difference	**(3,917)**	(282)	**(3,864)**	(323)
At 30 June	**202,176**	325,426	**179,969**	310,923

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 2018

Risk Weight	Exposures after Netting and Credit Risk Mitigation: Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs & 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%	33,432,572	-	-	-	-	-	-	-	1,995,641	35,428,213	-
20%	-	419,727	7,019,820	-	3,482,617	-	-	-	205,281	11,127,445	2,225,489
35%	-	-	-	-	-	-	28,403,704	-	-	28,403,704	9,941,296
50%	-	-	8,070,786	-	1,172,426	53,100	5,315,388	-	-	14,611,700	7,305,850
75%	-	-	-	-	-	66,158,796	91,408	-	-	66,250,204	49,687,653
100%	-	-	-	173,702	37,632,702	465,368	1,443,711	-	8,430,820	48,146,303	48,146,303
150%	-	-	-	-	322,872	195,040	-	513,693	-	1,031,605	1,547,407
Total	33,432,572	419,727	15,090,606	173,702	42,610,617	66,872,304	35,254,211	513,693	10,631,742	204,999,174	118,853,998
Risk Weighted Assets by Exposure	-	83,945	5,439,357	173,702	39,399,746	50,403,575	14,111,257	770,540	8,471,876	118,853,998	
Average Risk Weight	0%	20.00%	36.04%	100.00%	92.46%	75.37%	40.03%	150.00%	79.68%	57.98%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2017

	Exposures after Netting and Credit Risk Mitigation										
Risk Weight	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs & 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%	32,679,256	-	-	-	-	-	-	-	1,751,197	34,430,453	-
20%	-	795,522	8,181,665	-	3,525,539	-	-	-	218,163	12,720,889	2,544,178
35%	-	-	-	-	-	-	29,396,203	-	-	29,396,203	10,288,671
50%	-	-	5,946,990	125,692	943,709	56,518	7,084,814	-	-	14,157,723	7,078,862
75%	-	-	-	-	-	59,843,266	104,274	-	-	59,947,540	44,960,655
100%	-	-	1,693	131,256	36,051,577	501,327	1,602,210	-	6,609,072	44,897,135	44,897,135
150%	-	-	-	-	248,793	137,668	-	633,863	-	1,020,324	1,530,486
Total	32,679,256	795,522	14,130,348	256,948	40,769,618	60,538,779	38,187,501	633,863	8,578,432	196,570,267	111,299,987
Risk Weighted Assets by Exposure	-	159,104	4,611,521	194,102	37,601,729	45,618,537	15,511,494	950,795	6,652,705	111,299,987	
Average Risk Weight	0%	20.00%	32.64%	75.54%	92.23%	75.35%	40.62%	150.00%	77.55%	56.62%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposures by risk weight (continued)

The breakdown of credit risk exposures by risk weight is as follows: (continued)

The Bank
30 June 2018

Risk Weight	Exposures after Netting and Credit Risk Mitigation										
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs & 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%	26,068,054	-	-	-	-	-	-	-	1,757,541	27,825,595	-
20%	-	398,035	6,595,112	-	3,016,620	-	-	-	203,199	10,212,966	2,042,593
35%	-	-	-	-	-	-	24,180,583	-	-	24,180,583	8,463,204
50%	-	-	7,843,355	-	1,161,089	41,329	4,366,208	-	-	13,411,981	6,705,991
75%	-	-	-	-	-	52,271,762	86,120	-	-	52,357,882	39,268,411
100%	-	-	-	154,570	30,984,492	202,691	1,170,776	-	8,126,909	40,639,438	40,639,437
150%	-	-	-	-	251,630	160,057	-	511,288	-	922,975	1,384,463
Total	26,068,054	398,035	14,438,467	154,570	35,413,831	52,675,839	29,803,687	511,288	10,087,649	169,551,420	98,504,099
Risk Weighted Assets by Exposure	-	79,607	5,240,700	154,570	32,545,806	39,667,263	11,881,673	766,932	8,167,548	98,504,099	
Average Risk Weight	0%	20.00%	36.30%	100.00%	91.90%	75.30%	39.87%	150.00%	80.97%	58.10%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2017

Risk Weight	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs & 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%	26,595,675	-	-	-	-	-	-	-	1,606,985	28,202,660	-
20%	-	783,491	7,603,643	-	2,827,660	-	-	-	218,163	11,432,957	2,286,591
35%	-	-	-	-	-	-	25,247,273	-	-	25,247,273	8,836,545
50%	-	-	5,768,753	125,692	931,319	43,827	5,774,673	-	-	12,644,264	6,322,132
75%	-	-	-	-	-	48,168,559	99,478	-	-	48,268,037	36,201,027
100%	-	-	1,693	113,697	30,417,798	224,536	1,324,339	-	6,229,421	38,311,484	38,311,484
150%	-	-	-	-	206,894	121,729	-	631,136	-	959,759	1,439,639
Total	26,595,675	783,491	13,374,089	239,389	34,383,671	48,558,651	32,445,763	631,136	8,054,569	165,066,434	93,397,418
Risk Weighted Assets by Exposure	-	156,698	4,406,798	176,543	31,759,330	36,555,461	13,122,830	946,704	6,273,054	93,397,418	
Average Risk Weight	0%	20.00%	32.95%	73.75%	92.37%	75.28%	40.45%	150.00%	77.88%	56.58%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
30 June 2018		RM'000	RM'000	RM'000	RM'000	RM'000
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		**-**	**-**	**-**	**-**	**419,727**
Insurance Cos, SF and FM		**-**	**-**	**-**	**-**	**173,702**
Corporates		**3,482,618**	**1,151,912**	**547,531**	**-**	**37,428,556**
		3,482,618	**1,151,912**	**547,531**	**-**	**38,021,985**
30 June 2017						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		-	-	-	-	795,522
Insurance Cos, SF and FM		-	125,692	-	-	131,256
Corporates		3,405,265	781,831	611,625	794,568	35,176,329
		3,405,265	907,523	611,625	794,568	36,103,107

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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: (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
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
30 June 2018		RM'000	RM'000	RM'000	RM'000	RM'000
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		**-**	**-**	**-**	**-**	**398,035**
Insurance Cos, SF and FM		**-**	**-**	**-**	**-**	**154,570**
Corporates		**3,016,621**	**1,140,634**	**179,073**	**-**	**31,077,503**
		3,016,621	**1,140,634**	**179,073**	**-**	**31,630,108**
30 June 2017						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		-	-	-	-	783,491
Insurance Cos, SF and FM		-	125,692	-	-	113,697
Corporates		2,707,388	769,564	219,839	794,570	29,892,310
		2,707,388	895,256	219,839	794,570	30,789,498

BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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: (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs

	Moody's						
	S & P	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	MARC	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	Rating &	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
The Group	Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
30 June 2018		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		**2,548,707**	**711,256**	**173,727**	**171,369**	**-**	**29,827,513**
Banks, MDBs and FDIs		**2,191,648**	**4,928,137**	**860,462**	**-**	**-**	**4,266,167**
		4,740,355	**5,639,393**	**1,034,189**	**171,369**	**-**	**34,093,680**
30 June 2017							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		2,002,982	552,638	210,620	157,297	-	29,755,719
Banks, MDBs and FDIs		1,805,640	3,691,959	1,265,500	-	-	4,192,437
		3,808,622	4,244,597	1,476,120	157,297	-	33,948,156

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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: (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs (continued)

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S & P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
The Bank	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
30 June 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		**2,391,532**	**711,256**	**-**	**-**	**-**	**22,965,266**
Banks, MDBs and FDIs		**3,521,215**	**4,489,662**	**686,368**	**-**	**-**	**3,474,757**
		5,912,747	**5,200,918**	**686,368**	**-**	**-**	**26,440,023**
30 June 2017							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		1,861,036	552,638	-	-	-	24,182,001
Banks, MDBs and FDIs		2,569,847	3,253,385	1,265,500	-	-	3,287,098
		4,430,883	3,806,023	1,265,500	-	-	27,469,099

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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: (continued)

(iii) Short-term ratings of Banking Institutions and Corporates by approved ECAIs

	Moody's	P-1	P-2	P-3	Others	Unrated
	S & P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
The Group	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b,c	Unrated
30 June 2018		RM'000	RM'000	RM'000	RM'000	RM'000
Exposure Class						
On and Off-Balance Sheet Exposures						
Banks, DFIs and MDBs		**2,378,053**	**466,139**	**-**	**-**	**-**
30 June 2017						
Exposure Class						
On and Off-Balance Sheet Exposures						
Banks, DFIs and MDBs		2,539,850	629,319	5,643	-	-

	Moody's	P-1	P-2	P-3	Others	Unrated
	S & P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
The Bank	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b,c	Unrated
30 June 2018		RM'000	RM'000	RM'000	RM'000	RM'000
Exposure Class						
On and Off-Balance Sheet Exposures						
Banks, DFIs and MDBs		**1,802,714**	**463,751**	**-**	**-**	**-**
30 June 2017						
Exposure Class						
On and Off-Balance Sheet Exposures						
Banks, DFIs and MDBs		2,366,904	625,712	5,643	-	-

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 30 June 2018	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	33,253,839	-	-
Public Sector Entities	293,642	-	-
Banks, DFIs and MDBs	12,374,681	-	-
Insurance Cos, SF and FM	76,719	-	251
Corporates	37,923,078	-	943,663
Regulatory Retail	59,751,355	-	474,355
Residential Mortgages	35,024,844	-	17,968
Higher Risk Assets	513,647	-	13
Other Assets	10,629,659	-	-
Defaulted Exposures	796,925	-	1,664
Total On-Balance Sheet Exposures	190,638,389	-	1,437,914
Off-Balance Sheet Exposures			
OTC Derivatives	3,314,510	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,566,377	-	181,048
Defaulted Exposures	99,308	-	448
Total Off-Balance Sheet Exposures	15,980,195	-	181,496
Total On and Off-Balance Sheet Exposures	206,618,584	-	1,619,410

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 30 June 2017	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	32,611,888	-	-
Public Sector Entities	572,996	-	-
Banks, DFIs and MDBs	11,425,790	-	-
Insurance Cos, SF and FM	180,903	-	-
Corporates	36,876,799	350,000	1,193,835
Regulatory Retail	53,897,849	-	539,793
Residential Mortgages	38,007,264	-	21,888
Higher Risk Assets	633,745	-	21
Other Assets	8,578,234	-	-
Defaulted Exposures	656,988	-	2,849
Total On-Balance Sheet Exposures	183,442,456	350,000	1,758,386
Off-Balance Sheet Exposures			
OTC Derivatives	3,245,889	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,144,754	-	189,403
Defaulted Exposures	34,969	-	12
Total Off-Balance Sheet Exposures	15,425,612	-	189,415
Total On and Off-Balance Sheet Exposures	198,868,068	350,000	1,947,801

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 30 June 2018	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	25,889,320	-	-
Public Sector Entities	293,642	-	-
Banks, DFIs and MDBs	11,879,555	-	-
Insurance Cos, SF and FM	76,719	-	251
Corporates	31,903,408	-	912,726
Regulatory Retail	46,902,551	-	454,525
Residential Mortgages	29,603,112	-	15,951
Higher Risk Assets	511,240	-	11
Other Assets	10,087,647	-	-
Defaulted Exposures	652,988	-	1,655
Total On-Balance Sheet Exposures	157,800,182	-	1,385,119
Off-Balance Sheet Exposures			
OTC Derivatives	3,111,793	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	10,161,502	-	176,813
Defaulted Exposures	40,322	-	447
Total Off-Balance Sheet Exposures	13,313,617	-	177,260
Total On and Off-Balance Sheet Exposures	171,113,799	-	1,562,379

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 30 June 2017	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	26,528,307	-	-
Public Sector Entities	572,996	-	-
Banks, DFIs and MDBs	10,787,030	-	-
Insurance Cos, SF and FM	180,903	-	-
Corporates	31,133,523	-	1,146,334
Regulatory Retail	43,188,689	-	518,997
Residential Mortgages	32,290,617	-	19,316
Higher Risk Assets	631,042	-	19
Other Assets	8,054,371	-	-
Defaulted Exposures	536,985	-	2,802
Total On-Balance Sheet Exposures	153,904,463	-	1,687,468
Off-Balance Sheet Exposures			
OTC Derivatives	3,101,772	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	9,898,470	-	183,650
Defaulted Exposures	32,859	-	12
Total Off-Balance Sheet Exposures	13,033,101	-	183,662
Total On and Off-Balance Sheet Exposures	166,937,564	-	1,871,130

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 30 June 2018	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
Commitments and Contingent Liabilities				
Direct credit substitutes	108,341	-	108,341	104,003
Transaction related contingent items	1,286,782	-	643,391	604,849
Short term self liquidating trade related contingencies	831,871	-	166,374	160,228
Irrevocable commitments to extend credit:				
- More than one year	14,301,856	-	7,150,928	5,882,218
- Less than one year	16,074,688	-	3,214,938	2,844,103
Unutilised credit card lines	6,908,565	-	1,381,713	1,037,327
	39,512,103	-	12,665,685	10,632,728
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	42,895,473	563,643	1,018,772	408,992
- One year to less than five years	2,640,932	77,030	306,028	161,771
- Five years and above	517,408	50,202	108,954	58,566
Interest/profit rate related contracts:				
- Less than one year	28,281,796	7,697	32,770	13,873
- One year to less than five years	46,342,804	133,243	1,115,508	481,148
- Five years and above	6,839,805	72,375	659,600	291,074
Equity related contracts:				
- Less than one year	306,258	3,928	23,383	12,470
- One year to less than five years	503,502	9,949	49,495	24,748
	128,327,978	918,067	3,314,510	1,452,642
	167,840,081	918,067	15,980,195	12,085,370

* 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 2018

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 30 June 2017	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
Commitments and Contingent Liabilities				
Direct credit substitutes	81,785	-	81,785	77,372
Transaction related contingent items	1,391,110	-	695,555	652,871
Short term self liquidating trade related contingencies	769,864	-	153,973	147,737
Irrevocable commitments to extend credit:				
- More than one year	13,257,147	-	6,628,573	5,424,889
- Less than one year	16,097,927	-	3,219,586	2,863,935
Unutilised credit card lines	7,001,256	-	1,400,251	1,051,528
	38,599,089	-	12,179,723	10,218,332
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	35,909,765	466,417	980,780	420,368
- One year to less than five years	3,646,999	200,808	380,766	168,101
- Five years and above	1,153,405	56,526	238,057	123,956
Interest/profit rate related contracts:				
- Less than one year	43,388,997	12,467	39,737	13,717
- One year to less than five years	34,308,796	159,414	1,093,412	479,615
- Five years and above	5,562,786	48,842	472,906	210,631
Equity related contracts:				
- Less than one year	155,471	410	9,739	6,786
- One year to less than five years	279,187	8,158	30,492	15,245
	124,405,406	953,042	3,245,889	1,438,419
	163,004,495	953,042	15,425,612	11,656,751

* 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 2018

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 30 June 2018	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
Commitments and Contingent Liabilities				
Direct credit substitutes	50,361	-	50,361	46,023
Transaction related contingent items	1,165,364	-	582,682	544,141
Short term self liquidating trade related contingencies	800,721	-	160,144	153,998
Irrevocable commitments to extend credit:				
- More than one year	10,410,497	-	5,205,249	4,219,031
- Less than one year	14,108,380	-	2,821,676	2,483,070
Unutilised credit card lines	6,908,565	-	1,381,712	1,037,327
	33,443,888	-	10,201,824	8,483,590
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	41,893,038	558,071	999,857	395,399
- One year to less than five years	2,640,932	77,027	306,028	161,771
- Five years and above	517,408	50,202	108,954	58,566
Interest/profit rate related contracts:				
- Less than one year	28,281,796	7,669	31,060	13,531
- One year to less than five years	48,687,804	147,895	1,059,632	452,906
- Five years and above	6,389,805	78,185	533,384	221,197
Equity related contracts:				
- Less than one year	306,258	3,928	23,383	12,470
- One year to less than five years	503,502	9,949	49,495	24,748
	129,220,543	932,926	3,111,793	1,340,588
	162,664,431	932,926	13,313,617	9,824,178

* 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 2018

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 30 June 2017	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
Commitments and Contingent Liabilities				
Direct credit substitutes	28,387	-	28,387	23,974
Transaction related contingent items	1,285,746	-	642,873	600,189
Short term self liquidating trade related contingencies	733,985	-	146,797	140,562
Irrevocable commitments to extend credit:				
- More than one year	9,601,053	-	4,800,528	3,900,248
- Less than one year	14,562,467	-	2,912,493	2,579,763
Unutilised credit card lines	7,001,256	-	1,400,251	1,051,528
	33,212,894	-	9,931,329	8,296,264
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	35,531,864	463,297	968,370	411,965
- One year to less than five years	3,646,999	200,808	380,766	168,101
- Five years and above	1,153,405	56,526	238,057	123,956
Interest/profit rate related contracts:				
- Less than one year	43,138,997	12,061	38,422	13,454
- One year to less than five years	34,423,796	157,481	1,038,665	450,538
- Five years and above	4,862,786	48,842	397,261	165,748
Equity related contracts:				
- Less than one year	155,471	410	9,739	6,786
- One year to less than five years	279,187	8,158	30,492	15,245
	123,192,505	947,583	3,101,772	1,355,793
	156,405,399	947,583	13,033,101	9,652,057

* 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 2018

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 Asset and Liability 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 RM3.3 million to RM15.1 million with an average of RM6.4 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) 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.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

4. RISK MANAGEMENT (CONTINUED)

(D) Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Management oversight on operational risk management ("ORM") matters are effected through the Risk & 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 Group adopts ORM tools such as loss event reporting, risk and control self assessment and key risk indicators to manage operational risks.

These tools are based on international best practices for the management of operational risks and are explained in more detail below:

i) Risk and Control Self Assessment ("RCSA") is an assessment process on severity of potential risk and control effectiveness.

ii) Key Risk Indicators ("KRI") is a set of measures to allow the Group to monitor and facilitate early detection of operational risks.

iii) Loss Event Reporting ("LER") is a process for collecting and reporting operational risk events. These are further used for analysis of operational risks for the purpose of developing mitigating controls.

The operational risk mitigation strategies that are implemented include:

i) Policies, Guidelines 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.

(E) 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.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

4. RISK MANAGEMENT (CONTINUED)

(E) Financial hedges to mitigate interest rate risks (continued)

(iii) Cash flow hedges

The Group and the Bank use interest rate swaps as hedge instruments to hedge the variability of future cash flows on fixed deposits.

Further information relating to the cash flow hedges are disclosed in Note 10(a) to the financial statements.

(iv) The accounting policies on derivative financial instruments and hedge accounting are disclosed in Note 2K to the financial statements.

5. EQUITY EXPOSURES IN BANKING BOOK

The Group's and the Bank's banking book's equity investments consist of equity holdings in organisations which are set up for specific socio-economic reasons and equity holdings and equity instruments received as a result of loan/financing restructuring or loan/financing conversion.

The Group's and the Bank's banking book's equity investments are classified and measured in accordance with MFRS 139 and are categorised as financial investments available-for-sale. Refer to Note 2D(i)(d) to the financial statements for the accounting policies of the Group and the Bank.

Details of the Group and Bank's financial investments available-for-sale 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	
30 June 2018	**Exposures subject to risk-weighting RM'000**	**Risk weights %**	**Exposures subject to risk-weighting RM'000**	**Risk weights %**
Financial investments available-for-sale				
Quoted equity securities	**-**	**100%**	**-**	**100%**
Unquoted equity securities	**467,512**	**150%**	**467,512**	**150%**
30 June 2017				
Financial investments available-for-sale				
Quoted equity securities	27	100%	27	100%
Unquoted equity securities	604,101	150%	604,101	150%

Realised gains arising from sales and liquidations of equity exposures are as follows:

	The Group and the Bank	
	30 June 2018 RM'000	**30 June 2017 RM'000**
Net gains arising from sales of equity securities	**194,543**	41,971

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 2018.

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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.

The increase of decline in earning and economic value for upward and downward rate shocks are consistent with the rate shocks applied in the Group's stress test for IRRBB/RORRBB (which are as follows):

	Impact on positions 100 basis points parallel shift	
The Group **30 June 2018**	**Increase/(Decline) in Earnings RM'000**	**Increase/(Decline) in Economic Value RM'000**
100 bps upward		
Ringgit Malaysia	**36,874**	**(929,003)**
100 bps downward		
Ringgit Malaysia	**(93,913)**	**979,646**
30 June 2017		
100 bps upward		
Ringgit Malaysia	15,876	(879,573)
100 bps downward		
Ringgit Malaysia	(68,555)	923,906
The Bank **30 June 2018**		
100 bps upward		
Ringgit Malaysia	**62,067**	**(629,672)**
100 bps downward		
Ringgit Malaysia	**(97,059)**	**658,883**
30 June 2017		
100 bps upward		
Ringgit Malaysia	44,792	(641,150)
100 bps downward		
Ringgit Malaysia	(79,907)	670,905

BASEL II PILLAR 3 DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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. The new Islamic Financial Services Act ("IFSA") 2013, which came into force on 30 June 2013, statutorily enforce the management of Shariah non-compliance risk and require Islamic financial institutions to ensure that their aim, operation, business, affairs and activities are Shariah-compliant at all time.

HLISB has developed its own Shariah Governance Framework to ensure the management of Shariah matters in the Bank is of the highest standard in line with SGF and IFSA.

The Bank's Shariah Governance Framework governs and guides HLISB on the on-going development and enhancement of its Shariah governance infrastructure. 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 were 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 and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2018

Total number of issued shares	:	2,167,718,284
Adjusted total number of issued shares (after deducting treasury shares pursuant to Section 127 of the Companies Act 2016)	:	2,086,616,584
Class of shares	:	Ordinary shares
Voting rights	:	1 vote for each share held

DISTRIBUTION SCHEDULE OF SHAREHOLDERS AS AT 30 AUGUST 2018

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	343	3.41	7,121	0.00
100 – 1,000	1,900	18.88	1,174,040	0.06
1,001 – 10,000	6,100	60.63	20,550,602	0.98
10,001 – 100,000	1,288	12.80	40,441,166	1.94
100,001 – less than 5% of issued shares	428	4.25	435,246,453	20.86
5% and above of issued shares	3	0.03	1,589,197,202	76.16
	10,062	100.00	2,086,616,584	100.00

* *Excluding 81,101,700 shares bought back and retained by the Bank as treasury shares*

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 30 AUGUST 2018

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Financial Group Berhad	1,155,753,941	55.39
2.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	249,059,521	11.94
3.	Hong Leong Financial Group Berhad	184,383,740	8.84
4.	MTrustee Berhad - Exempt AN for Hong Leong Bank Berhad (ESOS)	40,786,550	1.95
5.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West Clt OD67)	23,517,000	1.13
6.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	18,818,400	0.90
7.	Kumpulan Wang Persaraan (Diperbadankan)	15,067,800	0.72
8.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Rakaman Anggun Sdn Bhd (PB)	14,294,300	0.69
9.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	10,115,642	0.48

OTHER INFORMATION

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 30 AUGUST 2018 (CONTINUED)

	Name of Shareholders	No. of Shares	%
10.	AmanahRaya Trustees Berhad - Amanah Saham Wawasan 2020	10,000,000	0.48
11	AmanahRaya Trustees Berhad - Amanah Saham Malaysia	9,474,400	0.45
12.	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	9,346,180	0.45
13.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	9,112,952	0.44
14.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	8,663,200	0.42
15.	Cartaban Nominees (Asing) Sdn Bhd - GIC Private Limited for Government Of Singapore (C)	7,447,374	0.36
16.	Cartaban Nominees (Asing) Sdn Bhd - RBC Investor Services Bank S.A. for Robeco Capital Growth Funds	7,235,500	0.35
17.	HLIB Nominees (Tempatan) Sdn Bhd - Chew Brothers Development Corporation Sdn Bhd	6,485,863	0.31
18.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 9)	6,354,000	0.30
19.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	6,237,800	0.30
20.	Pertubuhan Keselamatan Sosial	6,131,600	0.29
21.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Nomura)	6,105,000	0.29
22.	Cartaban Nominees (Asing) Sdn Bhd - BBH And Co Boston for WGI Emerging Markets Smaller Companies Fund, LLC	5,933,008	0.28
23.	HLB Nominees (Asing) Sdn Bhd - Kwek Leng Hai (Custodian)	5,510,000	0.26
24.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd.	4,802,740	0.23
25.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera 2	4,500,000	0.22
26.	DB (Malaysia) Nominee (Asing) Sdn Bhd - State Street London Fund U8T8 for Pinebridge Asia Ex Japan Small Cap Equity Fund (Pinebridge GL F)	3,831,000	0.18

OTHER INFORMATION

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 30 AUGUST 2018 (CONTINUED)

	Name of Shareholders	No. of Shares	%
27.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	3,716,140	0.18
28.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for MSCI Equity Index Fund B - Malaysia	3,620,280	0.17
29.	DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for People's Bank of China (SICL Asia EM)	3,505,696	0.17
30.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts	3,269,777	0.16
		1,843,079,404	88.33

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders, the substantial shareholders of the Bank as at 30 August 2018 are as follows:

	Direct		Indirect	
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	–	–	1,346,181,489	64.52[(a)]
HL Holdings Sdn Bhd	–	–	1,346,181,489	64.52[(b)]
Tan Sri Quek Leng Chan	–	–	1,346,237,169	64.52[(c)]
Hong Realty (Private) Limited	–	–	1,346,181,489	64.52[(b)]
Hong Leong Investment Holdings Pte Ltd	–	–	1,346,181,489	64.52[(b)]
Kwek Holdings Pte Ltd	–	–	1,346,181,489	64.52[(b)]
Kwek Leng Beng	–	–	1,346,181,489	64.52[(b)]
Davos Investment Holdings Private Limited	–	–	1,346,181,489	64.52[(b)]
Kwek Leng Kee	282,344	0.01	1,346,181,489	64.52[(b)]
Guoco Assets Sdn Bhd	–	–	1,343,195,185	64.37[(d)]
GuoLine Overseas Limited	–	–	1,343,405,145	64.38[(e)]
Guoco Group Limited	–	–	1,343,405,145	64.38[(e)]
GuoLine Capital Assets Limited	–	–	1,346,181,489	64.52[(e)]
Employees Provident Fund Board	260,463,721	12.48	–	–

Notes:

[(a)] *Held through subsidiaries*

[(b)] *Held through Hong Leong Company (Malaysia) Berhad ("HLCM")*

[(c)] *Held through HLCM and a company in which the substantial shareholder has interest*

[(d)] *Held through Hong Leong Financial Group Berhad ("HLFG")*

[(e)] *Held through subsidiary(ies) and HLFG*

OTHER INFORMATION

DIRECTORS' INTERESTS AS AT 30 AUGUST 2018

Subsequent to the financial year end, there is no change, as at 30 August 2018, 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 121 to 123 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 219 of Companies Act 2016 except for the change set out below:

Indirect Interest	Number of Shares	%
YBhg Tan Sri Quek Leng Chan in:		
Hong Leong MSIG Takaful Berhad	97,500,000	65.00

GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S INTERESTS AS AT 30 AUGUST 2018

Direct Interest	Number of ordinary shares/shares issued or to be issued or acquired arising from the exercise of options*	%
Mr Domenic Fuda	350	#
	643,176**	N/A
	8,000,000*	N/A

\# Negligible

** Free ordinary shares to be vested pursuant to the Executive Share Scheme of HLB

OTHER INFORMATION

LIST OF PROPERTIES HELD AS AT 30 JUNE 2018

	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	84	7,436	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	19	2,071	26/06/1997
3	No. 42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 859 years (31/12/2779)	Branch premises	4,425	36	1,525	27/12/1983
4	No. 133, 135 & 137 Jalan Kampong Nyabor 96000 Sibu Sarawak	Freehold	Branch premises	4,871	26	2,895	28/12/1992
5	Jungle land at Sungai Lisut Rejang 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	27	1,138	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	1,412	27/12/1994
8	No. 26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	32	499	30/12/1986
9	No. 120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/8/2063)	Branch premises	3,355	52	546	31/05/1990
10	No. 100, Jalan Gurney 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	32	2,091	25/06/1992
11	No. 12, 14 & 16 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	27	3,511	25/06/1992
12	No. 6, Jalan Merdeka 96100 Sarikei Sarawak	Leasehold - 60 years (31/12/2029)	Vacant	2,240	49	56	18/10/1969

OTHER INFORMATION

LIST OF PROPERTIES HELD AS AT 30 JUNE 2018 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM '000)	Date of acquisition
13	No. 63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,760	23	3,176	28/04/1997
14	No. 24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	22	975	28/04/1997
15	No. 1, Jalan Takal 15/21 Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/06/2086)	Branch premises	2,625	31	1,139	26/06/1997
16	Lots 3594 & 3595 Jalan Baru Pak Sabah 23000 Dungun Terengganu Darul Iman	Leasehold - 84 years (02/02/2079)	Branch premises	3,199	24	195	26/06/1997
17	Lot 3073 & 3074 Jalan Abang Galau 97000 Bintulu, Sarawak	Leasehold - 60 years (12/02/2056)	Branch premises	2,582	21	990	26/06/1997
18	Lot 34, Putra Industrial Park 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	22	2,608	26/01/1995
19	No. 1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 60 years (19/07/2030)	Vacant	10,619	43	26	30/06/1977
20	No. 9A & 9B Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	25	767	01/01/1994
21	No. 45, Jalan Burma 10500 Pulau Pinang	Freehold	Branch premises	14,277	40	1,849	24/11/1978
22	No. 33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (8/4/2082)	Storage	4,394	23	353	26/12/1995
23	No. 55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	11,720	39	968	01/10/1984
24	No. 27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/2/2078)	Branch premises	4,694	23	245	24/11/1995

OTHER INFORMATION

LIST OF PROPERTIES HELD AS AT 30 JUNE 2018 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM '000)	Date of acquisition
25	No. 75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	1,900	21	602	15/06/1998
26	No. 80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/6/2089)	Branch premises	9,062	28	870	01/06/1994
27	No. 19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (8/3/2081)	Branch premises	5,859	36	321	29/11/1985
28	No. 55, Jalan Pasar 55100 Kuala Lumpur	Freehold	Branch premises	4,313	38	297	01/04/1980
29	Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Branch premises	4,978	38	404	31/07/1988
30	No. 161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	2,454	22	2,682	14/02/1996
31	No. 8A-C, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	12,854	25	352	22/10/1977
32	No. 109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	30	202	01/09/1988
33	No. 1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	50	32	30/06/1977
34	No. 36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	78	95	30/08/1982
35	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	19	1,199	18/12/1999
36	No. 2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Branch premises	12,173	19	2,279	18/12/1999

OTHER INFORMATION

LIST OF PROPERTIES HELD AS AT 30 JUNE 2018 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM '000)	Date of acquisition
37	Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	19	459	23/11/1999
38	No. 1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	18	1,529	23/11/1999
39	Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/02/2084)	Branch premises	5,988	19	1,134	31/05/1991
40	No. 1 & 2 Jalan Raya 09800 Serdang Kedah Darul Aman	Freehold	Branch premises	5,840	17	352	20/09/2000
41	No. 133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	17	326	13/12/2000
42	No. 65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	Vacant	2,223	22	4,715	14/10/1996
43	No. 64, Jalan Tun Mustapha 87007 Labuan	Leasehold - 999 years (28/12/2881)	Branch premises	1,370	27	404	30/05/1991
44	No. 159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	13	2,546	25/11/2005
45	No. 163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	13	2,623	25/10/2005
46	No. 114 & 116, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch premises	12,200	12	3,595	07/06/2006
47	Lot A08-A09 Jalan SS 6/5A Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya	Freehold	Branch premises	9,800	12	2,604	06/07/2006
48	No. 2 Jalan Puteri 2/4 Bandar Puteri, Puchong 47100 Selangor Darul Ehsan	Freehold	Branch premises	11,850	11	5,032	28/06/2007
49	Tower A PJ City Development 46100 Petaling Jaya, Selangor	Leasehold - 99 years (14/08/2094)	Branch premises	194,489	10	74,175	21/07/2008

OTHER INFORMATION

LIST OF PROPERTIES HELD AS AT 30 JUNE 2018 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM '000)	Date of acquisition
50	OUG No. 2, Lorong 2/137C Off Jalan Kelang Lama 58200 Kuala Lumpur	Leasehold - 99 years (year 2088)	Branch Premises	17,300	8	4,874	01/04/2011
51	KEP Lot No. 77C & 77D Lot No. 58529, Jalan Kepong 52100 Kuala Lumpur	Leasehold - 99 years (07/01/2101)	Branch Premises	30,613	8	8,402	01/05/2011
52	No. 122, Kapit By-Pass 96807 Kapit, Sarawak	Leasehold - 60 years (29/04/2045)	Branch Premises	1,200	25	149	30/04/1985
53	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	31	114	24/05/1983
54	No. 9, Jalan Cheng Lock 50000 Kuala Lumpur Wilayah Persekutuan	Freehold	Vacant	2,199	45	277	18/09/1972
55	No. 3, Jalan Bandar Satu Pusat Bandar Puchong 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	4,687	23	1,758	03/04/1997
56	No. 32 & 34, Jalan 21/19 Sea Park 46300 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch Premises	3,080	55	2,124	19/08/1997
57	No. 1, Jalan Goh Hock Huat 41400 Klang Selangor Darul Ehsan	Freehold	Vacant	2,776	35	1,475	09/07/1998
58	No. 26 & 27, Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	3,600	22	1,395	22/01/1999
59	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	14	3,373	12/02/2005

OTHER INFORMATION

LIST OF PROPERTIES HELD AS AT 30 JUNE 2018 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM '000)	Date of acquisition
60	No. J09-6 and J02-06 Paradise Lagoon Holiday Apartment Batu 3 1/2 Jalan Pantai 70100 Port Dickson Negeri Sembilan Darul Khusus	Leasehold - 99 years (07/06/2087)	2 units apartment	2,088	22	189	21/04/1994
61	No. S-3, Kompleks Negeri Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan Darul Khusus	Leasehold - 99 years (30/01/2078)	Storage for branches	1,680	34	249	29/06/1981
62	No. 105 & 107 Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Leasehold - 99 years (20/03/2094)	Vacant	3,132	22	496	17/04/1998
63	No. 67 & 69, Jalan Merdeka 75000 Taman Merdeka Raya Melaka	Leasehold - 99 years (07/07/2093)	Branch Premises	3,080	23	647	15/08/1999
64	No. 21 & 23, Jalan Indah 15/1 Bukit Indah, 81200 Johor Bahru Johor Darul Takzim	Freehold	Branch Premises	5,090	16	1,378	27/05/2002
65	No. 35, 37 & 39 Jalan Johor Satu Taman Desa Cemerlang 81800 Ulu Tiram Johor Darul Takzim	Freehold	Branch Premises	13,965	15	1,957	12/02/2003
66	No. 21, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai Johor Darul Takzim	Freehold	Branch Premises	2,624	21	974	05/04/1999
67	No. B-278 & B-280 Jalan Beserah 25300 Kuantan Pahang Darul Makmur	Freehold	Branch Premises	3,208	17	1,387	04/08/1999
68	No. 31, 33, 35 & 37 Jalan Usahaniaga 1 Taman Niagajaya 14000 Bukit Mertajam Seberang Perai Tengah Pulau Pinang	Freehold	Branch Premises	15,844	15	1,138	10/07/2003

OTHER INFORMATION

LIST OF PROPERTIES HELD AS AT 30 JUNE 2018 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM '000)	Date of acquisition
69	Lot 171, Jalan Council 95000 Bandar Sri aman Sarawak	Leasehold - 60 years (20/06/2050)	Branch Premises	1,740	22	139	21/06/1990
70	Lot No. 2013, Jalan Pisang Barat 93150 Kuching Sarawak	Leasehold - 99 years (31/12/2038)	Storage	1,390	25	-	23/09/1992
71	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	23	1,700	04/02/1997
72	No. 177, Limbok Hill 70000 Seremban Negeri Sembilan Darul Khusus	Freehold	Single-storey Detached house	6,730	45	11	16/08/1972
73	No. 11, Jalan Emas 2 Taman Emas Cheras 43200 Cheras, Selangor	Freehold	Storage	5,804	25	-	25/05/1993
74	No. 53 & 55, Jalan Sultan Ismail 50250 Kuala Lumpur	Freehold	Branch Premises	9,600	21	17,501	01/06/2015
75	No. 9, Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch Premises	7,060	36	2,631	01/06/2015
76	No. 300, Jalan Jelutong 11600 Pulau Pinang	Freehold	Branch Premises	16,652	16	14,012	23/06/2015
77	Lot 1, Block 35 Fajar Commercial Complex Jalan Lembaga 91000 Tawau, Sabah	Leasehold - 998 years (31/12/2895)	Branch Premises	13,880	46	4,923	17/08/2015
78	Menara Hong Leong No. 6, Jalan Damanlela Bukit Damansara 50490 Kuala Lumpur	Freehold	Head Office/ Branch	668,331	3	587,599	03/07/2015

LOCAL & OVERSEAS BRANCHES
AS AT 30 JUNE 2018

KUALA LUMPUR

1 53 & 55, Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2148 8077

2 147, Jalan Imbi
56100 Kuala Lumpur
Tel : 03-2141 1402

3 No. 50, Jalan Merlimau
Off Jalan Kenanga
55200 Kuala Lumpur
Tel : 03-9222 1498

4 Ground & Mezzanine Floors
Wisma Sin Heap Lee
No. 346, Jalan Tun Razak
50400 Kuala Lumpur
Tel : 03-2163 1457

5 Level 1, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Tel : 03-2165 2525

6 Ground Floor
Menara Raja Laut
No. 288, Jalan Raja Laut
50350 Kuala Lumpur
Tel : 03-2694 2288

7 No. 34, 36 and 38
Jalan Petaling
50000 Kuala Lumpur
Tel : 03-2072 3211

8 No. 47 and 48
Jalan Chow Kit
50350 Kuala Lumpur
Tel : 03-4043 3458

9 E-1-2 Level 1 Blok E
Southgate Commercial Centre
No. 2 Jalan Dua
Off Jalan Chan Sow Lin
55200 Kuala Lumpur
Tel : 03-9221 0813

10 No. 468-B2(A), Block B
Ground Floor
Rivercity 3rd Mile
Jalan Ipoh
51200 Kuala Lumpur
Tel : 03-4044 4736

11 150, Jalan Tun Sambanthan
50470 Kuala Lumpur
Tel : 03-2274 7100

12 38, Jalan 7/108C
Jalan Sg Besi
Taman Sg Besi
57100 Kuala Lumpur
Tel : 03-7980 0747

13 114 and 116, Jalan Cerdas
Taman Connaught, Cheras
56000 Kuala Lumpur
Tel : 03-9102 1499
03-9101 5413

14 No. 180-0-7 and 180-0-8
Wisma Mahkota
Taman Maluri, Cheras
55100 Kuala Lumpur
Tel : 03-9282 1507

15 Ground Floor
No. 111, Jalan Dwitasik 1
Bandar Sri Permaisuri
56100 Kuala Lumpur
Tel : 03-9171 0861

16 No. 15, 16 & 17
Jalan Midah Satu
Taman Midah, Cheras
56000 Kuala Lumpur
Tel : 03-9131 9388

17 No. 50, Jalan Manis 1
Taman Segar, Cheras
56100 Kuala Lumpur
Tel : 03-9132 5026

18 Level 1, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2777 1778

19 26, Lorong Rahim Kajai 14
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 03-7729 3716

20 Lot 2-21A & 2-21A1
Jalan Desa 1/1
Desa Aman Puri
52100 Kuala Lumpur
Tel : 03-6273 5688

21 No. 77C & D, Lot 58529
Jalan Kepong
52100 Kuala Lumpur
Tel : 03-6257 1022

22 166 & 168, Jalan 2/3A
Off KM 12 Jalan Ipoh
68100 Batu Caves
Kuala Lumpur
Tel : 03-6138 8988

23 No. 44 & 46
Block A Plaza Sinar
Jalan 8/38D
Taman Sri Sinar
Segambut
51200 Kuala Lumpur
Tel : 03-6272 9637

24 Ground & First Floor
No. 63 Jalan Medan Putra 1
Medan Putra Business Centre
Menjalara
52200 Kuala Lumpur
Tel : 03 -6270 1460

25 Ground Floor, No. 6 & 8
Block 5, Jalil Link
Jalan Jalil Jaya 6
Bukit Jalil
57000 Kuala Lumpur
Tel : 03-89939034
03-89939084
03-89939105

26 Ground & First Floor
Unit 25-G & 25-1
Signature Office
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-2282 0462

27 37, Jalan Telawi 3
Bangsar Baru
59100 Kuala Lumpur
Tel : 03-2284 3709

28 No. 2, Jalan 22A/70A
Desa Sri Hartamas
50480 Kuala Lumpur
Tel : 03-6201 3749

29 Lot No. 70, Level G2
Publika Shopping Gallery
Solaris Dutamas
Jalan Dutamas 1
50480 Kuala Lumpur
Tel : 03-6205 3078

30 No. 31 and 33
Jalan 1/116B
Kuchai Entrepreneurs Park
Off Jalan Kuchai Lama
58200 Kuala Lumpur
Tel : 03-7982 6033

31 30-34, Jalan Awan Hijau OUG
Jalan Kelang Lama
58200 Kuala Lumpur
Tel : 03-7782 0823

LOCAL & OVERSEAS BRANCHES
AS AT 30 JUNE 2018

32 71 and 73
Jalan Radin Tengah Zone J 4
Bandar Baru Seri Petaling
57000 Kuala Lumpur
Tel : 03-9058 1248

33 A54, Jalan Tuanku 4
Salak South Garden
Off Jalan Sg Besi
57100 Kuala Lumpur
Tel : 03-7982 9063

34 No. 7 and 9, Jalan 2/109 F
Plaza Danau 2
Taman Danau Desa
Off Jalan Klang Lama
58100 Kuala Lumpur
Tel : 03-7982 7478

35 No. 8 and 10, Jalan 3/50C
Taman Setapak Indah Jaya
Off Jalan Genting Kelang
53300 Kuala Lumpur
Tel : 03-4023 9046

36 No. 266 and 267
Jalan Bandar 12
Taman Melawati
53100 Kuala Lumpur
Tel : 03-4106 9391

37 No. 2, Jalan Rampai Niaga 1
Rampai Business Park
Taman Sri Rampai
53300 Kuala Lumpur
Tel : 03-4143 2639

38 10, Jalan 1/27B, Section 1
Bandar Wangsa Maju
53300 Kuala Lumpur
Tel : 03-4142 2989

39 Ground & First Floor
No. 10-G-1
Jalan 14/48A
The Boulevard Shopoffice
Off Jalan Sentul
51000 Kuala Lumpur
Tel : 03-4050 4528

40 **Islamic Branch**
No. 28, Ground & First Floor
Jalan Setiawangsa 10/55A
Taman Setiawangsa
54200 Kuala Lumpur
Tel : 03-4251 1258

SELANGOR DARUL EHSAN

41 No. 1-GM, Jalan Perdana 4/6
Pandan Perdana
55300 Kuala Lumpur
Tel : 03-9287 8735

42 No. 1 & 3, Jalan Pandan 3/5
Pandan Jaya
55100 Kuala Lumpur
Tel : 03-9283 7988

43 No. 23GM and 25GM
Jalan Pandan Indah 4/8
Pandan Indah
55100 Kuala Lumpur
Tel : 03-4297 2253

44 2-G, 2-1 & 2A-G
Jalan Cheras Maju
Pusat Perniagaan Cheras Maju
43200 Balakong, Selangor
Tel : 03-9074 4205

45 No. 24, Medan Taming 2
Taman Taming Jaya
43300 Balakong, Selangor
Tel : 03-8961 5948

46 No. 1, Jalan Temenggung 21/9
Bandar Mahkota Cheras
43200 Cheras, Selangor
Tel : 03-9074 6682

47 5, Jalan SL 1/4
Bandar Sg Long
43000 Kajang, Selangor
Tel : 03-9074 9950

48 No. 1 and 3
Jalan Seri Tanming 1F
Taman Seri Tanming
Batu 9
43200 Cheras, Selangor
Tel : 03-9100 3770

49 Ground & First Floor
No. 8 Jalan Suarasa 8/5
Bandar Tun Hussein Onn, Cheras
43200 Selangor
Tel : 03-9074 1501

50 Ground & First Floor
No. 19 Jalan Kijang
Taman Suntex, Batu 9
Cheras, 43200 Selangor
Tel : 03-9075 2006

51 No. 11 and 13, Jalan M/J 1
Taman Majlis Jaya
Jalan Sungai Chua
43000 Kajang, Selangor
Tel : 03-8737 6090

52 No. 7 and 9
Jalan Pasar Baru 2
Seksyen 3
Bandar Semenyih
43500 Semenyih
Selangor
Tel : 03- 8724 8639

53 Ground Floor
36, Jalan Sulaiman
43000 Kajang, Selangor
Tel : 03-8734 1093

54 No. 2, Jalan Bangi Avenue 1/8
Taman Bangi Avenue
43000 Kajang, Selangor
Tel : 03-8912 3192

55 No. 1 & 3, Jalan PJU 1/43
Aman Suria
47301 Petaling Jaya
Selangor
Tel : 03-7803 0969

56 No. 25-G, 27-G, 29-G and 29-1
Jalan SS21/60
47400 Damansara Utama
Petaling Jaya, Selangor
Tel : 03-7726 9822

57 No. 18 and 20, Jalan 20/16A
Taman Paramount
46300 Petaling Jaya
Selangor
Tel : 03-7876 5115

58 No. 80 and 82
Jalan Othman 1/14
46000 Petaling Jaya
Selangor
Tel : 03-7784 4659

59 GF, Tower A, PJ City Development
15A, Jalan 219, Sec 51A
46100 Petaling Jaya
Selangor
Tel : 03-7877 1629

60 No. 9 & 11, Jalan 52/2
PJ New Town
46200 Petaling Jaya
Selangor
Tel : 03-7958 6488

61 No. 22 & 24, Jalan 14/14
46100 Petaling Jaya
Selangor
Tel : 03-7956 8490

LOCAL & OVERSEAS BRANCHES
AS AT 30 JUNE 2018

62 No. 28 & 30, Jalan SS2/67
47300 Petaling Jaya
Selangor
Tel : 03-7877 6800

63 2, Jalan PJU 5/8
Dataran Sunway
Kota Damansara
47810 Petaling Jaya
Selangor
Tel : 03-6141 3886

64 Lot G-18 and G-19
Perdana The Place
Damansara Perdana
47820 Petaling Jaya
Selangor
Tel : 03-7724 1357

65 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
Tel : 03-7804 0221

66 12 and 14, Jalan PJS 11/28A
Metro Bandar Sunway
Bandar Sunway
46150 Petaling Jaya
Selangor
Tel : 03-5637 5396

67 No. 68 Lorong Batu Nilam 4A
Bandar Bukit Tinggi
41200 Klang, Selangor
Tel : 03-3324 9490

68 No. 119 and 121
Jalan Sultan Abdul Samad
42700 Banting, Selangor
Tel : 03-3187 6758

69 26-32, Jalan Kapar
41400 Klang, Selangor
Tel : 03-3343 1188

70 Wisma Meru
1 Lintang Pekan Baru
Off Jalan Meru
41050 Klang, Selangor
Tel : 03-3343 7677

71 90, Persiaran Raja Muda Musa
42000 Pelabuhan Klang
Selangor
Tel : 03-3166 1188

72 No. 216 & 218
Persiaran Pegaga
Taman Bayu Perdana
41200 Klang, Selangor
Tel : 03-3324 3303

73 No. 1 and 3
Jalan Sri Sarawak 17
Taman Sri Andalas
41200 Klang, Selangor
Tel : 03-3324 2545

74 169, Jalan Teluk Pulai
41100 Klang, Selangor
Tel : 03-3372 1000

75 No. 36
Jalan Dato Shahbudin 30
Taman Sentosa
41200 Klang, Selangor
Tel : 03-5161 1753

76 No. 174 and 174A
Jalan Besar
42800 Tanjung Sepat
Kuala Langat, Selangor
Tel : 03-3197 2149

77 Ground Floor
No. 109 & 111
Jalan Mahogani 5
Bandar Botanic
41200 Klang, Selangor
Tel : 03-3323 0526

78 Ground & First Floor
Lot 529, Jalan Besar Kapar
KU13, 42200 Klang
Selangor
Tel : 03-3250 1784

79 No. 15 and 16
Jalan Menteri Besar 2
New Sekinchan Business Centre
45400 Sekinchan, Selangor
Tel : 03-3241 6351

80 No. 64 Jalan Stesen
45000 Kuala Selangor
Selangor
Tel : 03-3289 5958

81 No. 64 Jalan BRP 1/2
Bukit Rahman Putra
47000 Sungai Buloh
Selangor
Tel : 03-61560195

82 51 & 53, Jalan TSB 10A
Taman Industri Sg Buloh
47000 Sg Buloh
Selangor
Tel : 03-6157 5811

83 19, Jalan 54
Desa Jaya
52100 Kepong, Selangor
Tel : 03-6276 3701

84 No. 23 and 24
Jalan KIP 1
Taman Perindustrian KIP
52200 Selangor
Tel : 03-6277 6310

85 59A, Jalan Welman
48000 Rawang, Selangor
Tel : 03-6091 0460

86 No. 2 Jalan Public
Kampung Baru
Sungai Buloh
40160 Shah Alam
Selangor
Tel : 03-6156 9385

87 No. 39 and 41
Jalan SJ 17
Taman Selayang Jaya
68100 Batu Caves
Selangor
Tel : 03-6120 6803

88 No. 5 & 7, Jalan Cempaka 1
Taman Cempaka
48200 Serendah
Hulu Selangor, Selangor
Tel : 03-6081 3182

89 No. G-16, 1-16, 2-16,
G-17, 1-17 & 2-17
Jalan Prima SG1
Taman Prima Sri Gombak
68100 Batu Caves
Selangor
Tel : 03-6184 2492

90 Wisma Keringat 2
No. 17, Lorong Batu Caves 2
68100 Batu Caves
Selangor
Tel : 03-6187 7464

91 29-1, Jalan SP 2/1
Seksyen 2
Taman Serdang Perdana
43300 Seri Kembangan
Selangor
Tel : 03-8943 0795

92 No. 5 & 7 Jalan Besar Susur 1
43300 Seri Kembangan
Selangor
Tel : 03-8948 3162

LOCAL & OVERSEAS BRANCHES
AS AT 30 JUNE 2018

93 Ground Floor
No. 4G & 6G Jalan Equine 1B
Taman Equine Boulevard
43300 Seri Kembangan
Selangor
Tel : 03-8938 1400

94 No. 21 Jalan BS10/6
Seksyen 10, Bukit Serdang
43300 Seri Kembangan
Selangor
Tel : 03-8945 5688

95 3, Jalan Bandar Satu
Pusat Bandar Puchong
47100 Puchong, Selangor
Tel : 03-5882 4388

96 No. 2 Jalan Puteri 2/4
Bandar Puteri
47100 Puchong, Selangor
Tel : 03-8063 6839

97 2, Jalan Kinrara
Taman Kinrara
Jalan Puchong
47100 Selangor
Tel : 03-8075 1486

98 No. 26 & 27, Jalan Kenari 1
Bandar Puchong Jaya
47100 Puchong, Selangor
Tel : 03-5882 7100

99 No. E-01-07 and E-01-08
Jalan Puchong Prima 5/3
Puchong Prima
47100 Puchong, Selangor
Tel : 03-8060 7409

100 No. 120 Jalan PUJ 3/2
Taman Puncak Jalil
Bandar Putra Permai
43300 Seri Kembangan
Selangor
Tel : 03-8938 1190

101 Lot 43 & 45
Jalan USJ 10/1G
47620 UEP Subang Jaya
Selangor
Tel : 03-5637 1984

102 W-1-0, W-2-0 and W-1-1
Subang Square Business Centre
Jalan SS15/4G
47500 Subang Jaya
Selangor
Tel : 03–5632 9034
03-5632 9068

103 No. 16, Jalan SS19/6
47500 Subang Jaya
Selangor
Tel : 03-5631 1818

104 Ground Floor, Lot G01
Giant Hypermarket Putra Heights
Persiaran Putra Perdana
47560 Putra Heights
Selangor
Tel : 03-5101 9007

105 No. 3-G, Jalan Anggerik Vanilla
N31/N, Kota Kemuning
40460 Shah Alam
Selangor
Tel : 03-5122 5912

106 3, Jalan Takal 15/21
Seksyen 15
40000 Shah Alam
Selangor
Tel : 03-5510 9021
03-5510 9023

107 34, Jalan Perbahan Satu
Section 26/2A
40000 Shah Alam
Selangor
Tel : 03-5191 8888

108 19, Jalan Setia Prima RU 13/R
Setia Alam
40170 Shah Alam
Selangor
Tel : 03-3344 6888

109 1G-3G, Jalan Wawasan 2/10
Bandar Baru Ampang
68000 Ampang
Selangor
Tel : 03-4291 0437

110 No. 91, Lorong Mamanda 1
Ampang Point
68000 Ampang
Selangor
Tel : 03-4253 2449

111 No. 7 and 9
Jalan Bunga Tanjong 6A
Taman Putra
68000 Ampang
Selangor
Tel : 03-4293 9988

112 Ground Floor No. 8
Jalan UP 1/5
Taman Ukay Perdana
68000 Ampang
Selangor
Tel : 03-4101 2143

113 **Islamic Branch**
26, Jalan Tengku Ampuan
Zabedah D9/D, Section 9
40100 Shah Alam
Selangor
Tel : 03-5880 8047

114 **Islamic Branch**
Lot G13A (Ground Floor)
D'Pulze Shopping Centre
P-01, D'Pulze
Lingkaran Cyber Point Timur
Cyberjaya 12, Cyberjaya
63000 Selangor
Tel : 03-8318 0473

PAHANG DARUL MAKMUR

115 No. 1 Bentong Heights
28700 Bentong
Pahang
Tel : 09-222 1080

116 21 Jalan Tun Razak
27600 Raub
Pahang
Tel : 09-355 4422

117 No. 113, Jalan Inderapura 1
Bandar Inderapura
27000 Jerantut
Pahang
Tel : 09-266 3184

118 No. B278 & B280
Jalan Beserah
25300 Kuantan
Pahang
Tel : 09-566 4100

119 25, Jalan Tun Ismail
25000 Kuantan
Pahang
Tel : 09-515 7158

120 59 and 60, Jalan Temerloh
Locked Bag No. 9
28409 Mentakab
Pahang
Tel : 09-277 2954

121 F107, Jalan Kuantan
28000 Temerloh
Pahang
Tel : 09-296 7492

122 No. 36, Main Road Tanah Rata
39000 Cameron Highlands
Pahang
Tel : 05-491 1941

LOCAL & OVERSEAS BRANCHES
AS AT 30 JUNE 2018

TERENGGANU DARUL IMAN

123 Lot 3594 and 3595
Jalan Baru Pak Sabah
23000 Dungun
Terengganu
Tel : 09-848 2766

124 No. 5686 & 5694-B
Jalan Kubang Kurus
24000 Kemaman
Terengganu
Tel : 09-858 8898
09-858 8801

125 Nos. 1107-R, S & T
Jalan Pejabat
20200 Kuala Terengganu
Terengganu
Tel : 09-622 7701

126 **Islamic Branch**
No. 31, Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu
Tel : 09-624 4458

KELANTAN DARUL NAIM

127 Pt 320 & 321, Seksyen 25
Jalan Sultan Yahya Petra
15200 Kota Bahru
Kelantan
Tel : 09-748 6888

128 **Islamic Branch**
No. 1121A & 1121B
Jalan Padang Garong
Seksyen 12
15000 Kota Bahru
Kelantan
Tel : 09-743 8188

FEDERAL TERRITORY LABUAN

129 64, Jalan Tun Mustapha
87007 Labuan
Tel : 087-423 290

SABAH

130 Ground and First Floor
Lot No.1 Block 35
Fajar Commercial Complex
Jalan Lembaga
91013 Tawau
Sabah
Tel : 089-770 393

131 No. 5 and 6 (Aras Bawah)
Lorong Lintas Plaza 1
Lintas Plaza
88300 Kota Kinabalu
Sabah
Tel : 088-318 806

132 Lot 1, 2 and 3
Block 18, Mile 4
North Road, Bandar Indah
90722 Sandakan
Sabah
Tel : 089-229 545

133 Ground Floor
Wisma Sandaraya
Humphrey Street
90000 Sandakan
Sabah
Tel : 089-226 911

134 19, Jalan Haji Saman
P.O. Box 11989
88821 Kota Kinabalu
Sabah
Tel : 088-235 056

135 Lot 38, Block E
Alamesra Plaza Permai
88400 Kota Kinabalu
Sabah
Tel : 088-486 510

136 Lot 3-0-14 to 3-0-16
Block 3, Lorong Api-Api 2
Api-Api Centre
88000 Kota Kinabalu
Sabah
Tel : 088-247 688

137 No. 8, Jalan Pantai
Locked Bag No. 124
88999 Kota Kinabalu
Sabah
Tel : 088-214 733

138 Lot No. 4, 5 & 6, Block C
Lorong KK Taipan 2
Inanam New Township
88450 Kota Kinabalu
Sabah
Tel : 088-433 552

139 Mdld 4712, Lot 4
Jalan Kastam Lama
91100 Lahad Datu
Sabah
Tel : 089-884 488

SARAWAK

140 Sub Lot 6, Lot 538
Jalan Lee Kai Teng
P.O. Box 34
95700 Betong
Sarawak
Tel : 083-472 278

141 345-347
Central Park Commercial Centre
Jalan Tun Ahmad Zaidi Adruce
93200 Kuching
Sarawak
Tel : 082-413 773

142 Lot 122,123 & 124
Jalan Song Thian Cheok
93100 Kuching
Sarawak
Tel : 082-416 679

143 42, Jalan Pending
93450 Kuching
Sarawak
Tel : 082-33 6466

144 35, Jalan Khoo Hun Yeang
93000 Kuching
Sarawak
Tel : 082-240 312

145 Lot 10901 & 10902
Jalan Tun Jugah
93350 Kuching
Sarawak
Tel : 082-575 075

146 No. 127-129, RH Plaza
Jalan Lapangan Terbang
93350 Kuching
Sarawak
Tel : 082-466 000

LOCAL & OVERSEAS BRANCHES
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147 No. 155C, Jalan Satok
93400 Kuching
Sarawak
Tel : 082-257 654

148 Lot 171, Jalan Council
95000 Bdr Sri Aman
Sarawak
Tel : 082-322 118

149 Lot 13 and 14
Olive Garden
7th Mile Bazaar
Jalan Pensrissen
93250 Kuching
Sarawak
Tel : 082-611 587

150 175, Serian Bazaar
94700 Serian
Sarawak
Tel : 082-874 877

151 Lot 124, Saratok Bazaar
P.O. Box 71
95407 Saratok
Sarawak
Tel : 083-436011

152 Lot 3073 and 3074
Jalan Abang Galau
97000 Bintulu
Sarawak
Tel : 086-332 293

153 Lot 2499 & 2500
Ground & First Floor
Boulevard Commercial Centre
Jalan Miri-Pujut, KM 3
98000 Miri
Sarawak
Tel : 085-410 518

154 Lot 1078-1079
Buangsiol Road
P.O. Box 69
98707 Limbang
Sarawak
Tel : 085-212 097

155 No. 722, Jalan Masjid
P.O. Box 19
96400 Mukah
Sarawak
Tel : 084-871 727

156 Ground & First Floor
Lot 715
Merbau Road
98000 Miri
Sarawak
Tel : 085-415 371

157 8-10, Lorong Maju
P.O. Box 279
96508 Bintangor
Sarawak
Tel : 084-693 431

158 18, Chew Geok Lin Street
P.O. Box 1461
96000 Sibu
Sarawak
Tel : 084-325 655

159 122, Jalan Yong Moo Chai
P.O. Box 15
96807 Kapit
Sarawak
Tel : 084-796 413

160 No. 22 & 24, Suria Permata
Commercial Centre
Jalan Lanang
96000 Sibu
Sarawak
Tel : 084-218 568

161 No. 133, 135 and 137
Jalan Kampung Nyabor
96000 Sibu
Sarawak
Tel : 084-332 698

162 10, 12, 14, 16 & 18
Mission Road
P.O. Box 656
96007 Sibu
Sarawak
Tel : 084-322 188

163 No. 18C & 20
Lorong Tun Razak 1
Jalan Masjid Lama
96100 Sarikei
Sarawak
Tel : 084-657 088

KEDAH DARUL AMAN

164 167 & 168
Susuran Sultan Abdul Hamid 11
Kompleks Perniagaan Sultan
Abdul Hamid Fasa 2
05050 Alor Setar
Kedah
Tel : 04-771 2918

165 No. 212-212A, Jalan Gangsa
Seberang Jalan Putra
05150 Alor Setar
Kedah
Tel : 04-731 5269

166 18K & 18L, Jalan Raya
08300 Gurun
Kedah
Tel : 04-468 4785

167 No. 62 and 63
Jalan Bayu 1
09000 Kulim
Kedah
Tel : 04-491 3612

168 No. 93, Langkawi Mall
Jalan Kelibang
07000 Langkawi
Kedah
Tel : 04-966 8118

169 No. 1 and 2, Jalan Raya
09800 Serdang
Kedah
Tel : 04-407 6919

170 Ground and First Floor
No. 64 and 65 Jalan Pengkalan
Taman Pekan Baru
08000 Sungai Petani
Kedah
Tel : 04-423 6118

171 No. 255, Jalan Legenda 10
Legenda Heights
08000 Sungai Petani
Kedah
Tel : 04-422 4352

172 9A and 9B
Jalan Kampong Baru
08000 Sungai Petani
Kedah
Tel : 04-420 5225
04-420 5227

LOCAL & OVERSEAS BRANCHES
AS AT 30 JUNE 2018

173 Ground Floor
Lot 1520-2A
Pantai Halban
06000 Jitra
Kedah
Tel : 04-919 0278

174 **Islamic Branch**
172, Susuran Sultan
Abdul Hamid 10
Komplex Perniagaan Sultan
Abd Hamid PH 2
05050 Alor Setar
Kedah
Tel : 04-771 3228

PULAU PINANG

175 19 Jalan Bertam
13200 Kepala Batas
Seberang Prai
Pulau Pinang
Tel : 04-575 4900

176 No. 421 & 423
Jalan Burmah
10350 Pulau Pinang
Tel : 04-228 3202

177 15-G-1 (Bayan Point)
Medan Kampong Relau
11900 Pulau Pinang
Tel : 04-642 8643

178 No. 300, Jalan Jelutong
11600 Pulau Pinang
Tel : 04-282 6688

179 45 Jalan Burma
10050 Pulau Pinang
Tel : 04-210 3508

180 98-G-15 Prima Tanjong
Jalan Fettes
10470 Tanjong Tokong
Pulau Pinang
Tel : 04-890 4188

181 No. 1, Light Street
Georgetown
10200 Pulau Pinang
Tel : 04-261 5154

182 No. 405 Jalan Burmah
10350 Pulau Pinang
Tel : 04-228 8475

183 No. 723-G-G, 723-H-G
and 723-I-G
Jalan Sungai Dua
11700 Pulau Pinang
Tel : 04-658 6699
04-656 7614

184 Lot G17 & G18
Penang Times Square
Jalan Dato Keramat
10150 Pulau Pinang
Tel : 04-226 4177

185 306-F
Jalan Dato Ismail Hashim
11900 Bayan Lepas
Pulau Pinang
Tel : 04-646 2331

186 No. 16A & 16B
Lebuhraya Thean Teik
Bandar Baru Ayer Itam
11500 Pulau Pinang
Tel : 04-827 1688

187 Ground & First Floor
No. 82 Jalan Besar
Balik Pulau
11000 Pulau Pinang
Tel : 04-866 5188

188 2828-G-02 and 2828-1-02
Jalan Bagan Luar
12000 Butterworth
Pulau Pinang
Tel : 04-3315659
04-3315660
04-3315661

189 No. 7 & 9, Tingkat Kikik 7
Taman Inderawasih
13600 Prai
Pulau Pinang
Tel : 04-399 3134

190 No. 1, Lebuh Kurau 1
Taman Chai Leng
13700 Prai
Pulau Pinang
Tel : 04-397 8018

191 No. 9 and 10
Jalan Todak 2
Pusat Bandar
Seberang Jaya
13700 Prai
Pulau Pinang
Tel : 04-397 2097

192 No. 26, 28 & 30
Lorong Murni 1
Taman Desa Murni
Sg. Dua
13800 Butterworth
Pulau Pinang
Tel : 04-356 2688

193 No.3350 & 3351
Jalan Rozhan
Taman Industri Alma Jaya
14000 Bukit Mertajam
Pulau Pinang
Tel : 04-552 2188

194 No. 31, 33, 35
Jalan Usahaniaga 1
Taman Niagajaya
14000 Bukit Mertajam
Pulau Pinang
Tel : 04-538 1549

195 No. 6963 and 6964
Jalan Ong Yi How
Kawasan Perindustrian Raja Uda
13400 Butterworth
Pulau Pinang
Tel : 04-331 2277

196 No. 1781 Jalan Nibong Tebal
Taman Panchor Indah
14300 Nibong Tebal
Pulau Pinang
Tel : 04-594 2889

197 No. 1, Jalan Besar
Taman Tempua
14000 Simpang Ampat
Pulau Pinang
Tel : 04-588 8208

198 1435 & 1436, Jalan Besar
14200 Sg Bakap
Seberang Prai Selatan
Pulau Pinang
Tel : 04-582 1134

199 No. 1823-G1
Jalan Perusahaan Auto City
North-South Highway Juru
Interchange
13600 Prai
Pulau Pinang
Tel : 04-502 1488

200 Ground & First Floor
No. 1 Medan Limau Emas
Pusat Perniagaan Limau Emas
Off Jalan Song Ban Keng
14000 Bukit Mertajam
Pulau Pinang
Tel : 04-502 2352

LOCAL & OVERSEAS BRANCHES
AS AT 30 JUNE 2018

PERAK DARUL RIDZUAN

201 75, Jalan Sultan Idris Shah
30000 Ipoh
Perak
Tel : 05-255 4482

202 No. 54, 56 & 58
Jalan Kamaruddin Isa
31400 Ipoh
Perak
Tel : 05-547 4203

203 No. 91 and 93
Jalan Dato Lau Pak Khuan
Ipoh Garden
31400 Ipoh
Perak
Tel : 05-549 5161

204 Lot A-G-2, A-1-2 and A-1-4
No. 1, Persiaran Greentown 2
Greentown Business Centre
30450 Ipoh
Perak
Tel : 05-253 0048

205 579 and 579A
Jalan Pasir Puteh
31650 Ipoh
Perak
Tel : 05-322 8989

206 55-57 Jalan Yang Kalsom
30250 Ipoh
Perak
Tel : 05-249 1539

207 No. 396 & 398
Taman Saujana
34600 Kamunting
Perak
Tel : 05-807 8915

208 41, Jalan Taiping
34200 Parit Buntar
Perak
Tel : 05-716 4688

209 No. 53, 55 and 57
Jalan Stesyen
34000 Taiping
Perak
Tel : 05-806 5229

210 No. 254
Jalan Raja Dr Nazrin Shah
Gunung Rapat
31350 Ipoh
Perak
Tel : 05-313 3288

211 Ground & First Floor
No. 362, Medan Bercham
Jalan Bercham
31400 Ipoh
Perak
Tel : 05-546 6235

212 86 & 88, Jalan Besar
32400 Ayer Tawar
Perak
Tel : 05-672 7470

213 N-20, Jalan Bidor Raya
Off Jalan Persatuan
35500 Bidor
Perak
Tel : 05-434 1211

214 27 Jalan Dewangsa
31000 Batu Gajah
Perak
Tel : 05-365 3191

215 133 and 135, Jalan Gopeng
31900 Kampar
Perak
Tel : 05-466 5050

216 No. PT 1167 & 1168
Jalan Chui Chak
36700 Langkap
Perak
Tel : 05-659 2840

217 No. 116 & 117
Jalan Besar
31450 Menglembu
Ipoh, Perak
Tel : 05-281 2088

218 No. 28, Medan Silibin
30100 Ipoh
Perak
Tel : 05-526 6333

219 No. 16 and 17
Taman Sitiawan Maju
Jalan Lumut
32000 Sitiawan
Perak
Tel : 05-692 2317

220 No. 25 & 27
Jalan Bunga Anggerik
Taman Bunga Raya
35900 Tanjong Malim
Perak
Tel : 05-459 8272

221 11 and 12 Kompleks Menara
Condong, Jalan Bandar
36000 Teluk Intan
Perak
Tel : 05-623 3639

NEGERI SEMBILAN DARUL KHUSUS

222 100, Jalan Gurney
72100 Bahau
Negeri Sembilan
Tel : 06-454 1413

223 112 Jalan Yam Tuan Raden
72000 Kuala Pilah
Negeri Sembilan
Tel : 06-481 6922

224 Lot 3120 & 3121
Jalan Besar Lukut
71010 Port Dickson
Negeri Sembilan
Tel : 06-651 1878

225 Lot Pt 5759 & 5730
Jalan TS 2/1D
Taman Semarak
71800 Nilai
Negeri Sembilan
Tel : 06-799 5289

226 No. 69, 70 and 71
Jalan Dato Bandar Tunggal
70000 Seremban
Negeri Sembilan
Tel : 06-762 8821

227 1278, Jalan Rasah
70300 Seremban
Negeri Sembilan
Tel : 06-761 5789

228 No. 145-G, 145-1 & 146-G
Block M Taipan Senawang
Jalan Taman Komersil
Senawang 1
70450 Seremban
Negeri Sembilan
Tel : 06- 678 2788

229 No. 7 & 8, Jalan S2 B15
Biz Avenue, Seremban 2
70300 Seremban
Negeri Sembilan
Tel : 06-601 7488

LOCAL & OVERSEAS BRANCHES
AS AT 30 JUNE 2018

MELAKA

230 Lot 215 & 130, Jalan Besar
78300 Masjid Tanah
Melaka
Tel : 06-384 7137

231 345, Jalan Ong Kim Wee
75300 Melaka
Tel : 06-284 2311

232 No. 67 & 69, Jalan Merdeka
Taman Melaka Raya
75000 Melaka
Tel : 06-281 2688

233 150 and 152
Kompleks Munshi Abdullah
Jalan Munshi Abdullah
75100 Melaka
Tel : 06-286 5988

234 Lot BB-371A & B
Taman Melaka Baru
Batu Berendam
75350 Melaka
Tel : 06-317 3235

235 No. 1, 1-1 & 3
Jalan Malim Jaya 2/7A
Taman Malim Permai
75250 Melaka
Tel : 06-336 3188

236 No. 76 Jalan Inang 4
Taman Paya Rumput Utama
76300 Paya Rumput
Melaka
Tel : 06-334 2266

JOHOR DARUL TAKZIM

237 9, Jalan Kundang
Taman Bukit Pasir
83000 Batu Pahat
Johor
Tel : 07-433 7488

238 Ground Floor
Penggaram Complex
No. 1 Jalan Abdul Rahman
Off Jalan Rahmat
83000 Batu Pahat
Johor
Tel : 07-431 4436

239 120 and 122
Jalan Mersing
86000 Kluang
Johor
Tel : 07-773 2234

240 No. 70, Jalan Segamat
85300 Labis
Johor
Tel : 07-925 1200

241 No. 3, Pusat Dagangan Bakri
Jalan Bakri
84000 Muar
Johor
Tel : 06-954 2888

242 No. 43A & 45
Jalan Genuang Kampung
Kampung Abdullah
85000 Segamat
Johor
Tel : 07-931 3650

243 No. LC531, Jalan Payamas
84900 Tangkak
Johor
Tel : 06-978 1994

244 108, 109 & 110, Main Road
83700 Yong Peng
Johor
Tel : 07-467 2350

245 No. 345A, Jalan Ismail
86800 Mersing
Johor
Tel : 07-799 6018

246 No. 6 and 7
Jalan Anggerik 1
Taman Kulai Utama
81000 Kulai
Johor
Tel : 07-663 2373
07-663 5282
07-663 6282

247 No. 25 & 25A
Jalan Kenanga 29/1
Indahpura
81000 Kulai
Johor
Tel : 07-662 6388

248 Ground Floor
No. 121 & 123
Jalan Austin Heights 3
Taman Mount Austin
81100 Johor Bahru
Johor
Tel : 07-351 1687

249 No. 21 & 23, Jalan Indah
15/1, Bukit Indah
81200 Johor Bahru
Johor
Tel : 07-239 1388

250 No. 8-10, Jalan Nusaria 11/7
Taman Nusantara
81550 Gelang Patah
Johor
Tel : 07-553 9749

251 No. 24-25, Jalan Ahmad Ujan
Taman Kota Besar
81900 Kota Tinggi
Johor
Tel : 07-883 2020
07-883 2021
07-883 3401

252 No. 2 Jalan Jati Satu
Taman Nusa Bestari Jaya
81300 Skudai
Johor Bahru
Johor
Tel : 07-511 2596

253 1, 1A, 1B & 1C
Jalan Belimbing
81400 Senai
Johor
Tel : 07-599 4598

254 6 & 8, Jalan Nakhoda 12
Taman Ungku Tun Aminah
81300 Skudai
Johor
Tel : 07-556 6681

255 Ground Floor
No. 1, Jalan Setia Tropika 1/15
Taman Setia Tropika
81200 Johor Bahru
Johor
Tel : 07-235 9531

LOCAL & OVERSEAS BRANCHES
AS AT 30 JUNE 2018

256 1 & 3, Jalan Persiaran Tanjung
Susur 1, Taman Bukit
Alif Tampoi
81200 Johor Bahru
Johor
Tel : 07-235 5930

257 No. 39 & 41
Jalan Kebudayaan 1
Taman Universiti
81300 Skudai
Johor
Tel : 07-521 7806

258 No. 5 Jalan Camar 1/3
Taman Perling
81200 Johor Bahru
Johor
Tel : 07-231 5199

259 No. 115
Jalan Sutera Tanjung 8/2
Taman Sutera Utama
81300 Skudai
Johor
Tel : 07-554 8298

260 No. 30 & 31, Jalan Delima
Pusat Perdagangan Pontian
82000 Pontian
Johor
Tel : 07-687 5002

261 37 & 39, Jalan Johar 1
Taman Desa Cemerlang
81800 Ulu Tiram
Johor
Tel : 07-861 7488

262 12-16, Jalan Wong Ah Fook
80000 Johor Bahru
Johor
Tel : 07-222 8311

263 8A-C, Jalan Station
80000 Johor Bahru
Johor
Tel : 07-222 0188

264 105-106, Jalan Besar
81750 Masai
Johor
Tel : 07-252 2960

265 30 & 31, Jalan Mawar 1
Taman Mawar
81700 Pasir Gudang
Johor
Tel : 07-252 2740

266 No. 173 & 175
Jalan Sri Pelangi
Taman Pelangi
80400 Johor Bahru
Johor
Tel : 07-335 3614

267 No. 21, Jalan Permas 10/1
Bandar Baru Permas Jaya
81750 Masai
Johor
Tel : 07-387 1828

268 No. 20 & 21
Jalan Harimau Tarum
Taman Abad
80250 Johor Bahru
Johor
Tel : 07-331 1421

269 80, Jalan Dedap 13
Taman Johor Jaya
81100 Johor Bahru
Johor
Tel : 07-354 6321

270 No. 29 & 31
Jalan Molek 2/4
Taman Molek
81100 Johor Bahru
Johor
Tel : 07-353 7003

271 Ground Floor
Bangunan Persekutuan
Tiong Hua JB
No. 8, Jalan Keris
Taman Sri Tebrau
80050 Johor Bahru
Johor
Tel : 07-332 1323

PERLIS

272 No. 40 and 42
Jalan Bukit Lagi
01000 Kangar
Perlis
Tel : 04-977 1066

FEDERAL TERRITORY PUTRAJAYA

273 **Islamic Branch**
Lot T00-U01
No. 5, Jalan 16
Precint 16
62150 Putrajaya
Wilayah Persekutuan
Tel : 03-8888 2188

BUREAU DE CHANGE

1 S2-3-L34, Terminal KLIA2
Jalan KLIA2
64000 KLIA
Selangor Darul Ehsan
Tel : 03-8775 8033

2 No. 53 & 55, Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2141 1119

3 No. 25, Jalan Tun Ismail
25000 Kuantan
Pahang
Tel : 09-513 4698
09-513 3893

4 Penang International Airport
Lot L2LS16B, Level 2
Departure Landside
(Public Concourse),
Penang International Airport
11900 Bayan Lepas
Pulau Pinang
Tel : 04-643 7835

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
Tel : (65)-6349 8338

LOCAL & OVERSEAS BRANCHES
AS AT 30 JUNE 2018

HONG KONG

1 RM 1504 & 50/F
The Center
99 Queen's Road Central
Central, Hong Kong
Tel : 852 2283 8838

VIETNAM

1 **Hong Leong Bank Vietnam Limited**
Ground Floor
Centec Tower
72-74 Nguyen
Thi Minh Khai Street
District 3, Ho Chi Minh City
Tel : 848 6299 8100

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
Tel : 848 6299 8100

3 **Hong Leong Bank Vietnam Limited**
Binh Duong Branch:
Unit 102, 103 Canary Plaza
Binh Duong Boulevard
Thuan An District
Binh Duong, Vietnam
Tel : 84650 625 9696

4 **Hong Leong Bank Vietnam Limited**
Transaction Office:
302 An Duong Vuong Street
District 5, Ho Chi Minh City
Vietnam
Tel : 848 6261 1195

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
Tel : +855 23 999 711

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
Tel : +855 23 999 711

3 **Hong Leong Bank (Cambodia) PLC**
Olympic Branch:
No. 345, 347, and 349
Street 274
Sangkat Veal Vong, Khan 7
Makara, Phnom Penh
Tel : +855 23 999 711

4 **Hong Leong Bank (Cambodia) PLC**
Pet Lok Sang Branch:
No. 23, Street 271
Sangkat Toeuk Thla
Khan Sensok, Phnom Penh
Cambodia
Tel : +855 23 999 711

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
Tel : +855 23 999 711

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
Tel : 6087-422 253

FORM OF PROXY

HongLeong Bank Berhad
(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-Seventh Annual General Meeting of the Bank to be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Monday, 29 October 2018 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 32 sen per share		
2.	To approve the payment of Directors’ Fees and Directors’ Other Benefits		
3.	To re-elect Mr Kwek Leng Hai as Director		
4.	To re-elect Ms Lim Lean See as Director		
5.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix their remuneration		
	Special Business		
6.	To approve the ordinary resolution on Authority to Directors to Allot Shares		
7.	To approve the ordinary resolution on the Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad (“HLCM”) and Persons Connected with HLCM		

Dated this .... day of .... 2018.

....
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 19 October 2018 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 not less than 48 hours before the time and date 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

Then fold here

Affix
Stamp

The Group Company Secretary

HONG LEONG BANK BERHAD
(Company No. 97141-X)

Level 30, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

1st fold here

Hong Leong Bank Berhad (97141-X)
Level 19, Menara Hong Leong
6, Jalan Damanlela, Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2081 8888
Fax : 03-2081 7801

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As part of Hong Leong Bank's support for environmental sustainability, this Annual Report is printed on Forest Stewardship Council (FSC) certified paper and recycled paper.