

Annual Report 2014

# OUR VISION

An outstanding financial services organisation, highly competitive and profitable, where people make the difference

**RM4,039  
million**

Revenue  
(2013: RM4,007 mil)

**RM170.4  
billion**

Total assets  
(2013: RM163.6 bil)

**RM2,102  
million**

Profit after tax  
(2013: RM1,856 mil)

**RM2,613  
million**

Profit before tax  
(2013: RM2,393 mil)

**119  
sen**

Basic earnings per share  
(2013: 106 sen)

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# HONG LEONG BANK STORY

Hong Leong Bank Berhad (Hong Leong Bank) is a public listed company on Bursa Malaysia and a member of the Hong Leong Group. Headquartered in Kuala Lumpur, Hong Leong Bank has a strong Malaysian entrepreneurship heritage.

Hong Leong Bank, originally incorporated as Kwong Lee Mortgage and Remittance Company in 1905 in Kuching, Sarawak and later as Kwong Lee Bank Limited in 1934, is 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 branches to 35 branches nationwide.

“ With a heritage of more than 100 years, Hong Leong Bank Berhad is a major financial services company in the region. Apart from its core domestic market, the Bank has presence in Singapore, Hong Kong, Vietnam, Cambodia and China.”

On 3rd 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 as Hong Leong Bank Berhad. Hong Leong Bank was listed on the Kuala Lumpur Stock Exchange on 17 October 1994 and, since then; has continued to grow leaps and bounds, organically as well as through mergers and acquisitions. As a result of the merger with EON Bank Group in 2011, Hong Leong Bank is today Malaysia's fifth largest banking group, with over RM170 billion in assets.

Hong Leong Bank reaches out to its customers in all of the communities in which it operates through various channels. This includes a distribution network of close to 300 branches, sales and business centres in Malaysia, Singapore, Hong Kong, Vietnam and Cambodia along with a comprehensive range of alternate and electronic channels including self-service terminals, Hong Leong Call Centre, Hong Leong Online Banking and Hong Leong Mobile Banking.

In line with its commitment to remain relevant, Hong Leong Bank launched MACH by Hong Leong Bank in 2012, a sub-brand that brings together "bricks and clicks" to offer a range of life starter products and services targeted to meet the needs of the Gen-Y community.

In 2008, Hong Leong Bank extended beyond the shores of Malaysia and became the first Malaysian bank to enter the Chinese banking sector with a 20% strategic shareholding in Bank

of Chengdu Co., Ltd. In December of the same year, Hong Leong Bank became the first and only Malaysian and Southeast Asian bank to be granted a license to incorporate and operate a 100% wholly-owned commercial bank in Vietnam. In 2013, Hong Leong Bank proudly launched its 100% wholly-owned commercial bank in Cambodia. In November 2013, Hong Leong Bank set up a representative office in Nanjing.

Building on the foundation of its strong entrepreneurial roots and its firm foundation of values, Hong Leong Bank is committed to embed itself in the communities within which it operates to meet the needs of its customers. Under the umbrella of the Hong Leong Financial Group, the Group's ability to provide a comprehensive suite of conventional and Islamic financial products and services under one roof makes it truly a leading integrated financial services organisation in Malaysia and in Asia.

## THE BUSINESS



**Hong Leong Bank Berhad (the “Bank”) is a leading financial services provider in Malaysia with a wealth of experience that comes with it being the oldest local financial institution in the country.”**

The Bank provides comprehensive personal financial services, business and corporate banking, trade finance, treasury, branch and transaction banking, wealth management, investment banking, private banking as well as Islamic financial services. Living up to its tagline “Reaching Out to You”, the Bank reaches out to its customers through an extensive network of 291 branches and sales centres throughout Malaysia, 1 branch each in Singapore and Hong Kong, 4 branches/outlets in Vietnam (Hanoi, Ho Chi Minh City and Binh Duong), 1 branch in Cambodia, a representative office in Nanjing, along with over 1400 self-service terminals and a full-serviced call centre. For wealth management services, the Bank offers 13 priority banking centres and offshore private banking centres. At the same time, the Bank also offers online banking, mobile banking and phone banking services as well as various electronic payment capabilities including cross-border ATM services. Hong Leong Bank is committed to embed itself in the communities that it serves to understand its customers’ needs and to deliver products and services that will help them fulfill their financial aspirations.

## THE BUSINESS

### HONG LEONG BANK'S KEY BUSINESS PILLARS ARE:

#### Personal Financial Services

The principal business activities cover the provision of retail loans, deposit products, wealth management and priority banking services to individuals.

#### Business and Corporate Banking

The principal business activities are in the provision of business banking solutions including working capital and term loans, deposit and liability management products, cash management and trade finance services as well as debt capital market solutions to businesses and companies.

#### Global Markets

Global Markets assists customers on their investments 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

The Bank's subsidiary, Hong Leong Islamic Bank focuses on Shariah compliant commercial banking, Islamic wholesale and investment banking as well as Islamic wealth management.

#### Regional Footprint

In line with its growth strategy, Hong Leong Bank has been expanding its footprint in the Asian region. HL Bank Singapore is a recognised boutique investment bank offering principally investment banking, private banking and treasury services.

The Bank's branch in Hong Kong also operates a Treasury and Wealth Management business model. It is the first bank in Hong Kong to launch an Islamic banking window.

Hong Leong Bank Vietnam Limited commenced greenfield operations in October 2009. The Bank is the first Malaysian and Southeast Asian bank to be granted a license to incorporate and operate a 100% wholly-owned commercial bank in Vietnam. A subsidiary of the Bank, Hong Leong Bank Vietnam Limited is geared towards becoming a locally embedded and full-fledged commercial bank in Vietnam.

Hong Leong Bank (Cambodia) PLC commenced operations in July 2013 as a 100% wholly-owned subsidiary to carry out full commercial banking operations. The Bank is offering a full range of personal financial services and business banking products.

The Bank has a 20% shareholding in Bank of Chengdu Co., Ltd. ("Bank of Chengdu") and is proud to be the first Malaysian bank to make a strategic investment into China. Bank of Chengdu is a leading city commercial bank in Western and Central China with its base in Chengdu, the capital of Sichuan Province. With a network of over 150 branches and outlets, it carries out a full-fledged commercial banking business.

In March 2010, the Bank together with Bank of Chengdu, obtained regulatory approval to commence the operations of Sichuan Jincheng Consumer Finance Ltd. Co., a 49:51 joint-venture company. In November 2013, Hong Leong Bank set up a representative office in Nanjing.

## AWARDS & ACCOLADES



Best VISA Debit Card Design  
– Hong Leong Transformers  
Debit Card



Bronze Malaysian Kancil Awards  
– Mach Dream Pixel Calendar



Hong Leong VISA Platinum Credit  
Card  
– Highest Payment Volume Growth



Hong Leong VISA Gold Credit Card  
– Highest Payment Volume Growth



Hong Leong VISA Debit Card  
– Highest Payment Volume Growth

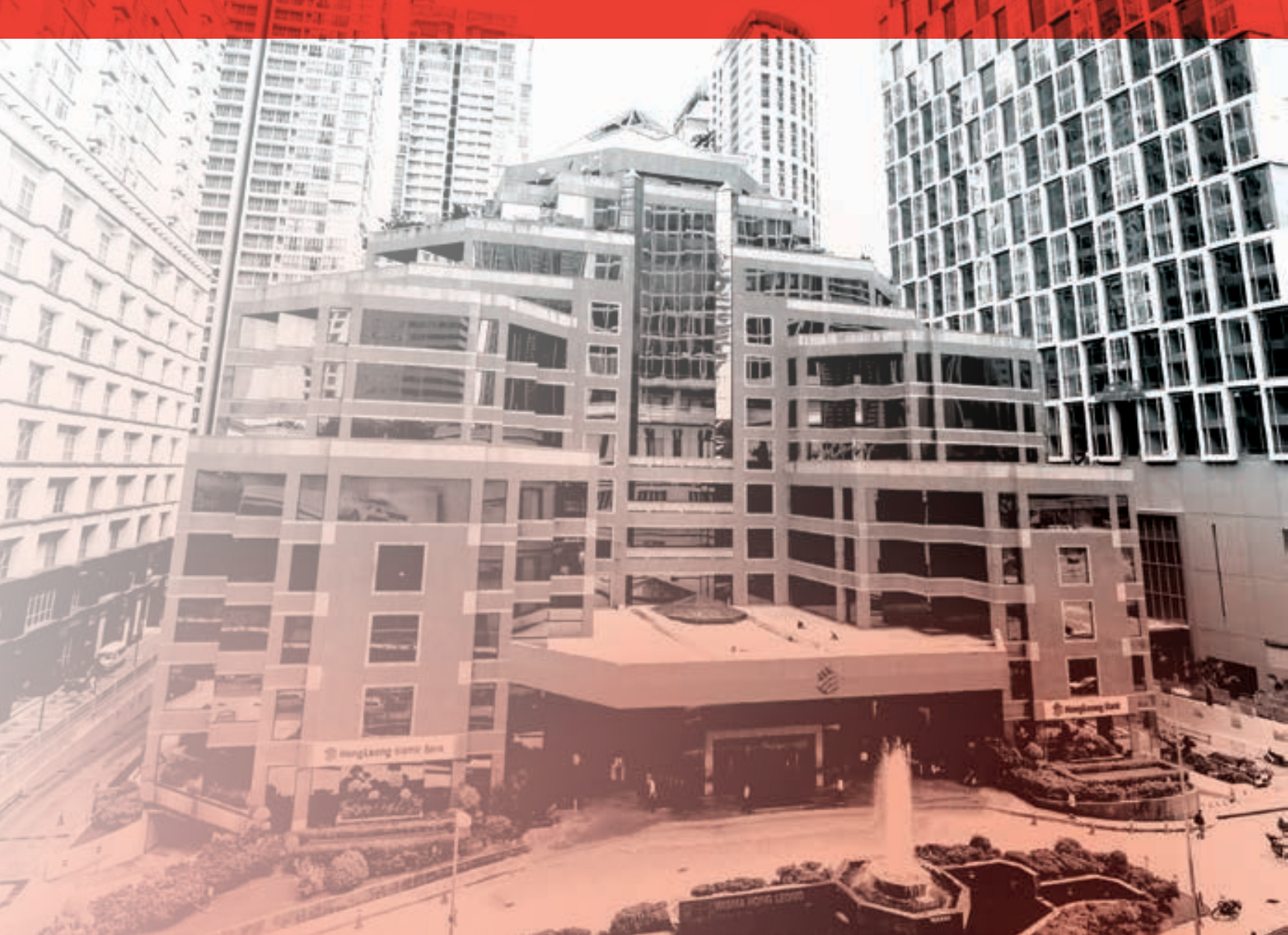
Global Finance Awards  
– Islamic Finance Deal of the Year  
*Hong Leong Islamic Bank*

Capital Finance International Awards  
– Best Islamic Banking in Malaysia  
*Hong Leong Islamic Bank*





# CHAIRMAN'S STATEMENT



## Dear Shareholders and Stakeholders,

Building a sustainable high performing bank remains Hong Leong Bank Group's (the "Group") priority. In this past year, the Group has built on its strategies to expand its growth both domestically and regionally while optimising resources to ensure continued operational excellence.

**I am pleased to present to you the Annual Report and Financial Statements of the Group and of Hong Leong Bank (the "Bank") for the financial year ended 30 June 2014.**

### **ECONOMIC ENVIRONMENT AND OUTLOOK**

The global economy in 2013 saw what could be described, at best, as gradual growth. The year ended with improvements in major economies with the US and the Eurozone moving out of recession. Although this was dampened in early 2014 due to adverse weather conditions in the US and the vulnerability and fragility of the Eurozone banking system, recovery in the US resumed by the second quarter of 2014. In Asia, the economic slowdown in China continued as exports and property markets slowed. Other Asian countries generally showed modest growth, with domestic demand slowing down from the year before as a result of country-specific challenges ranging from natural disasters to political instability, with the exception of export oriented countries like South Korea, Taiwan and Malaysia which fared better.

Despite the challenging environment, the Malaysian economy grew by 4.7% in 2013 and by the second quarter of 2014, registered a strong growth of 6.3%, supported by higher exports and continued strength in private domestic demand. Private sector activity remained the key driver of growth while public sector spending registered a decline.

Growth in the Malaysian economy will continue to be domestic driven with exports lending further support. Being a highly open economy, it will benefit from improving external conditions but will remain exposed to the risks of the uncertainties that persist in the global environment. The growth momentum is therefore expected to remain moderate.

## CHAIRMAN'S STATEMENT

### TRANSFORMATION PROGRESS ON TRACK

Sustainable profitability and value creation remains the Bank's key focus and transformational efforts for the financial year were centered around resource optimisation, creativity and innovation.

The post-merger Branch Rationalisation Programme with EON Bank Group was completed and the Bank is now back on track to expanding its customer reach through different types of branches and innovative digital banking solutions. The Bank's process improvement initiative that was activated last year to drive improvement in branch productivity is in full swing. In line with its Digital Banking Strategy, a new regional digital banking platform was launched in Malaysia and Vietnam. We are also the first to launch a P2P (Peer to Peer) PEX direct payment service for mobile banking in Malaysia. Finally, to ensure continued emphasis on Service Excellence, "TOUCH", designed as a customer experience culture programme was rolled out.

### CREATING VALUE AND SUSTAINABLE PROFITABILITY

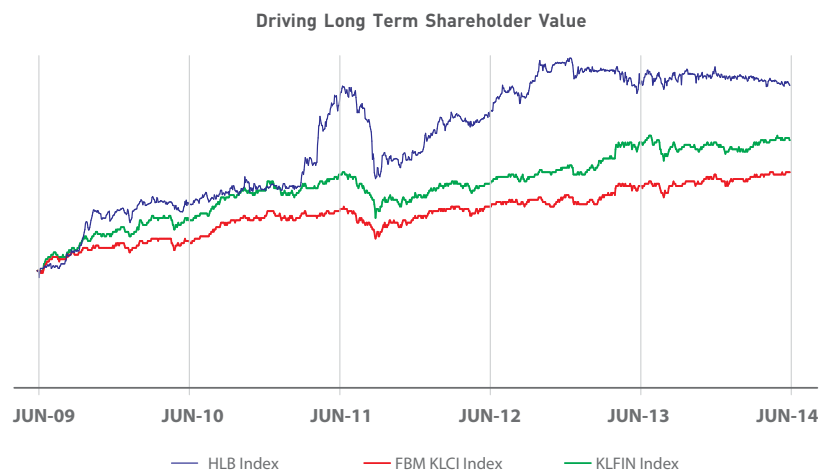
The Group remains highly focused on its long term vision and competitiveness. This has enabled us to continue to deliver a strong set of financial results for FY2014 led by growth in net interest income, improved operating efficiencies, as well as increased profit contribution from our associates. Profit before tax grew 9.2% year-on-year ("y-o-y") from RM2,393 million to RM2,613 million. Profit after tax surpassed the RM2.0 billion mark for the first time, with a 13.3% y-o-y growth to RM2,102 million.

Assets expanded to RM170 billion as at 30 June 2014 from RM164 billion last year. Our loan book crossed the RM100 billion mark to RM104 billion, another landmark for the bank while total deposits closed at RM130 billion as at 30 June 2014. This accounted for approximately 8% of banking system's loans and deposits.

The Bank continues to deliver sustainable performance and enhanced shareholder value creation. Earnings per share ("EPS") strengthened to 119 sen, while return on equity improved to 15.3% for the FY2014.

The Group remains committed towards driving long-term intrinsic value for its shareholders. By staying focused on our core objectives, which include investing in top talent, maintaining diverse revenue streams and expanding our presence in the region, the Bank has delivered a total shareholder return (TSR) that has far exceeded the relevant stock market indices. For the five year period, ended 30 June 2014, our TSR was 180%\*, outperforming the FBM KLCI Index which was at 104.2%\*.

\* TSR information – extracted from Bloomberg



**Assets expanded to RM170 billion as at 30 June 2014 from RM164 billion last year.**

## CHAIRMAN'S STATEMENT

Our share price in FY2014 closed at RM13.80, representing a 142% appreciation in five years, which translates into an average of 28.4% share price appreciation per annum.

In addition, the Board had proposed a final dividend of 26 sen per share, payable on 18 November 2014, subject to the approval of shareholders in the coming Annual General Meeting on 24 October 2014. For the financial year ended 30 June 2014, the total dividends for HLB would be 41 sen per share, translating into a payout ratio of approximately 34%.

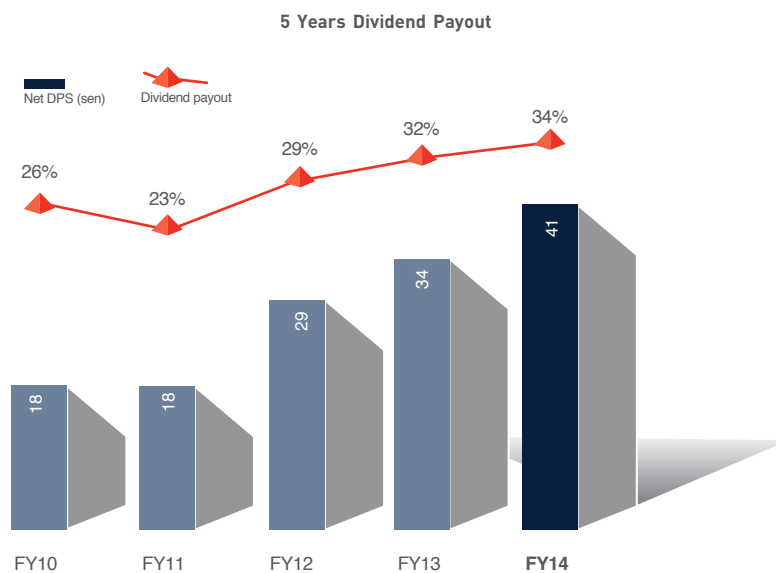
### UPHOLDING ASSET QUALITY

The Group continues to maintain a strong focus and emphasis on asset quality, adopting the best policies in credit underwriting standards and recovery management practices. Our asset quality indicators continued to significantly outperform the industry averages. The gross impaired loan ratio further improved to a record breaking low at 1.18% (industry average at 1.77%), with loan impairment coverage at 129%, amongst the highest in the banking system (industry average at 105%). The Group remains committed to a strong credit discipline in our banking franchise.

### CONTINUED GROWTH IN ISLAMIC BANKING

Islamic banking assets in Malaysia reached RM422 billion in November 2013, representing a growth of 15.1% over the preceding year despite an increasingly challenging operating environment following the introduction of the Islamic Financial Services Act 2013 as well as the release of new Shariah standards in the year.

Hong Leong Islamic Bank ("HLISB") had a profit after tax of RM231 million in FY2014, an improvement of 1.7% from RM227 million in the previous financial year while gross financing expanded by 6.5% to RM14.5 billion. HLISB contributes 13% and 14% of the Group's total deposits and financing respectively.



## CHAIRMAN'S STATEMENT



Total profits from overseas operations and investments grew **29.2% to RM409 million** and contributed **15.7%** of the Group's profit before tax.

In addition to its financial performance, HLISB achieved new milestones, which include its innovative involvement in Sukuk issuances. One such example is its role as Joint Principal Adviser in the first non-government-linked Saudi corporate body issuing via the Malaysian Sukuk market. This issuance underlined HLISB's role in promoting the growth of cross-border Sukuk transactions. HLISB also accelerated its foray into the digital and electronic banking space with new and exciting projects currently underway. These developments had not gone unnoticed by the international Islamic banking community with several awards being garnered through the year from a variety of organisations, focusing on different aspects of the business. These include the Global Finance Deal of The Year 2014 Award in relation to

the Al Bayan Group Sukuk Wakalah Programme of up to RM1 billion and the Capital Finance International Best Islamic Banking Team (Malaysia) 2014.

HLISB is optimistic of future prospects and remains committed to improve its position to be amongst market leaders in the Islamic banking industry, while consistently being mindful of relevant Islamic Banking principles under the guidance of its Shariah Committee.

### DEEPENING REGIONAL NETWORK

The Group remains dedicated to our regionalisation agenda. During the financial year, we have deepened our presence and improved our cross border capabilities in existing markets.

Total profits from overseas operations and investments grew 29.2% to RM409 million (after head office cost allocation) and contributed 15.7% of the Group's profit before tax.

Bank of Chengdu Co., Ltd. ("BOCD") remains the most significant contributor. Underpinned by its strong business growth, profit contribution from the Group's strategic investment in BOCD grew 39.6% y-o-y to RM368.5 million for FY2014, representing 14.1% of the Group's profit before tax. BOCD continues to transform its business, with geographical expansion, to deliver a more diversified revenue base while at the same time enhancing sales and marketing capabilities and developing its electronic banking functions.

## CHAIRMAN'S STATEMENT



HL Bank Singapore ("HLBS") has also accelerated its efforts to increase its asset base and earnings. The initiatives include the building of a new consumer banking business, enhancing the digital and transactional banking offerings and the set up of a Regional Private Banking unit. As HLBS continues to implement its new strategic initiatives, its loan book rose 8% to RM2.7 billion for the year ended 30 June 2014.

Hong Leong Bank (Cambodia) PLC ("HLBCAM") commenced operations on 8 July 2013 and the early results were encouraging. As at 30 June 2014, HLBCAM loans reached RM87 million, while deposits were approximately RM58 million.

As economic recovery continues to take shape in Vietnam, Hong Leong Bank Vietnam ("HLBVN") remains cautiously optimistic about its prospects going forward. Whilst continuing to be mindful of the economic environment, we will continue to uphold our prudent credit standards while reshaping and pursuing expansion of its business.

In FY2014, the Group established a representative office in Nanjing ("HLBNJRO"), which commenced operations on 27 November 2013. HLBNJRO was set up as the Group's direct presence and representation to support future expansion in China.

### OUTLOOK

The year ahead will continue to be challenging for Malaysia – with rising cost of living, the implementation of a Goods and Services Tax (GST) in April 2015 and an impending review of the minimum wage policy in January 2015. We expect some reduction in household purchasing power and higher production and operational costs for businesses. On the external front, despite the forecast of moderate growth for the global economy, volatility and uncertainty are expected to be heightened with continued geopolitical tensions in the Middle East and Eastern Europe. Against this subdued economic backdrop, growth in the coming year is expected to be moderate, driven by private investments in an improving global economic environment.

I would like to thank the Board of Directors, our customers, business partners and shareholders for their continuous support, trust and confidence. My special appreciation goes to the entire team at the Bank and the Group for their passion, commitment, dedication and professionalism, without which, all of these would not be possible. My sincere thanks also go to Bank Negara Malaysia, the Ministry of Finance, Government agencies and regulatory authorities for their invaluable assistance, continuous guidance and support.

**QUEK LENG CHAN**  
*Chairman*

18 September 2014

# GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW



## Dear Shareholders, Customers and Business Partners

30 June 2014 marked the completion of my first year as the Group Managing Director of Hong Leong Bank Group (the “Group”) and Chief Executive Officer of Hong Leong Bank Berhad (the “Bank”). It has been a most exciting year of steering, navigating and staying on course alongside a dedicated team. I am pleased to present to you the Annual Report and Financial Statements of the Group and Bank for the financial year 2013/2014.



## GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW



### ECONOMIC ENVIRONMENT

The global economic conditions of the financial year in review had been highly volatile. US and Eurozone went through a bumpy recovery and the pace of growth is slowly picking up.

Unlike the previous years, Asian countries experienced a less robust growth this time around, with inflation rising in a number of economies. While domestic demand in Asia is still expected to drive growth, the overall pace of growth will be affected by local challenges in the different markets in the region.

### SUSTAINED PROFIT GROWTH

The financial year ended 30 June 2014 ("FY2014") marked a key achievement for the Group, with both the profit after tax and loan book surpassing the RM2.0 billion and RM100 billion mark, respectively.

Net-interest income grew by 4.5% y-o-y to RM3,069 million, mainly driven by expansion in loan book as well as improved funding cost management. In the face of continued net interest margin compression, we managed to bring our funding cost down through proactive assets, liability and liquidity management.

However, non-interest income for the year was lower at RM970 million, mainly due to lower gain from sales of securities as well as a one-off reclassification of credit card related fees. Consequently, total income grew a modest 1% to RM4,039 million.

As we stay relevant to the market with new products and new business lines, it is important that we balance these new investments with careful cost to ensure our expense growth does not outpace revenue growth. Our continued efforts to improve operating efficiencies saw our operating expenses for FY2014 down 3% to RM1,792 million compared to the same period last year, not withstanding the higher investment cost of RM61 million for the opening of new branches and other new initiatives. Consequently, the Group's cost to income ratio improved further to 44.4%.

The Group's total impairment charge for the year was lower at RM12.3 million, due to higher write-back of impairment losses on investment securities, partially offset by higher loan collective assessment allowances. Net credit cost however remained low at 5bps.

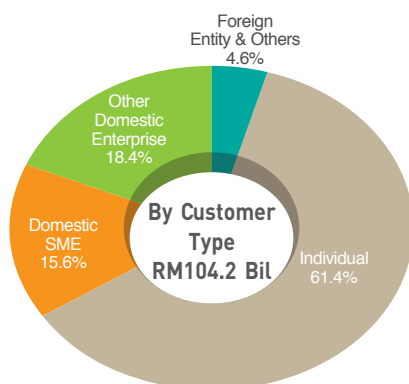
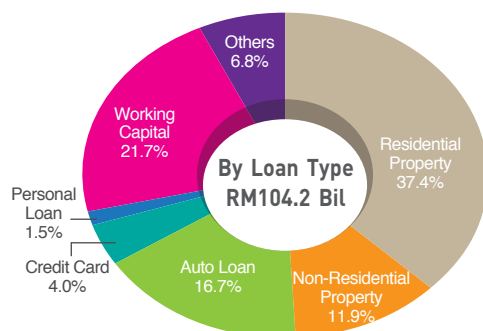
Coupled with the higher contribution from our associated companies, the Group's profit before tax and profit after tax grew by a robust 9.2% and 13.3% to RM2,613 million and RM2,102 million, respectively. Accordingly, return on equity and earnings per share improved to 15.3% and 119 sen respectively. Net assets per share enhanced to RM8.24 from RM7.41 in the corresponding period last year, whilst return on asset strengthened to 1.26% for the FY2014.

### LOAN GROWTH LED BY CORE SEGMENT WITH HEALTHY GROWTH IN SME

Loans grew 7.2% to RM104.2 billion as at June 2014 with the retail segment continuing to be the key growth driver. The residential property loans segment expanded by 14.0% y-o-y to RM39.0 billion with its market share improved slightly to 10.5%. Auto loans sustained at RM17.4 billion in view of moderated growth in auto industry, while credit card financing grew to RM4.2 billion following the successful implementation of our new Credit Card System in March 2014.

In respect of Business & Corporate Banking segment, growth was led by working capital loans which recorded a 3.7% y-o-y growth to RM22.6 billion with trade loans up by 6.4% y-o-y to RM9.5 billion. Loans from the SME sector increased 12.3% y-o-y, to RM16.3 billion.

## GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW



|                                | FY14<br>RM'Million | Y-o-Y<br>Growth | Market<br>Share* |
|--------------------------------|--------------------|-----------------|------------------|
| <b>By Key Type/Purpose</b>     |                    |                 |                  |
| Property Loans – of which      | <b>51,370</b>      | <b>+14.0%</b>   | <b>9.5%</b>      |
| – Residential                  | 39,000             | +14.0%          | 10.5%            |
| – Non-residential              | 12,370             | +13.9%          | 7.4%             |
| Auto Loan                      | 17,405             | –               | 10.5%            |
| Credit card                    | 4,192              | +2.5%           | 12.2%            |
| Personal Loan                  | 1,576              | -5.4%           | 4.5%             |
| Working Capital                | 22,573             | +3.7%           | 7.5%             |
| <b>By Key Customer Type</b>    |                    |                 |                  |
| Individual                     | 63,928             | +8.9%           | 8.9%             |
| Business Enterprise – of which | 35,478             | +4.1%           | 7.3%             |
| SME                            | 16,296             | +12.3%          | 7.6%             |
| Domestic Loan                  | 101,089            | +7.0%           | 8.0%             |
|                                | (97%)              |                 |                  |
| Total Gross Loan               | 104,169            | +7.2%           |                  |

### STRONG RETAIL DEPOSIT FRANCHISE

The Group's funding and liquidity position remain supportive of business growth. The Group increased its Loan-to-Deposit Ratio ("LDR") to 80.0% with total deposits at RM130.3 billion.

The Group is strategically improving its CASA deposits through cross-selling, product bundling with fixed deposits and other product innovation. Consequently, CASA grew steadily by 6.5% y-o-y with an improved CASA mix at 26.2%.

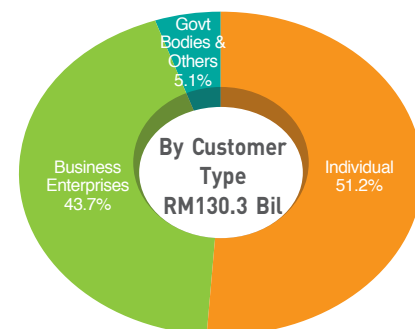
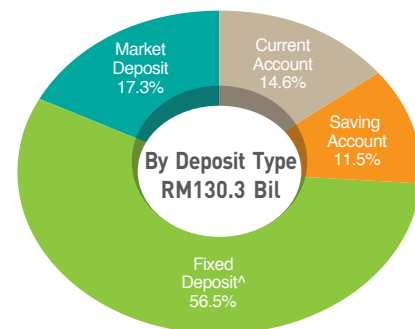
Leveraging on the Group's strength in retail deposit franchise, Deposits from Individuals remained strong at RM66.7 billion with individual deposits mix at 51.2%, amongst the highest retail concentration in the industry.

## GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW

|                             | FY14<br>RM'Million | Y-o-Y<br>Growth | Market<br>Share* |
|-----------------------------|--------------------|-----------------|------------------|
| <b>By Key Type/Purpose</b>  |                    |                 |                  |
| Core Deposits – of which    | <b>107,717</b>     | <b>+3.4%</b>    | <b>9.2%</b>      |
| – CASA                      | 34,092             | +6.5%           | 8.1%             |
| – Fixed Deposit^            | 73,625             | +2.0%           | 11.2%            |
| Market Deposit              | 22,535             | +16.0%          | 5.3%             |
| <b>By Key Customer Type</b> |                    |                 |                  |
| Individual                  | 66,662             | +0.8%           | 11.4%            |
| Business Enterprise         | 56,894             | +14.2%          | 6.1%             |
| Domestic Loan               | 125,385<br>(96%)   | 5.4%            | 8.2%             |
| Total Gross Loan            | 130,252            | 5.4%            |                  |

Note: \* Deposit figures are group figure, but market share data is based on domestic only

^ Fixed Deposits exclude SIA which reported under market deposits



### SUPERIOR ASSET QUALITY AND STRONG CAPITAL BASE

The Group has enviable credit quality and a solid capital base.

Our asset quality indicators continue to improve and outperform the banking system. Gross impaired loan balance reduced by 9.4% to RM1,232 million in spite of loan growth, and gross impaired loans ratio improved further to a record low of 1.18%. Loan impairment coverage remained prudent at 129% and amongst the highest in the banking system.

Capital levels remained strong with Common Equity Tier 1, Tier 1 and Total Capital Ratios registered at 10.5%, 11.9% and 14.6% respectively as at June 2014.

The Group is constantly reviewing its capital position and pro-actively plan ahead to ensure effective capital management with adequate buffer. During the FY2014, the Group established a Tier 2 Multi-Currency Subordinated Notes Programme of up to RM10.0 billion (or its equivalent in other currencies) and has completed its first Ringgit issuance of Subordinated Notes ("Sub-Notes") of RM500 million in June 2014.

## GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW

### DEEPENING REGIONAL FRANCHISE

Despite the moderate growth in the Asian economy, total profit contribution from our regional franchise grew 29% from FY2013.

The Bank of Chengdu ("BOCD") continues to be a key contributor to the Group's profit. Underpinned by strong business growth, profit contribution from BOCD grew 39.6% y-o-y to RM368 million, representing 14.1% of the Group's profit before tax. In respect to its expansion, BOCD has to date 159 branches/outlets of which 13 are outside Sichuan province with a focus to accelerate its consumer business. The Group will continue to work very closely with BOCD strategically on pursuing growth opportunities while providing technical assistance on relevant business and operational areas.

The establishment of a representative office in Nanjing ("HLBNJRO") marks our first direct presence in China. HLBNJRO has commenced operations on 27 November 2013, with the aim to support the Group's future expansion in China.

Hong Leong Bank Vietnam ("HLBVN") remains focused on building its loan base and necessary infrastructure to facilitate future growth amidst a challenging economic environment. HLBVN's gross loans and financing grew by 28.3% y-o-y to RM313 million in FY2014. Currently HLBVN has a network size of 4 outlets in Vietnam, with plans to establish additional outlets in the medium term in strategic locations for a wider coverage. In addition, HLBVN has also launched internet banking and developed innovative products as its key competitive edge.

Hong Leong Bank (Cambodia) PLC ("HLBCAM") has been in operations since 8 July 2013, with the official inauguration ceremony held on 23 August 2013. As a new entrant into the market, HLBCAM's efforts were mainly focused on building proactive, responsive partnerships as well as brand awareness. The results thus far have been very encouraging, as gross loans and deposits grew to RM87 million and RM58 million respectively. HLBCAM's immediate area of focus is investments in people, technology and branches as these investments make for a stronger bank and create opportunities.

The Bank has also accelerated its effort to increase Hong Leong Bank Singapore ("HLBS") asset base and earnings. Some of the recent initiatives include the building of a new consumer banking business, enhancing our digital and transactional banking offerings and the set-up of our Regional Private Banking based out of Singapore. As the Bank continues to implement its new strategic initiatives in stages, HLBS loan books rose 8% to RM2.7 billion for the period ending 30 June 2014.

### STRATEGIC PRIORITIES

The past year was a challenging period, but unswayed by the ebbs and flows of the markets, the Group remains highly focused on our core objectives which include driving sustainable profitability through resource optimisation, building a high-performance business, promoting creativity and innovation, investing in top talent, maintaining diverse revenue streams to create value for stakeholders as we forge ahead with the key business imperatives.

Over the last year, the Bank has embarked on the following strategic initiatives to ensure operational excellence in business execution and ensure the delivery of long-term value creation. Thus far, we have made good progress and the following provides some of our key achievements for the financial year.

#### 1. Transformation and Optimisation through Bank's Franchise

##### *Branch Network*

The Bank has completed its Branch Rationalisation Programme that involved a total of 78 overlapping branches. Reinforcing our commitment to branch distribution we are also opening new branches in highly attractive locations. As of June 2014, we have a total of 291 branches, including 8 Islamic Bank branches. The Bank is on track to expand our network to over 300 branches.

##### *Rebranding Exercise*

A new branch format, "Mach Lite" and a new branch design for conventional bank branches were introduced as part of the Group's on-going rebranding exercise. The first "Mach Lite" was successfully launched at Pavilion Kuala Lumpur and 5 conventional branches with modern designs were piloted during the year.

##### *Service Transformation Programmes*

Project LEAP, which was initiated last year, was a key process improvement project to fully embed the branches in the communities where they operate followed by the successful

## GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW



deployment of 50 Community Branches. Operation support services were also migrated through the Centre of Excellence as we continue to deploy the new Community Branch model in phases in the coming year.

The Bank has also developed a customer experience strategy called TOUCH and launched a service mind-set transformation programme where bank employees were trained and empowered to reinforce service behaviours with TOUCH (Trust, On time, Understand, Connect and Happy) values. TOUCH gives us the opportunity to stand out from our competitors, elevating the Bank reputation as a customer focused organisation embedded in the communities we serve.

### 2. Digital Banking

The Bank refined its Digital Banking strategy with the aim of pioneering innovation as well as developing the Best-in-Class scalable digital platform.

#### *Retail and Wholesale Digital Innovation*

We launched the first P2P (Peer to Peer) PEX direct service and unique authentication feature for mobile banking in Malaysia, setting a new industry benchmark.

A new regional digital banking platform ("Connect by Hong Leong Bank") was also launched in both Malaysia and Vietnam, which drove Malaysia's internet banking financial transaction volume and mobile banking registration up by 53% and 174%, respectively against last financial year.

We have also gained significant traction in the signup and engagement of Corporate Internet Banking customers which improved by 29% during the year, contributing to an increase of fee income for the period.

### 3. Re-strategise Wealth Management Proposition

An initiative to re-strategise and strengthen the Wealth Management business was undertaken during the year. It includes building bench strength & sales capacity, building productivity and scalability through structured training programs and enhancing risk management and compliance framework to help customers in preservation of their investment portfolio and to better support future business growth.

## GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW

### REVIEW BY BUSINESS SEGMENT

#### Personal Financial Services ("PFS")

PFS concluded the financial year with a revenue and pre-tax profit of RM2.4 billion and RM1.1 billion respectively, contributing 59% and 41% respectively, to the Group. The strong result is attributed to the business' strong sales discipline leveraging on HLB's multi-channel, multi-touch point distribution capabilities, sizeable retail customer base and its broad suite of retail products. The Bank's continued prudent risk management and the stringent lending philosophy has further strengthened its asset quality with its gross impaired loans ratio further improved by 16bps over the prior year.

In terms of portfolio performance, at the end of the financial year, the business registered above RM70 billion in total loans and RM68 billion in deposits, respectively accounting for 68% and 52% of Group's portfolio.

Key highlights for the year:

- **PFS Loans**

Growth in total loans is led by the Mortgage portfolio, with outstanding balance of RM47 billion as at June 2014, ranking 3rd in the industry and representing a market share of approximately 10%. The bank is cautiously optimistic of its growth due to the strong foundation that it has laid in place. During the year, the Bank had also launched an innovative housing loan product pegged to the 3-month Kuala Lumpur Interbank Offered Rate (KLIBOR).

Auto Loans closed above RM17 billion in outstanding balance amidst centralisation of its back office processes to compete more effectively, thus retaining its position as the 4th largest auto financier in the industry.

The new Credit Cards platform that was successfully implemented provided greater flexibility and agility to improve turnaround time and deliver cost efficiency in card processing and operations. Credit Cards won 2 VISA awards for Highest Payment Volume Growth for its Gold and Platinum categories. Outstanding balance stood at RM4.2 billion, with above 12% market share at the end of the financial year.

- **PFS Deposits**

Growth was mainly in low cost CASA, aided by the launch of the new Transformers Debit Card and the intensive promotion of the bank's first-to-market Pay & Save savings account. During the financial year, the Bank issued 500 thousand debit cards and its retail payment volume grew 27% y-o-y. The Bank was awarded the 2013 Highest Payment Volume Growth, Total Debit as well as the Best Card Design by VISA an affirmation of the strong community support towards HLB as a trusted bank.

The Bank continued its quest for CASA deposits by leveraging on the popular Hello Kitty brand and launched the 4th series of Hello Kitty debit card with exclusive premiums targeting the young female segment.

The Group remained a leading player for retail deposits, ranking 3rd in the industry.

- **Retail Remittance**

Retail remittance growth was attributed to workers remittance which advanced by more than 40% since the prior year. The Bank also added 2 new bureau-de-change locations at the new KLIA2 airport as part of its continuous drive for retail forex.

- **Retail Wealth Management Services**

PFS Wealth Management business comprises both Insurance and Investment. The bank's overall insurance premium expanded 37%, with the strongest growth coming from regular premium, contributing 12% fee income to this business line. The strong growth in regular premium was helped by the joint venture with Hong Leong Assurance to place Insurance specialists at the bank's key branches. With this strategic move, the bank has moved up to 3rd position as a Bancassurance player for regular premium business.

Priority banking remains an important pillar to build up the bank's investment business. With further development of our customer centric model, total customer base for this segment grew more than 10%. Emphasis was placed on increasing penetration of investment products via cross and up-selling.

- **Mach**

With product innovation embedded in its core DNA, Mach launched the new Signature credit card in May 2014. Another product innovation includes Mach FD, a first-of-its-kind virtual fixed deposit account, specifically designed with flexibility in mind to cater to Netizens in Malaysia. Mach FD is the first online FD account that allows account holders the option to make partial withdrawals when the need arises without forfeiting all the interest earned to date. Take-up had been very promising and had attracted the 'below 40' age group who were traditionally non-FD holders.

## GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW



Mach also bagged one of the awards for its 'Dream Pixel Calendar' in the 2013 Kancil Awards, one of the most prestigious creative award shows in the local advertising industry.

In line with Mach's engagement with the younger, tech-savvy segment, Mach had expanded its modern, lifestyle retail banking branch concept to 10 branches, the newest being in Pavilion and KLIA2. To date, 2 years post launch, the sub-brand had seen double digit growth in total footings.

### **BUSINESS AND CORPORATE BANKING ("BCB")**

During the financial year under review, the Bank's Business and Corporate Banking division contributed robustly to the Group's revenue and profits, registering 24% revenue and 30% profit contribution respectively.

Against a backdrop of challenging external economic environment, modest business loan growth in the banking system on account of higher repayments and lower loan approvals, intense competition and net interest margin compression, the Division's loan assets grew a modest 4% to RM30.7 billion during the financial year. The Bank also actively funded

client's trade financing needs and as a result, trade assets grew 4% to RM10.6 billion.

In line with our aspirations and commitment to entrench ourselves as a trusted business partner within the SME community, HLB continued to focus on maintaining strong ties with the various trade associations and business partners as well as provide continuous support through sponsorship of events to promote SME development. This year, in recognition of our participation and contribution, HLB was awarded the "Sahabat Negara SME Award 2013" by the SME Association of Malaysia.

In FY2014, 58% of the approved loans to business enterprises were to domestic SMEs (45% in FY2013) to meet their working capital and business expansion needs.

To strengthen our ability to serve SMEs, the Bank plans to develop more competitive and scalable product offerings as well as expand our geographical footprints of Business and SME Centres to better position ourselves in fast developing growth areas.

The Corporate and Structured Finance segment is focused on providing structured client-focused solutions through our universal product offerings and cross selling opportunities,

leveraging on the strong partnership and close collaboration with Hong Leong Investment Bank, Hong Leong Islamic Bank and the Global Markets team. Going forward, the division will leverage on market opportunities that are in line with Malaysia's GDP growth areas for continued sustainable growth.

### **GLOBAL MARKETS**

The Global Markets (GM) business maintained its growth momentum despite the tough financial market conditions in FY2014. This was driven by increased cross-selling of GM products to our main client segments of BCB, PFS and Private Banking in our key products of Foreign Exchange, Fixed Income and Derivatives and Structured Products.

The Bank also had tremendous success distributing its Islamic GM products with client revenues increasing threefold. Most of this was targeted at our growth client segment of Financial Institutions and Government-Linked Companies.

The success of our franchise model was reaffirmed by leading publications with Hong Leong Bank polled as Best Domestic FX Provider in Malaysia for FX Products and Services by Asiamoney, and The Asset ranked our Fixed Income Research second and recognising four of our sales people in its annual awards.

## GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW

In FY2014, the business also recognised the need to invest for future growth in a more robust risk management and compliance infrastructure. The Murex upgrade project was initiated to automate processes and to allow new growth products to be added in the future. This will ensure GM maintains its strong cost-to-income discipline and improve productivity.

Moving forward we expect the financial markets environment to remain challenging in light of higher interest rates and possible reversal of investment flows from emerging markets. However, we believe that the strong performance culture and disciplined execution of GM's strategy will continue to drive growth and create value for our shareholders.

### ISLAMIC BANKING

Hong Leong Islamic Bank ("HLISB"), the wholly-owned Islamic banking subsidiary of Hong Leong Bank ("HLB"), kept its course through the fluid and challenging operational environment of FY2014. Although much focus remained on addressing the regulatory and Shariah changes which were introduced in the preceding financial year, business development continued with increased emphasis on both existing and new markets and segments; notably in the strategic areas of mass Malay market, government and government-linked organisations, small and medium sized enterprises, as well as accelerating its initiatives in digital and electronic banking segments. There had also been notable developments in Islamic Capital Markets activities through advisory services rendered on a number of innovative Sukuk offerings.



Flowing from the previous financial year, the impact of the Islamic Financial Services Act 2013 as well as the accompanying new Shariah guidelines as issued by Bank Negara Malaysia had more clearly filtered through to operational levels. Naturally, increased resources were mobilised to ensure compliance with the new requirements while at the same time providing for a seamless experience for customers who are, or would be, affected by the changes. Internal processes continued to be strengthened, namely in the areas of Shariah governance and service delivery, which in turn supported the development of new and innovative solutions catering to an increasingly sophisticated customer base.

Net profit after tax for FY2014 closed at RM231 million, backed by growth in finance income which saw an increase of 1.6% to RM900 million and lowered operating costs, wherein operating expenses were reduced by 7.5% or RM14 million.

Key performance ratios improved, with Return on Assets (ROA) increasing from 1.04% to 1.06% year-on-year. Total assets stands at RM21.8 billion as at 30 June 2014 with an expansion in Gross Financing of 6.5% year on year to RM14.5 billion, led by growth in retail and business banking segments. Core deposits showed a strong growth of 23.6% year on year to RM12.6 billion, driven

primarily by Commodity Murabahah Deposits. Retail deposits base have enlarged by 30.5% year on year to RM5.8 billion, with an improvement in the retail deposit mix to 34.3%.

HLISB's asset quality indicators remained healthy during the financial year under review with Gross Impaired Financing Ratio and Financing Impairment Coverage Ratio improved to 1.3% and 116.5% respectively.

Apart from its financial performance, HLISB also chartered notable achievements in elevating its international recognition when it garnered awards, namely the Global Finance Deal of The Year 2014 Award in relation to the Al Bayan Group Sukuk Wakalah Programme of up to RM1 billion and the Capital Finance International Best Islamic Banking in Malaysia Award 2014.

### INFORMATION TECHNOLOGY ("IT")

The Bank continued to leverage on information technology for business agility and excellent customer experience. Key achievements in the IT division this year include:

- Rollout of a new web-based branch teller system to increase productivity, process and cost efficiency.



## GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW



- Rollout of a new straight through Enterprise Payment Platform that enabled the seamless processing of about 14 million payment transactions annually for both conventional and Islamic banking.
- Rollout of a new regional digital banking platform
- Rolled out new Credit Card System, which represents the last piece of system integration post merger with EON Bank, enabling greater customer analytics and cost efficiency in card processing and operations.

Moving forward, IT will focus on strengthening the stability of its systems, improving resilience of its applications and infrastructures, as well as increasing delivery agility by implementation of private clouds and virtualisation technologies.

### CUSTOMER ANALYTICS

The Bank has adopted a more scientific approach to the way business is carried out so as to allow for a more precise and informed decision making process. The extensive use of analytics to identify customers' demographics, behaviours, banking preferences and trends, will enable the Bank to better meet their needs while creating positive customer experiences. For our

high net worth, SME and business banking segments, customer engagement activities such as mystery shopping, focus group and satisfaction surveys were also conducted.

### PEOPLE MAKE THE DIFFERENCE

Our employees are our greatest assets. As the talent war within the financial services industry intensifies year-on-year, we have established employee-centric initiatives to ensure the Bank is recognised amongst the employer of choice. Talent development continued to be a strong focus in ensuring our internal bench strength remains resilient. We are committed to develop our employees and invest in learning technology, while championing a diverse and inclusive workforce.

The Bank intensified efforts to attract talents locally and abroad, and our commitment to attract young talents through our graduate trainee programme remained strong.

### OUTLOOK

Global growth is expected to recover but remains subdued in the near term, in view of slower private investment spending globally. The public sector is increasingly being

pushed to the brim, reaffirming the dire need for structural reforms in both advanced and developing economies. As a highly open economy, Malaysia will inevitably be affected by global developments but a resilient domestic sector is expected to remain the main growth pillar, supporting the Malaysian economy going forward. In the ASEAN context, there have been conscientious efforts to broaden the economic base. While exports have been a major driver of growth, a strengthening domestic sector will be key in ensuring longer-term growth sustainability and Malaysia is no exception.

### ACKNOWLEDGEMENTS

I would like to express my thanks to our valued clients and customers, shareholders, Board of Directors, Bank Negara Malaysia, the Ministry of Finance, Government Agencies, other authorities as well as my dedicated team for their continued support and confidence in the Group.

Sincerely,

**TAN KONG KHOON**  
*Group Managing Director/  
Chief Executive Officer*

18 September 2014

# FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

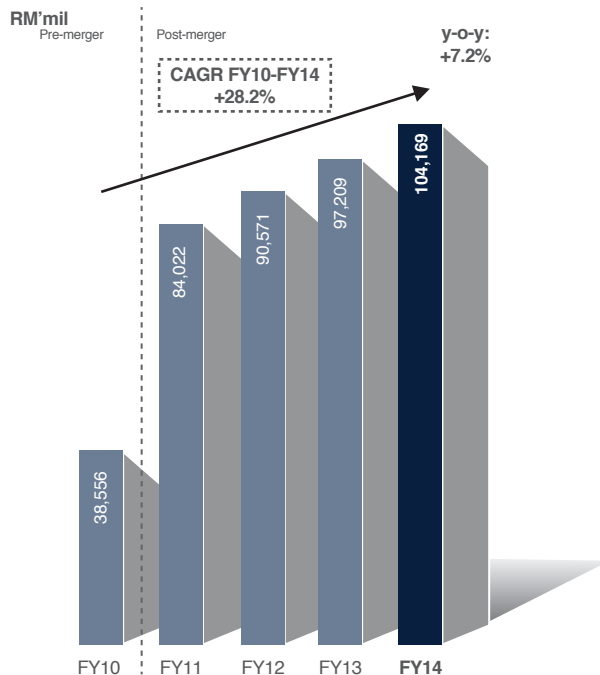
| Group                        | 2010<br>RM'Million | 2011<br>RM'Million | 2012<br>RM'Million | 2013<br>RM'Million | 2014<br>RM'Million |
|------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total Assets                 | 84,753             | 145,499            | 158,167            | 163,586            | 170,351            |
| Gross Loans                  | 38,556             | 84,022             | 90,571             | 97,209             | 104,169            |
| Customer Deposits            | 69,713             | 114,857            | 123,096            | 123,637            | 130,252            |
| Shareholders' Fund           | 6,512              | 7,468              | 11,704             | 13,037             | 14,530             |
| Profit Before Tax            | 1,213              | 1,415              | 2,236              | 2,393              | 2,613              |
| Profit After Tax             | 1,009              | 1,137              | 1,744              | 1,856              | 2,102              |
| Net dividend per share (sen) | *18.0              | *18.0              | *28.5              | *33.8              | 41.0               |

| Bank               | 2010<br>RM'Million | 2011<br>RM'Million | 2012<br>RM'Million | 2013<br>RM'Million | 2014<br>RM'Million |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total Assets       | 77,778             | 87,650             | 140,690            | 145,500            | 148,822            |
| Gross Loans        | 34,328             | 39,416             | 78,023             | 83,308             | 89,225             |
| Customer Deposits  | 63,293             | 65,924             | 108,940            | 109,169            | 114,099            |
| Shareholders' Fund | 5,903              | 6,567              | 10,403             | 11,340             | 12,330             |
| Profit Before Tax  | 989                | 1,079              | 1,778              | 1,974              | 2,058              |
| Profit After Tax   | 789                | 807                | 1,325              | 1,450              | 1,591              |

\* Net dividend per share figure represented dividend receivable by shareholders after 25% tax.

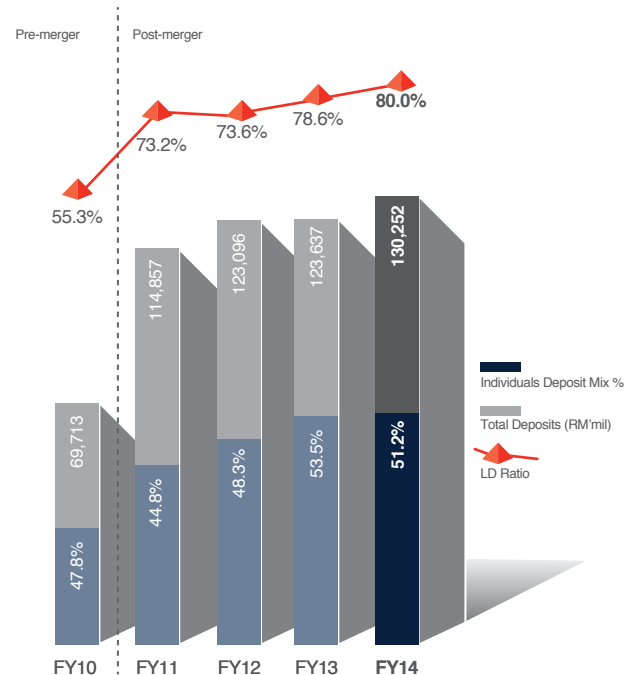
## Loan Growth Momentum Continues

Loan grew 7.2% y-o-y



## Strong Customer Deposits Franchise

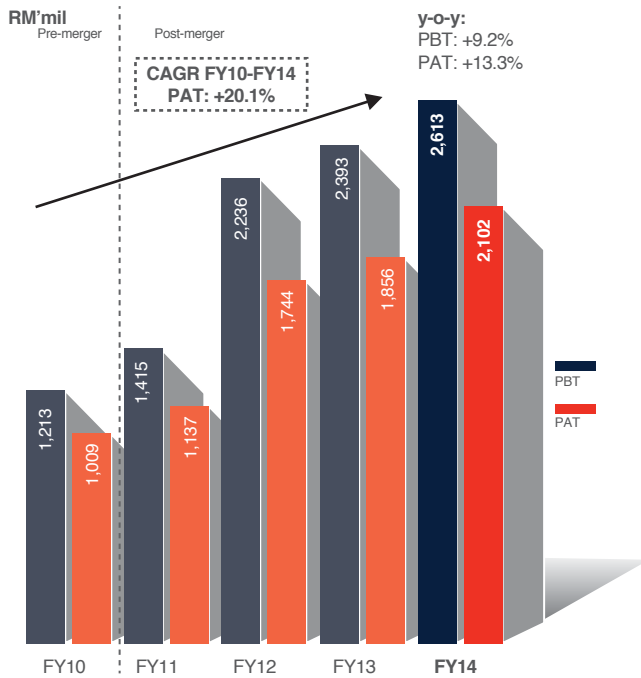
Individuals deposit mix at 51.2%, Liquidity position healthy



## FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

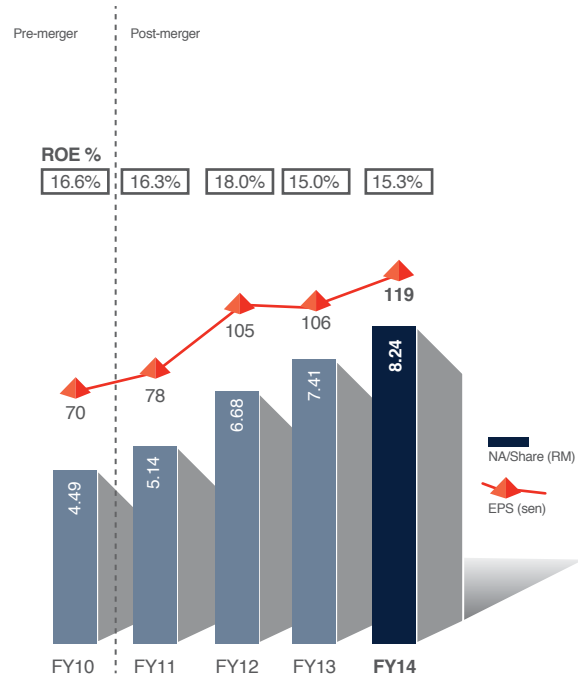
### Strong and Sustainable Profitability Growth

PAT up 13.3% y-o-y



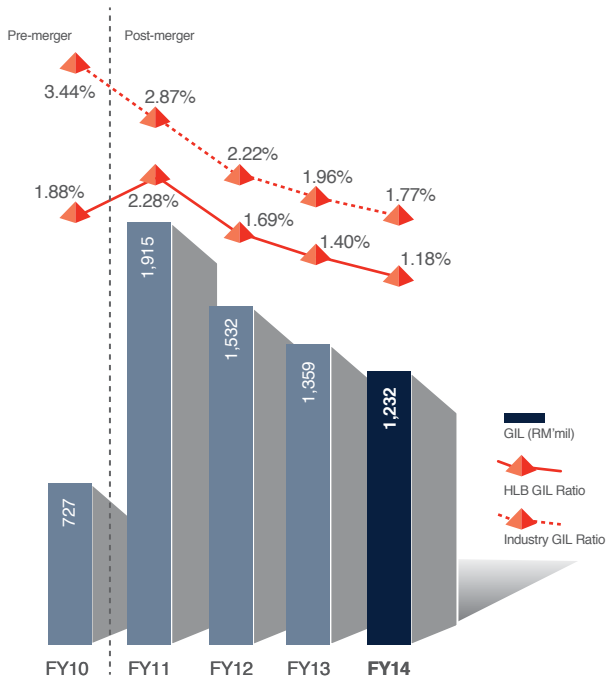
### Shareholder Value Remained Intact

NA per share up 11.3%, ROE at 15.3%



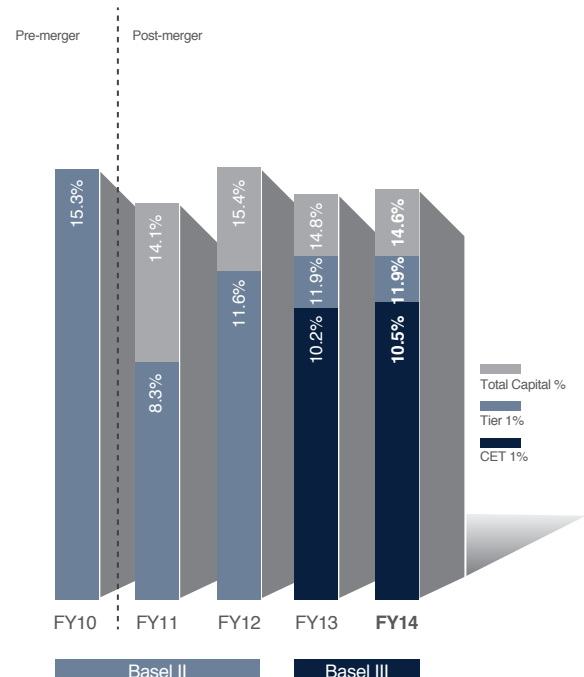
### Superior Asset Quality

Gross impaired loan (GIL) ratio at 1.18%, a record low



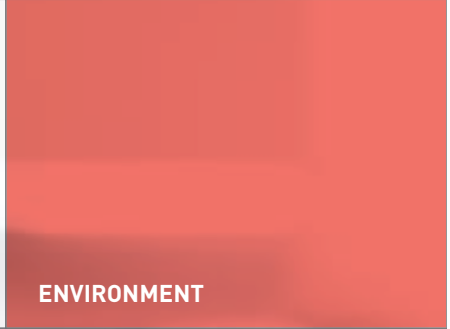
### Capital Remained Strong Supportive of Growth

CET1 at 10.5%; Total Capital Ratio at 14.6%





WORKPLACE



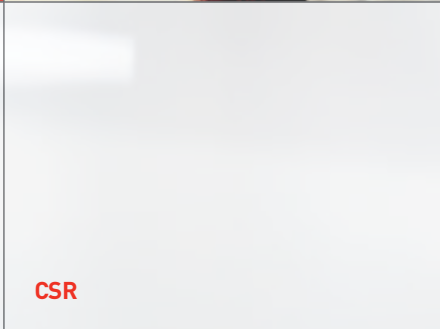
ENVIRONMENT



MARKETPLACE



COMMUNITY



CSR



# CORPORATE SOCIAL RESPONSIBILITY

Guided by our corporate value of Social Responsibility, we are committed to meeting the highest standards of corporate citizenship that go beyond complying with statutory laws and legal requirements. We treat all our stakeholders with respect and uphold the principles of integrity in all our dealings. We also go beyond the basics of responsible stakeholder engagement to give back to the communities in which we conduct our business.

Our community outreach programmes involve promoting education, providing aid to marginalised communities, and supporting and developing local talent. In addition, we believe in playing our part in preserving the environment by ensuring sustainable operations along our entire supply chain. As a result of our efforts, the Bank feels proud to have been able to contribute significantly to the nation's socio-economic development.



**At Hong Leong Bank, we believe that serving our communities is not only integral to being a responsible corporate citizen, but that it also forms a critical component to running a business successfully. In supporting our communities, we enhance our relationship and reputation with employees, customers, business partners and other stakeholders, thus strengthening our sustainability.**

Details of our commitment to each of the four CSR focus areas, namely the Workplace, Environment, Marketplace and Community, are provided below.

#### **WORKPLACE**

Hong Leong Bank believes it is critical to attract the best talent and to retain them by creating an inspiring and conducive work environment in which the rights of each employee are respected and their well-being is taken care of.

All employees are provided with relevant professional development opportunities to improve their competencies. The Bank invests in Human Capital Development (HCD) in accordance with industry benchmarks and regulators' expectations. Managers are equipped with proper knowledge and skills to deal with workplace grievances whenever the need arises, to ensure all employees receive fair and professional treatment. In nurturing young talents, the Bank's senior leaders and managers speak at forums and conferences to share industry knowledge and experience with fresh graduates and undergraduates.

We also identify and hire local talent through our Graduate Development Programme through which fresh graduates undergo two years of classroom training, on-the-job familiarisation, learning assignments as well as mentoring in the principles of core banking. At the end of the programme, each graduate is assigned a position within the group suited to his or her skills as well as our needs. For non-executives, various in-house and external programmes are conducted to enhance their technical competencies as well as supervisory skills in order to develop a competent workforce that is knowledgeable and highly motivated.

In addition, to reinforce a customer-centric culture, we have stepped up our efforts in many customer service training programmes to ensure our personnel are able to meet customers' changing and ever-increasing demands.

At the regional level, Hong Leong Bank is an involved shareholder in the Bank of Chengdu Co., Ltd., China (Bank of Chengdu) where we provide comprehensive technical assistance and training programmes to

demonstrate our commitment as a key business partner. We also groom young talents from the Bank of Chengdu at our Malaysian offices under a Management Associate programme.

In tandem with our growth and expansion throughout the region, we have acquired a diverse workforce of talented people who bring with them different experiences, perspectives and cultures. Acknowledging the advantages of diversity, we embrace employees from different ethnic and social backgrounds to nurture an inclusive and innovative environment which helps the organisation to realise its full potential. We abide by best work environment practices to maintain a workplace that is free from discrimination; and comply with all applicable laws pertaining to non-discrimination and equal opportunity.

We have been able to benefit from the expanded knowledge base, collective skills and cross-cultural understanding brought by our employees, by being able to better understand, relate and respond to a diverse and changing global customer profile.

## CORPORATE SOCIAL RESPONSIBILITY



### ENVIRONMENT

In view of climate change issues, and the pressing need to protect our environment for future generations, Hong Leong Bank is committed to minimising our environmental impact and encouraging greater sustainability throughout our business. We endeavour to identify and minimise our environmental footprint as well as that of our vendors. Our environmental initiatives include the smart and careful consumption of resources such as water and energy, while reducing as far as possible carbon emissions and waste generation.

## CORPORATE SOCIAL RESPONSIBILITY

### MARKETPLACE

The Bank is committed to good business ethics and integrity. For many years now, the Bank has had in place internally generated best practices to ensure the economic sustainability. Some of these best practices are:

- Established Financial Management Disciplines intended to drive excellence in financial management with the objective of preserving and enhancing the quality of the business as an on-going concern.
- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility is clearly set out to guide management.
- A code of business conduct and ethics of financial reports which contains disclosures that are true and fair.
- In choosing its directors, the Group seeks individuals of high integrity, and with shareholder orientation and a genuine interest in their respective company's businesses. They are tasked with the responsibility of exercising their business judgment to act in what they reasonably believe to be in the best interest of the company and the shareholders they represent.
- The practice of responsible selling and marketing of products and services.



## CORPORATE SOCIAL RESPONSIBILITY

### COMMUNITY

The Bank conducts most of its philanthropic activities through Hong Leong Foundation, the charitable arm of the Hong Leong Group.

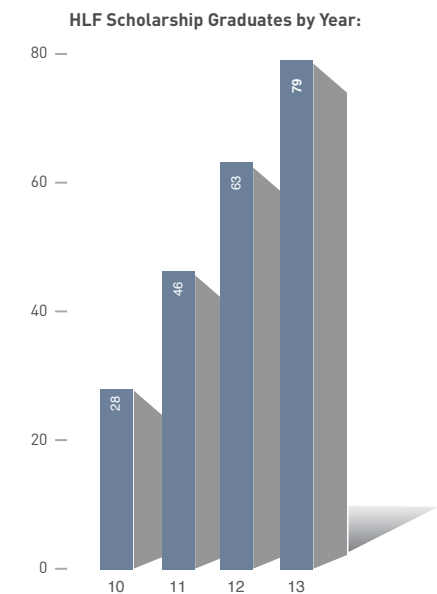
Incorporated in 1992, Hong Leong Foundation is a corporate foundation driven by the interest and passion of the Hong Leong Group. It is funded by contributions from Hong Leong Group Malaysia's (the "Group") companies and is, effectively, its charitable arm through which most of the Group's philanthropic activities are conducted. HLF expended a total of RM20 million over the last three years and has the following programmes in place working with our Community Partners:

- Community Welfare Programme to address the daily needs of homes, shelters and community centres
- Towards Self-Sufficiency:
  - Tertiary Scholarship Programme
  - Reach out and Rise Education Development Programme
  - The Hong Leong Masters Scholarship Programme
  - After School Care Programme

- Community Partner Programme, through which it has contributed to the charity's following mission and vision:
  - Good Jobs: Employment Development Programme
  - Better Homes: Welfare Home Transformation Programme
  - HLF NGO Accelerator Programme

In FY2013/14, the Foundation disbursed a total of RM12 million benefiting 30 charity organisations. Of this sum, RM3.7 million was channelled towards scholarships to benefit around 200 scholars from financially challenged families studying in various universities; and RM4.0 million was presented to four major private universities under a new partnership programme. To bridge opportunity gaps that exist along the entire spectrum of education development, the Foundation has set up a comprehensive programme to empower its scholars via enrichment camps and workshops, internships, mentorships and other support mechanisms to help them excel in their formative years at university and beyond.

Since 1993, the Hong Leong Foundation has awarded more than RM26.3 million in scholarships to 1,204 scholars to pursue diplomas as well as Bachelor's and Master's degrees.



**RM3.7 million was channelled towards scholarships to benefit around 200 scholars from financially challenged families studying in various universities**



## CORPORATE SOCIAL RESPONSIBILITY

In addition to supporting the Hong Leong Group's CSR initiatives, Hong Leong Bank plays our part as a responsible company that has people at our heart.

During the year, we participated in the 'Do Good Week' under which all operating companies within the Group were given three weeks to plan community outreach programmes to reinforce the spirit of volunteerism among employees. Along with volunteers from Hong Leong Financial Group, Hong Leong Islamic Bank, Hong Leong Capital, Hong Leong Investment Bank, Hong Leong Assurance and Hong Leong MSIG Takaful, our employees visited underprivileged and cancer-stricken children, planted trees and restored old homes, in addition to carrying out other meaningful activities. In total, 35 charity-driven activities were conducted with various NGOs and homes.

Firm in our conviction in the importance of education, the Bank participated in The Community Chest (TCC) programme jointly coordinated by the Group's CSR Department and TCC, an independent, not-for-profit, non-governmental charitable organisation. Once again joining forces with volunteers from the other Group operating companies, we helped impoverished schools nationwide by: 1) setting up new buildings and facilities and equipping these with essential furniture, fittings and equipment; 2) refurbishing, repairing, extending, renovating and rewiring old buildings and facilities to provide a safer environment for the students and teachers; and 3) setting up e-classrooms. Hong Leong Bank deployed volunteers to assist 14 schools across five states in Malaysia during the project period.

Apart from the above, Hong Leong Bank, in partnership with Hong Leong Yamaha Motors (HLYM), also sponsored the Liga 1MCC Football

Championship League by contributing RM200,000. Our aim was to identify and develop football talent among secondary school children at the grassroots level by providing them with professional training and giving them the exposure of participating in competitions.

Overseas, Hong Leong Bank Cambodia (HLBCAM) took part in the 4th Phnom Penh International Half Marathon (PPIHM) organised by the National Olympic Committee of Cambodia (NOCC) with the objective of raising funds for the country's sports development and creating greater awareness of the 'Go Green' policy. Meanwhile, Hong Leong Bank Vietnam (HLBVN) sponsored the Merdeka Charity Golf Tournament 2013, in celebration of the 56th Malaysia Independence Day. Net proceeds of about VND 300 million from the tournament were channelled to the Malaysia Business Chamber Charity Fund to help poor students or schools in Vietnam.

**This Corporate Social Responsibility Statement is made in accordance with the resolution of the Board of Directors.**



# CORPORATE INFORMATION

## DIRECTORS

**YBhg Tan Sri Quek Leng Chan**  
*(Chairman)*

**Mr Tan Kong Khoon**  
*(Group Managing Director/Chief Executive Officer)*

**Mr Kwek Leng Hai**

**YBhg Dato' Mohamed Nazim bin Abdul Razak**

**Mr Choong Yee How**

**Mr Quek Kon Sean**

**Ms Lim Lean See**

**YBhg Tan Sri A. Razak bin Ramli**

**Mr Lim Beng Choon**

**Ms Chok Kwee Bee**

**Mr Nicholas John Lough @ Sharif Lough bin Abdullah**

## GROUP COMPANY SECRETARY

**Ms Christine Moh Suat Moi**  
MAICSA 7005095

## AUDITORS

**Messrs PricewaterhouseCoopers  
Chartered Accountants**  
Level 10, 1 Sentral  
Jalan Travers  
Kuala Lumpur Sentral  
50706 Kuala Lumpur  
Tel : 03-21731188  
Fax : 03-21731288

## REGISTRAR

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Level 5, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Tel : 03-21641818  
Fax : 03-21643703

## REGISTERED OFFICE

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18 Jalan Perak  
50450 Kuala Lumpur  
Tel : 03-21648228  
Fax : 03-21642503

## WEBSITE

[www.hlb.com.my](http://www.hlb.com.my)



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Seventy-Third Annual General Meeting of Hong Leong Bank Berhad (“Bank”) will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 24 October 2014 at 3:00 p.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2014.
2. To declare a final single tier dividend of 26 sen per share for the financial year ended 30 June 2014 to be paid on 18 November 2014 to members registered in the Record of Depositors on 31 October 2014. **(Resolution 1)**
3. To approve the payment of Directors’ fees of RM414,466 for the financial year ended 30 June 2014 (2013: RM400,000), to be divided amongst the Directors in such manner as the Directors may determine. **(Resolution 2)**
4. To re-elect the following retiring Directors:-
  - (a) Ms Chok Kwee Bee **(Resolution 3)**
  - (b) Mr Nicholas John Lough @ Sharif Lough bin Abdullah **(Resolution 4)**
  - (c) Mr Quek Kon Sean **(Resolution 5)**
  - (d) Ms Lim Lean See **(Resolution 6)**
5. To pass the following motion as an Ordinary Resolution:-

“**THAT** YBhg Tan Sri Quek Leng Chan, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Bank to hold office until the conclusion of the next Annual General Meeting.” **(Resolution 7)**
6. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Bank and authorise the Directors to fix their remuneration. **(Resolution 8)**

## SPECIAL BUSINESS

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

7. **Ordinary Resolution**  
**Authority to Directors to Issue Shares**

“**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Bank, 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 pursuant to this resolution does not exceed 10% of the issued capital 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 issued on Bursa Malaysia Securities Berhad (“Bursa Securities”) and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Bank.” **(Resolution 9)**

## NOTICE OF ANNUAL GENERAL MEETING

### 8. 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 2 October 2014 ("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 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); 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 10)**

9. 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 31 October 2014 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  
2 October 2014

## 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 17 October 2014 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 and vote in his stead. A proxy may but need not be a member of the Bank and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to 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 proportions 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 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
5. Mr Lim Beng Choon who is due for retirement by rotation has informed the Board that he will not seek re-election and will retire at the conclusion of the Seventy-Third Annual General Meeting.

### EXPLANATORY NOTES ON SPECIAL BUSINESS

#### 1. Resolution 9 on Authority to Directors to Issue Shares

The proposed Ordinary Resolution, if passed, will give a renewed mandate to the Directors of the Bank to issue ordinary shares of the Bank from time to time provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Bank for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Bank.

As at the date of this Notice, no new shares in the Bank were issued pursuant to the mandate granted to the Directors at the last AGM held on 23 October 2013 and which will lapse at the conclusion of the Seventy-Third AGM.

The Renewed 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 issue of new shares and to avoid delay and cost in convening general meetings to approve such issue of shares.

#### 2. Resolution 10 on Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution, if passed, will empower the Bank and its subsidiaries ("HLB Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLB Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the Hong Leong Group than those generally available to the public and are not, in the Bank's opinion, detrimental to the minority shareholders of the Bank ("Proposed Renewal of Shareholders' Mandate").

Detailed information on the Proposed Renewal of Shareholders' Mandate is set out in the Circular to Shareholders dated 2 October 2014 which is dispatched together with the Bank's 2014 Annual Report.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

#### • Details of individuals who are standing for election as Directors

No individual is seeking election as a Director at the forthcoming Seventy-Third Annual General Meeting of the Bank.

## BOARD OF DIRECTORS' PROFILE

### YBHG TAN SRI QUEK LENG CHAN

Chairman/Non-Executive/Non-Independent

Aged 71, YBhg Tan Sri Quek Leng Chan, a Malaysian, 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 of HLB on 3 January 1994. He is the Chairman of the Board Credit Supervisory Committee and a member of the Executive Committee, Remuneration Committee and Nominating Committee of HLB.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad, a public company; Chairman of GuocoLand (Malaysia) Berhad, Hong Leong Financial Group Berhad and Hong Leong Capital Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad; and Chairman of Hong Leong Assurance Berhad and Hong Leong Foundation; and a member of the Board of Trustees of The Community Chest, all public companies.

### MR TAN KONG KHOON

Group Managing Director/Chief Executive Officer/  
Non-Independent

Aged 57, Mr Tan Kong Khoon, a Singaporean, holds a Bachelor of Business Administration degree from Bishop's University, Canada and is an alumnus of the Harvard Business School Advance Management Program.

Mr Tan was the Group Executive, Consumer Banking Group of DBS Bank Ltd ("DBS") from 1 December 2010 to 15 April 2013 where he led and managed strategy formulation and execution for consumer banking globally across the DBS Group.

Mr Tan began his banking career with DBS in 1981. Since then, he had 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 bank in Thailand listed on the Thailand Stock Exchange. Under his leadership, Bank of Ayudhya had expanded rapidly in its business and turnover.

Mr Tan was appointed as the Group Managing Director/Chief Executive Officer of Hong Leong Bank Berhad ("HLB") on 1 July 2013. He is a member of the Board Credit Supervisory Committee and Executive Committee of HLB.

## BOARD OF DIRECTORS' PROFILE

### MR KWEK LENG HAI

Non-Executive Director/Non-Independent

Aged 61, Mr Kwek Leng Hai, a Singaporean, qualified as a chartered accountant and has extensive experience in financial services, manufacturing and property investment.

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

Mr Kwek is the President and Chief Executive Officer of Guoco Group Limited ("GGL") and has been an Executive Director of GGL since 1990. 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 GuocoLand Limited and GuocoLeisure Limited, both public listed companies in Singapore. He is also a director of Bank of Chengdu Co., Ltd.

### YBHG DATO' MOHAMED NAZIM BIN ABDUL RAZAK

Non-Executive Director/Independent

Aged 52, YBhg Dato' Mohamed Nazim bin Abdul Razak, a Malaysian, an architect by profession, graduated from the Architectural Association, School of Architecture, London. He served with YRM Architects in London, a multi-disciplinary building design consultancy and has more than 20 years' experience in the architectural field, 18 of which were in Kuala Lumpur. YBhg Dato' Mohamed Nazim is the Chief Executive Officer of NRY Architects Sdn Bhd.

YBhg Dato' Mohamed Nazim was appointed to the Board of Hong Leong Bank Berhad ("HLB") on 30 June 2003 and is the Chairman of the Nominating Committee and Remuneration Committee of HLB.

YBhg Dato' Mohamed Nazim is also a Director of Hong Leong Capital Berhad, XiDeLang Holdings Ltd and 7-Eleven Malaysia Holdings Berhad (formerly known as Seven Convenience Berhad), companies listed on the Main Market of Bursa Malaysia Securities Berhad and Hong Leong Islamic Bank Berhad and The Legends Golf and Country Resorts Berhad, both public companies.



## BOARD OF DIRECTORS' PROFILE

### MR CHOONG YEE HOW

Non-Executive Director/Non-Independent

Aged 58, Mr Choong Yee How, a Malaysian, obtained a Bachelor of Science in Biochemistry (Honours) degree in 1979 and a Master of Business Administration in 1981 from the University of Otago, New Zealand. Mr Choong has over 28 years of experience in banking, of which 23 were with Citibank in Malaysia. Mr Choong started his career with Citibank Malaysia as a Management Associate and was promoted to assume various senior positions within the Citibank Group; the last being President and Chief Executive Officer of Citibank Savings Inc, Philippines. Mr Choong is currently the President & Chief Executive Officer of Hong Leong Financial Group Berhad ("HLFG").

Mr Choong was appointed to the Board of Hong Leong Bank Berhad ("HLB") on 9 March 2006 and is a member of the Board Credit Supervisory Committee, Nominating Committee, Remuneration Committee, Executive Committee and Board Audit Committee of HLB.

Mr Choong is also a Director of HLFGB and Hong Leong Capital Berhad, both companies listed on the Main Market of Bursa Malaysia Securities Berhad and Hong Leong Assurance Berhad, Hong Leong Asset Management Bhd, Hong Leong MSIG Takaful Berhad and Hong Leong Investment Bank Berhad, all public companies.

### MR QUEK KON SEAN

Non-Executive Director/Non-Independent

Aged 34, Mr Quek Kon Sean, a Malaysian, obtained a Bachelor of Science degree and Master of Science in Economics from the London School of Economics and Political Science. He started his career in investment banking prior to assuming the role of Executive Director of Hong Leong Financial Group Berhad ("HLFG"). He is currently Managing Director, Centre for Business Value of HL Management Co Sdn Bhd.

Mr Quek was appointed to the Board of Hong Leong Bank Berhad ("HLB") on 10 July 2006 and is a member of the Board Credit Supervisory Committee of HLB.

Mr Quek is also a Director of HLFGB and Hong Leong Capital Berhad, both companies listed on the Main Market of Bursa Malaysia Securities Berhad and Hong Leong Assurance Berhad, a public company.

## BOARD OF DIRECTORS' PROFILE

### MS LIM LEAN SEE

Non-Executive Director/Independent

Aged 61, Ms Lim Lean See, a Malaysian, holds an Associateship in Accounting and an Associateship in Secretarial and Administrative Practice both from 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 the Financial Planning Association of Malaysia and a member of Institut Bank-Bank Malaysia.

Ms Lim has 33 years of experience in the banking industry and had 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 Hong Leong Bank Berhad ("HLB") on 5 May 2010 and is the Chairman of the Board Audit Committee and a member of the Nominating Committee and Board Risk Management Committee of HLB.

Ms Lim is also a Director of Hong Leong Financial Group Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

### YBHG TAN SRI A. RAZAK BIN RAMLI

Non-Executive Director/Independent

Aged 65, Tan Sri A. Razak bin Ramli, a Malaysian, obtained a Bachelor of Arts (Honours) degree in Public Administration from the University of Tasmania, Australia and has a diploma in Gestion Publique from Institut International d'Administration Publique, Paris, France. He has served in various Ministries including the Public Services Department and Economic Planning Unit in the Prime Minister's Department and the Ministry of International Trade and Industry ("MITI"). Tan Sri A. Razak was the Chairman of APEC Senior Officials when Malaysia hosted the APEC, and held various positions in MITI including Deputy Secretary General (Industry), Deputy Secretary General (Trade) and retired as the Secretary General of MITI.

Tan Sri A. Razak was appointed to the Board of Hong Leong Bank Berhad ("HLB") on 11 January 2011 and is a member of the Nominating Committee of HLB.

Tan Sri A. Razak is the Chairman of Shangri-La Hotels (Malaysia) Berhad, the Deputy Chairman of Favelle Favco Berhad and a Director of Lafarge Malaysia Berhad (formerly known as Lafarge Malayan Cement Berhad), companies listed on the Main Market of Bursa Malaysia Securities Berhad. He is also the Chairman of Hong Leong MSIG Takaful Berhad, Hong Leong Islamic Bank Berhad and Ophir Holdings Berhad and a Director of Hong Leong Investment Bank Berhad, all public companies.

## BOARD OF DIRECTORS' PROFILE

### MR LIM BENG CHOON

Non-Executive Director/Independent

Aged 55, Mr Lim Beng Choon, a Malaysian, holds a Bachelor of Sciences (Hons, First Class) degree in Mathematics and Computer Science from the Australian National University, Australia.

Mr Lim was with the global consulting, technology and outsourcing giant, Accenture for 28 years before he retired in 2009. He was leading Accenture's Malaysia practice as the Country Managing Director. Simultaneously, he was leading the Management Consulting practice in Asia Pacific within Accenture's "Resources" industry group (Oil & Gas, Chemicals, Utilities, Natural Resources). During his tenure with Accenture he attended numerous management and leadership training programmes across Accenture's global centres as well as at IMD in Lausanne, Switzerland.

Mr Lim was appointed to the Board of Hong Leong Bank Berhad ("HLB") on 31 January 2011 and is the Chairman of the Board Risk Management Committee and a member of the Board Audit Committee of HLB.

Mr Lim is also a Director of Petronas Gas Berhad, Petronas Dagangan Bhd and MISC Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad.

### MS CHOK KWEE BEE

Non-Executive Director/Independent

Aged 62, Ms Chok Kwee Bee, a Malaysian, 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. 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 Corporate Finance at AmlInvestment Bank Berhad. She previously held posts as Director of Malaysian Exchange of Securities Dealing & Automated Quotation Bhd, Chairman of the Corporate Finance Sub-Committee of the Association of Merchant Banks, a member of the Securities Commission Capital Market Advisory Council and the Chairman of the Malaysian Venture Capital and Private Equity Association.

Ms Chok is currently a member of the Malaysian Venture Capital Development Council of the Securities Commission and a Non-Executive Board Member of the Audit Oversight Board. She also sits on the board of several portfolio companies.

Ms Chok was appointed to the Board of Hong Leong Bank Berhad ("HLB") on 2 December 2013 and is a member of the Board Risk Management Committee of HLB.

## BOARD OF DIRECTORS' PROFILE

### MR NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

Non-Executive Director/Independent

Aged 62, Mr Nicholas John Lough @ Sharif Lough bin Abdullah, a British and Malaysian Permanent Resident, 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.

Mr Lough has extensive experience in the corporate sector, serving in various capacities, including Group Executive Director of Melewar Corporation Berhad from 1987 to 1995.

Mr 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 Malaysia Securities Berhad. He is also the Chairman of Langkawi Yacht Club Berhad and Director of Royce Pharma Berhad, both public companies.

Mr Lough was appointed to the Board of Hong Leong Bank Berhad ("HLB") on 23 June 2014 and is a member of the Board Audit Committee and Board Risk Management Committee of HLB.

#### NOTES:

**1. Family Relationship with Director and/or Major Shareholder**

YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Hai and Mr Quek Leng Chye, a deemed major shareholder of HLB, are brothers. YBhg Tan Sri Quek Leng Chan is the father of Mr Quek Kon Sean. 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 in the past 10 years.

**4. Attendance of Directors**

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

# 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)*

### Mr Lim Beng Choon

*(Independent Non-Executive Director)*

### Mr Nicholas John Lough @ Sharif Lough bin Abdullah

*(Independent Non-Executive Director)*

*(Appointed with effect from 15 September 2014)*

### Mr Choong Yew How

*(Non-Independent Non-Executive Director)*

## SECRETARY

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

## TERMS OF REFERENCE ("TOR")

- To nominate and recommend for the approval of the Board of Directors ("Board"), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit plan.
- To review, with the external auditors, the audit report and audit findings and the management's response thereto.
- To consider the provision of non-audit services by the external auditors.
- To review the assistance given by the officers of HLB and its subsidiaries ("Group") to the external auditors.
- To review the quarterly reports and annual financial statements of the Bank and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit division.

- To review the report and findings of the internal audit division including any findings of internal investigations and the management's response thereto.
- To review the adequacy and effectiveness of internal controls and risk management.
- To review any related party transactions that may arise within the Bank or the Group.
- To approve any credit transactions and exposure with connected parties.
- To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Chief Internal Auditor ("CIA") as per Bank Negara Malaysia ("BNM") Guideline on Internal Audit Function.
- Other functions as may be agreed to by the BAC and the Board.

## AUTHORITY

The BAC is authorised by the Board to review any activity of the Group within its TOR. 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 four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The Chief Risk Officer, Chief Financial Officer and external auditors are invited to attend the BAC meetings whenever required. At least twice a year, the BAC will have a separate session with the external auditors without the presence of Executive Directors and management.

Issues raised, discussions, deliberations, decisions and conclusions made at the BAC meetings are recorded in the minutes of the BAC meetings. Where the BAC is considering a matter in which a BAC member has an interest, such member abstains from reviewing and deliberating on the subject matter.

Two (2) members of the BAC, who shall be independent, shall constitute a quorum.

## BOARD AUDIT COMMITTEE REPORT

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 TOR.

During the financial year ended 30 June 2014, eight (8) BAC meetings were held and the attendance of the BAC members was as follows:

| Members           | Attendance |
|-------------------|------------|
| Ms Lim Lean See   | 8/8        |
| Mr Lim Beng Choon | 8/8        |
| Mr Choong Yee How | 7/8        |

The BAC also had two (2) separate sessions with the external auditors without the presence of management.

The main activities undertaken by the BAC during the financial year are summarised as follows:

- Reviewed the quarterly unaudited financial results and annual audited financial statements of the Group.
- Met with the external auditors and discussed the nature and scope of the audit, significant changes in accounting and auditing issues, the management letter and management's responses, pertinent issues which had significant impact on the results of the Group and applicable accounting and auditing standards.
- Assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.
- Evaluated the performance of the external auditors and made the recommendation to the Board for consideration in relation to their appointment and audit fees.
- Reviewed and approved the annual internal audit plan to ensure adequacy of scope and coverage of the auditable areas including staffing requirements.
- Reviewed the internal auditor's audit findings and recommendations, Bank Negara Malaysia's Examination Reports on the Bank Group, Monetary Authority of Singapore's Examination Reports on HLB Singapore Branch and Hong Kong Monetary Authority's Examination Reports on HLB Hong Kong Branch.

- Reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.
- In preparation for compliance with the Basel II & Basel III accord and FRS139 implementation, the BAC reviewed with management and external consultants the various reports and actions to be taken by the Bank.
- Reviewed various related party transactions carried out by the Group and approved credit transactions and exposure with connected parties.
- Reviewed and approved the remuneration of the CIA.

### GROUP INTERNAL AUDIT DIVISION ("GIAD")

The GIAD of HLB assists the BAC in the discharge of its duties and responsibilities. GIAD employs a risk-based assessment approach in auditing the Bank's Group business and operational activities. The high risk activities are given due attention and audited on a more regular basis while the rest are prioritised accordingly to the potential risk exposure and impact.

During the financial year ended 30 June 2014, GIAD carried out its duties covering audit on operations, information technology system, credit, head office, branches, loan centre, business centre, mortgage sales centre, hire purchase centre, investigation and other assignments as directed. These audits are performed in line with the BNM Guidelines on Internal Audit Function.

GIAD participated in an advisory or consulting role in a number of products and projects reviews, which included FRS139 and Basel II/III. Besides performing internal audit functions to the Bank Group, it also through a service agreement, provides internal audit services to Hong Leong Capital Berhad Group, 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 Group in respect of the financial year ended 30 June 2014 was RM10.104 million.

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

# BOARD RISK MANAGEMENT COMMITTEE REPORT

## CONSTITUTION

The Board Risk Management Committee ("BRMC") is established to oversee senior management's activities in managing risk exposures and to ensure alignment with the risk strategies and policies approved by the Board.

## COMPOSITION

### Mr Lim Beng Choon

*(Chairman, Independent Non-Executive Director)*

### Ms Lim Lean See

*(Independent Non-Executive Director)*

### Dato' Syed Faisal Albar bin Syed A.R. Albar

*(Independent Non-Executive Director)*

*(Resigned with effect from 29 January 2014)*

### Ms Chok Kwee Bee

*(Independent Non-Executive Director)*

*(Appointed with effect from 21 March 2014)*

### Mr Nicholas John Lough @ Sharif Lough bin Abdullah

*(Independent Non-Executive Director)*

*(Appointed with effect from 15 September 2014)*

## SECRETARY

The Secretary to the BRMC is the Chief Risk Officer of the Bank.

## TERMS OF REFERENCE

### Risk Management and Compliance

- To oversee senior management's activities in managing credit, market, liquidity, operational, shariah compliance and IT risks and to ensure that the risk management process is in place and functioning.
- To review and report to the Board on measures taken to identify and examine principal risks faced by the Bank.
- To review, recommend and/or endorse the Bank's major risk management strategies, policies and risk tolerance for Board's approval.

- To endorse the Bank's risk appetite, internal capital target, Internal Capital Adequacy Assessment Process ("ICAAP") and Capital Management framework for Board's approval.
- To ensure that senior management discharges its responsibilities for the development and effective implementation of the internal capital adequacy assessment process.
- To review periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities.
- To review and assess the adequacy of risk management and compliance policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
- To ensure the infrastructure, resources and systems are in place for risk management functions and to ensure that the staffs responsible for implementing risk management systems perform those duties independently of the Group's risk taking activities.
- To provide oversight of the Group's compliance activities and ensuring the Group is in compliance to all established policies, guidelines and external regulations.
- To review all non-compliance incidences and recommend corrective actions where necessary.
- To review and consider the impact of new laws, regulations, guidelines affecting the Bank's operations and ensuring adequate resources are committed and realistic action plans are carried out within the stipulated set deadline.
- Other risk management and compliance functions as may be agreed to by the BRMC and the Board.

## AUTHORITY

The BRMC is authorised by the Board to review any activities of the Group within its terms of reference. It is authorised to seek any information it requires from any Director or member of management.

## BOARD RISK MANAGEMENT COMMITTEE REPORT

### MEETINGS

The BRMC meets at least six (6) times a year and additional meetings may be called at any time as and when necessary.

The Group Managing Director of HLB, the Chief Risk Officer, the Chief Financial Officer, the Chief Internal Auditor and external auditors are invited to attend Committee meetings, where applicable.

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 abstains from reviewing and deliberating on the subject matter.

Two (2) members of the Committee, who shall be independent shall constitute a quorum.

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

### ACTIVITIES

The BRMC carried out its duties in accordance with its Terms of Reference supported by the Group Integrated Risk Management & Compliance (GIRMC).

For the financial year ended 30 June 2014, six (6) Committee meetings were held and the attendance of the Committee members is recorded as follows:

| Member   | Attendance |
|--|------------|
| Mr Lim Beng Choon  | 6/6        |
| Ms Lim Lean See  | 6/6        |
| YBhg Dato' Syed Faisal Albar bin Syed A.R.<br><i>(Resigned with effect from 29 January 2014)</i> | 3/4        |

Ms Chok Kwee Bee, who was appointed with effect from 21 March 2014, has not attended any BRMC meetings during this financial year.

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, BRMC ensures alignment to the Group's risk management appetite, frameworks and policies.

In addition, the BRMC has reviewed periodic reports, i.e. Risk Management Dashboards covering among others Credit Risk, Market Risk, Liquidity Risk, Operational Risk (including IT Risk) and Regulatory Risk.

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, RISK MANAGEMENT & INTERNAL CONTROL



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”) has reviewed the manner in which the Malaysian Code on Corporate Governance 2012 (the “Code”) is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the principles and recommendations as set out in the Code except where otherwise stated.

## **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.

The roles and responsibilities of the Board are set out in the Board Charter which is published on the Bank’s website, and 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 of them by Bank Negara Malaysia (“BNM”) as specified in guidelines and circulars issued by BNM from time to time.

There is a clear division of responsibilities between the Chairman and the Group Managing Director/Chief Executive Officer (“GMD”), which are distinct and separate. This segregation of responsibilities between the Chairman and the GMD ensures an appropriate balance of roles, responsibilities and accountability.

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

The GMD is responsible for the vision and strategic direction of the Group, implementing the policies and decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, setting the benchmark and targets for operating companies, overseeing the day-to-day operations and tracking compliance and business progress.

## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group's key corporate social responsibility activities are set out in the Corporate Social Responsibility Statement of this Annual Report.

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia and BNM/GP7 Code of Ethics: Guidelines on Code of Conduct for Directors, Officers and Employees in the banking industry. In addition, the Bank also has a Code of Conduct and Ethics that sets out sound principles and standards of good practice which are observed by the employees.

### B. BOARD COMPOSITION

The Board comprises eleven (11) directors, ten (10) of whom are non-executive. Of the non-executive directors, six (6) are independent and the Board as such comprises a majority of independent directors. The profiles of the members of the Board are provided in the Annual Report.

The Bank adheres to BNM's Guidelines on Corporate Governance for Licensed Institutions ("BNM/GP1") 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 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 duties and responsibilities effectively.

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 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 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) Board Audit Committee ("BAC")

The composition of the BAC, its TOR and a summary of its activities are set out in the BAC Report of this Annual Report.

#### (b) Board Risk Management Committee ("BRMC")

The composition of the BRMC, its TOR and a summary of its activities are set out in the BRMC Report of this Annual Report.

#### (c) Nominating Committee ("NC")

The NC has been established on 17 June 2003 and the members are as follows:-

YBhg Dato' Mohamed Nazim bin Abdul Razak  
*(Chairman, Independent Non-Executive Director)*

YBhg Tan Sri Quek Leng Chan  
*(Non-Independent Non-Executive Director)*

Mr Choong Yee How  
*(Non-Independent Non-Executive Director)*

Ms Lim Lean See  
*(Independent Non-Executive Director)*

YBhg Tan Sri A. Razak bin Ramli  
*(Independent Non-Executive Director)*

## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

### C. BOARD COMMITTEES (CONTINUED)

#### (c) Nominating Committee ("NC") (Continued)

The NC's functions and responsibilities are set out in the TOR as follows:-

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- Review and recommend to the Board all Board appointments and re-appointments and removals including the Chief Executive Officer.
- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between executive directors, non-executive and independent directors, and mix of skills and other core competencies required.
- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual director to the effectiveness of the Board and various Board committees based on criteria approved by the Board.
- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives an appropriate continuous training programme.

The NC carried out its duties in accordance with its TOR.

The Bank has in place the process and procedure for assessment of new appointment, re-appointment and re-election of directors and the appointment of Chief Executive Officer, and the criteria used in such assessment.

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.

Having reviewed the assessments in respect of the financial year ended 30 June 2014 ("FYE 2014"), the NC is satisfied that the Board as a whole, Board committees and individual directors have effectively discharged their duties and responsibilities, and are suitably qualified to hold their positions.

In connection with the appointment and re-appointment of directors and Chief Executive Officer of the Bank, the NC is guided by a Fit and Proper Policy.

The Fit and Proper Policy includes a policy in relation to the tenure for independent directors of the Bank ("Tenure Policy"). Pursuant to the Tenure Policy, an independent director who has served on the Board of Directors of any company under the Hong Leong Financial Group for a period of 12 years continuously or more 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) expiry of his term of office approved by BNM; or
- (b) the due date for his retirement either by rotation pursuant to the Articles of Association of the Bank or pursuant to Section 129(2) of the Companies Act, 1965 as the case may be.

If the intention of the independent director is to continue in office, the NC shall consider the re-appointment based on the assessment criteria and guidelines set out in the Fit & Proper Policy and make the appropriate recommendation to the Board. If the intention is to retire from office, an application shall be submitted to BNM to seek clearance, in accordance with the BNM Guidelines.

The NC meets at least once in each financial year and additional meetings may be called at any time as and when necessary.

## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

### C. BOARD COMMITTEES (CONTINUED)

#### (c) Nominating Committee (“NC”) (Continued)

During the FYE 2014, four (4) NC meetings were held and the attendance of the NC members was as follows:

| Member                                   | Attendance |
|--|------------|
| YBhg Dato’ Mohamed Nazim bin Abdul Razak | 3/4        |
| YBhg Tan Sri Quek Leng Chan              | 4/4        |
| Mr Choong Yee How                        | 4/4        |
| Ms Lim Lean See                          | 4/4        |
| YBhg Tan Sri A. Razak bin Ramli          | 4/4        |

The NC had considered and reviewed the following:-

- composition of the Board and Board Committees;
- professional qualification and experience of the directors;
- independence of independent directors and their tenure; and
- appointment, re-appointment and re-election of directors

and was satisfied that the Board composition in terms of size, the balance between executive, non-executive and independent directors and mix of skills was adequate. The NC also reviewed the performance of the Board against its TOR and was satisfied that the Board was competent and effective in discharging its functions.

#### (d) Remuneration Committee (“RC”)

The RC has been established on 17 June 2003 and the members are as follows:-

YBhg Dato’ Mohamed Nazim bin Abdul Razak  
*(Chairman, Independent Non-Executive Director)*

YBhg Tan Sri Quek Leng Chan  
*(Non-Independent Non-Executive Director)*

Mr Choong Yee How  
*(Non-Independent Non-Executive Director)*

The RC’s functions and responsibilities are set out in the TOR as follows:-

- Recommend to the Board the framework governing the remuneration of the:
  - Directors;
  - Chief Executive Officer; and
  - Key senior management officers.
- Review and recommend to the Board the specific remuneration packages of executive directors and the Chief Executive Officer.
- Review the remuneration packages of key senior management officers.

During the FYE 2014, one (1) RC meeting was held and the attendance of the RC members was as follows:

| Member                                   | Attendance |
|--|------------|
| YBhg Dato’ Mohamed Nazim bin Abdul Razak | 1/1        |
| YBhg Tan Sri Quek Leng Chan              | 1/1        |
| Mr Choong Yee How                        | 1/1        |

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 level of responsibilities 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”).

## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

### C. BOARD COMMITTEES (CONTINUED)

#### (d) Remuneration Committee ("RC") (Continued)

The aggregate remuneration of directors (including the directors who had resigned during the financial year, and remuneration earned as directors of subsidiaries) for the FYE 2014 is as follows:

|                         | Fees<br>(RM) | Salaries &<br>Other<br>Emoluments<br>(RM) | Total<br>(RM) |
|-------------------------|--------------|---|---------------|
| Executive Directors     | –            | 3,813,519.17                              | 3,813,519.17  |
| Non-Executive Directors | 568,165.00   | 254,398.00                                | 822,563.00    |

The number of directors whose remuneration (including the directors who had resigned during the FYE 2014) falls into the following bands is as follows:

| Range of Remuneration (RM) | Executive | Non-Executive |
|----------------------------|-----------|---------------|
| 1 – 50,000                 | –         | 1             |
| 50,001 – 100,000           | –         | 2             |
| 100,001 – 150,000          | –         | 1             |
| 150,001 – 200,000          | –         | 2             |
| 200,001 – 250,000          | –         | 1             |
| 3,800,001 – 3,850,000      | 1         | –             |

#### (e) Board Credit Supervisory Committee ("BCSC")

The members of the BCSC are as follows:-

YBhg Tan Sri Quek Leng Chan (*Chairman*)  
Mr Tan Kong Khoon  
Mr Choong Yee How  
Mr Quek Kon Sean  
Y.M. Raja Teh Maimunah binti Raja Abdul Aziz

The BCSC oversees the management of credit risk and other credit related activities of the Bank and all its subsidiaries.

During the FYE 2014, sixteen (16) BCSC meetings were held and the attendance of the BCSC members was as follows:

| Member                                       | Attendance |
|--|------------|
| YBhg Tan Sri Quek Leng Chan                  | 16/16      |
| Mr Tan Kong Khoon                            | 16/16      |
| Mr Choong Yee How                            | 15/16      |
| Mr Quek Kon Sean                             | 16/16      |
| Y.M. Raja Teh Maimunah binti Raja Abdul Aziz | 16/16      |

## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

### C. BOARD COMMITTEES (CONTINUED)

#### (f) Executive Committee (“EXCO”)

The members of the EXCO are YBhg Tan Sri Quek Leng Chan, Mr Choong Yee How and Mr Tan Kong Khoon and all matters were approved via circular resolutions. The duties and responsibilities of the EXCO include, amongst others, approving all financial markets transactions; opening, operating and closing of various types of accounts with various financial institutions and performing such other duties and functions as may be determined by the Board from time to time.

### D. INDEPENDENCE

The Board takes cognisance of Recommendations 3.2 and 3.3 of the Code that the tenure of an independent director should not exceed a cumulative term of nine (9) years. 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 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.

The independent directors have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that YBhg Dato’ Mohamed Nazim bin Abdul Razak, who has served on the Board for more than nine (9) years remains objective and has continued to bring independent and objective judgment to Board deliberations and decision making. In this regard, the NC is guided by the Fit and Proper Policy of the Bank.

The designation of YBhg Dato’ Mohamed Nazim bin Abdul Razak, YBhg Tan Sri A. Razak bin Ramli, Ms Lim Lean See, Mr Lim Beng Choon, Ms Chok Kwee Bee and Mr Nicholas John Lough @ Sharif Lough bin Abdullah as independent directors have received the approval of BNM.

Both the independent directors and non-independent directors are required to submit themselves for re-election at the AGM every three (3) years under the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa”) and Articles of Association of the Bank. In addition, the re-appointment of directors who have attained 70 years of age and above is subject to shareholders’ approval at the AGM under Section 129 of the Companies Act, 1965. In respect of the independent directors who have served a tenure of nine (9) years and above, and who are due for re-election or re-appointment, justification for their re-election or re-appointment, as the case may be, will be set out in the explanatory notes of the notice of AGM.

### E. COMMITMENT

The directors are aware of their responsibilities and will 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. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM/GP1.

All Board members are supplied with information in a timely manner. Board reports are circulated prior to Board 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 and internal auditors. All directors also have access to independent professional advice at the Bank’s expense, in consultation with the Chairman or the GMD of the Bank.

## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

### E. COMMITMENT (CONTINUED)

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any director who has an interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meetings.

The Board met eight (8) times during FYE 2014 with timely notices of issues to be discussed. Details of attendance of each director are as follows:-

| Director  | Attendance |
|---|------------|
| YBhg Tan Sri Quek Leng Chan                                       | 8/8        |
| Mr Tan Kong Khoon   | 8/8        |
| Mr Kwek Leng Hai  | 8/8        |
| YBhg Dato' Mohamed Nazim bin Abdul Razak                          | 6/8        |
| Mr Choong Yee How   | 8/8        |
| Mr Quek Kon Sean  | 8/8        |
| Ms Lim Lean See   | 8/8        |
| YBhg Tan Sri A. Razak bin Ramli                                   | 7/8        |
| Mr Lim Beng Choon   | 8/8        |
| Ms Chok Kwee Bee <sup>(1)</sup>                                   | 4/4        |
| Mr Nicholas John Lough @ Sharif Lough bin Abdullah <sup>(2)</sup> | 1/1        |
| YBhg Datuk Kwek Leng San <sup>(3)</sup>                           | 4/4        |
| YBhg Dato' Syed Faisal Albar bin Syed A.R Albar <sup>(4)</sup>    | 3/5        |

#### Note:

<sup>(1)</sup> Appointed on 2 December 2013

<sup>(2)</sup> Appointed on 23 June 2014

<sup>(3)</sup> Resigned on 1 January 2014

<sup>(4)</sup> Resigned on 29 January 2014

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 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 and continuing professional development which encompasses areas related to the industry or business of the Bank, governance, risk management and regulations through a combination of courses and conferences.

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-à-vis various laws, regulations and guidelines governing the same.

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

During the FYE 2014, the directors received regular briefings and updates on the Group's businesses, operations, risk management, 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.

## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

### E. COMMITMENT (CONTINUED)

During the FYE 2014, the directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- BNM – Financial Institutions Directors’ Education (“FIDE”) Core Programme
- Goods & Services Tax
- BNM – Roles and Responsibilities of Nominating Committee Members of Licensed Institutions
- BNM – FIDE Elective Programme: “The Role of the Board in Behavioural Issues – Board, Committee, Director and CEO Assessments”
- BNM – FIDE Forum - Dialogue with Governor: “Economic & Financial Sector: Trends & Challenges Moving Forward”
- Bursa Malaysia – Corporate Governance Statement Reporting Workshop
- Bursa Malaysia – Advocacy Session on Corporate Disclosure
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- Malaysian Accounting Standards Board – Roundtable on Financing Reporting
- Directors’ Induction Programme

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

#### III Relationship with Auditors

The appointment of external auditors is recommended by the BAC, which determines the remuneration of the external auditors. The BAC reviews the suitability and independence of the external auditors annually.

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.



## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

### G. 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 website after release to Bursa.

### H. SHAREHOLDERS

#### I Dialogue between Companies and Investors

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

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

Shareholders have the right to demand to vote by way of a poll at the general meetings for substantive resolutions and the voting results will be announced at the meetings and through Bursa.

The Bank has a website at 'www.hlb.com.my' which the shareholders can access for information which includes the Board Charter, corporate information, announcements/press releases/briefings, financial information, products information and investor relations.

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.

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, GROUP CORPORATE AFFAIRS & PUBLIC COMMUNICATIONS**

Tel No. : 03-2180 8888 ext 8565  
Fax No. : 03-2164 8181  
e-mail address : [norlina.yunus@hlbb.hongleong.com.my](mailto:norlina.yunus@hlbb.hongleong.com.my)

#### **CHIEF FINANCIAL OFFICER**

Tel No. : 03-2180 8888  
Fax No. : 03-2164 1519  
e-mail address : [CFO@hlbb.hongleong.com.my](mailto:CFO@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.

## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

### I. 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 assessment and improvement are on-going and are regularly reviewed in accordance with the guidelines on the 'Statement on Risk Management and Internal Control: Guidance for Directors of Public Listed Companies'.

#### 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 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 Integrated Risk Management & Compliance ("GIRMC") Division undertakes the implementation of an enterprise-wide and integrated risk framework in the business and support units to inculcate continuous risk 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. GIRMC, at the second level, is responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. In addition, overall oversight is provided by the Regulatory Compliance Department, which is a unit of GIRMC. Thirdly, the Internal Audit function complements GIRMC by its activity of 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.

The above is depicted in the following diagram:



## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

### I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

#### III Risk Management and Internal Control Framework (Continued)

The above is depicted in the following diagram:

##### (a) Risk Management

Managing risks is an integral part of the Group's overall business strategy. It involves a process for identifying, assessing and managing risks and uncertainties that could inhibit the Group's ability to achieve its strategy and strategic objectives. 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. Recognising the need to be proactive in the management of risks, the Group has implemented an Integrated Risk Management ("IRM") framework where the Group's risks are managed at various levels.



At the apex of the IRM framework, the Board has the overall responsibility to ensure there is proper oversight of the management of risks in the Group. GIRMC monitors and reports the Group's Credit, Market, Liquidity, Operational and IT Risks as well as regulatory compliance issues and presents these risk in a single, consolidated view to the BRMC regularly.

## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

### I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

#### III Risk Management and Internal Control Framework (Continued)

##### (a) Risk Management (Continued)

The BRMC deliberates and evaluates the reports prepared by GIRMC 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.

| HONG LEONG BANK GROUP'S KEY RISKS   |   |
|---|---|
| <p><b>CREDIT RISK</b><br/>Credit Risk is the risk of loss if a borrower or counterparty in a transaction fails to meet its obligations.</p>   | <p><b>OPERATIONAL RISK</b><br/>Operational Risk loss is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which also includes IT and legal risks.</p>   |
| <p><b>MARKET RISK</b><br/>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.</p> | <p><b>LIQUIDITY RISK</b><br/>Liquidity Risk is the risk of loss resulting from the unavailability of sufficient funds to fulfill financial commitments, including customer liquidity needs, as they fall due. Liquidity Risk also includes the risk of not being able to liquidate assets in a timely manner.</p> |

##### (b) Basel II and III

The Group places great importance to 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 currently in compliance with the regulatory standards that took effect from 1 January 2008. The Group is progressively employing advance risk measurement in the respective businesses. For Basel II Pillar 2, the Group has established an Internal Capital Adequacy Assessment Process ("ICAAP") 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 advanced anticipation of any local jurisdiction guidelines in all the countries that the Bank operates in.

## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

### I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

#### III Risk Management and Internal Control Framework (Continued)

##### (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. The GIAD regularly reviews the critical operations (as defined in BNM Guideline on Internal Audit Function) 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.

All audit findings, having been discussed at management level and affirmative actions agreed in response to the audit recommendations, are duly documented in audit reports and tabled to the BAC. Implementation of audit recommendations is followed up on a monthly basis and reported to the BAC quarterly. 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 the 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 the 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 in the intranet for easy reference and in support of a learning environment, 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 to internal controls requirements.

#### IV Assessment of Risk Management and Internal Control System

The Board has received assurances from the Group Managing Director, Chief Financial Officer, Chief Risk Officer and Chief Internal Auditor that the Group's risk management and internal control system is 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 is operating adequately and effectively for the financial year under review and up to the date of approval of this report.

### J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR require the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Bank as at the end of the financial year and of its financial performance 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 2014, 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, Risk Management and Internal Control is made in accordance with the resolution of the Board.

## **DIRECTORS' REPORT**

for the financial year ended 30 June 2014

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 2014.

### **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 consist of Islamic Banking services. Other subsidiary companies are primarily engaged in real property investment, investment holding and nominee services. The details of the subsidiary companies are disclosed in Note 11 to the financial statements.

### **BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR**

The Group continues to drive for sustainable profitability by leveraging our close engagement with Personal, Business and Islamic Banking customers through a strong distribution network in our domestic market, whilst we continue to strengthen the contributions from our regional businesses and strategic partnerships.

We have made good progress in rolling out a Community Banking model domestically and enhancing our innovative Digital Banking proposition for both domestic and regional markets. This strengthening of our distribution capability will further optimise our resources and creating new business values. Alongside our transformation journey, we have also continued to grow our deposit and loan base while we build up our Wealth Management, Treasury & Transaction Banking offerings. We have also placed additional focus on better serving our customers' needs through better use of Customer Analytics.

### **OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR**

Moving into the new financial year, it remains a strategic imperative for the Group to continue focusing on building a high performance business and strengthening the foundations for sustainable profitability through a full Universal Banking Model in the domestic market while at the same time deepening our niche market offerings in regional businesses.

The Group is committed to accelerating fee-based activities with key focus on strengthening our Wealth Management offerings to individual customers and serving our Corporate and SME customers' treasury product needs.

Earning customer advocacy remains an important agenda for the Group as we continue to embed service excellence by enhancing customer experience. The Group continues to focus on digitisation efforts, enhancing multi-channel integration, improving analytics for deeper customer engagement, and aiming to reinforce the connections between the branches and their respective communities.

For regional business growth, we will strengthen our core businesses by focusing on appropriate customer segments and scalable business propositions which would create substantive business value. M&A are opportunistic in nature and we would continue to explore them as opportunities arise.

### **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 2014  
(continued)

### CREDIT INFORMATION RATING

On 13 December 2013, Rating Agency Malaysia Berhad has reaffirmed the Bank's long-term rating at AA1 and its short-term rating at P1, with stable outlook.

The ratings indicate that in the long-term, the Bank is adjudged to offer high safety for timely payment of financial obligations while in the short-term, the Bank is adjudged to have superior capacities for timely payment of obligations.

Details of the rating of the Bank and its debt securities are as follows:

| Rating Agency                  | Date Accorded | Rating Classification          | Definition  |
|--------------------------------|---------------|--------------------------------|---|
| Rating Agency Malaysia Berhad  | 13-Dec-13     | Long-Term Rating: AA1          | Demonstrates strong capacity in meeting both long-term and short-term financial obligations. The financial institution is also resilient against adverse changes in circumstances, economic conditions and/or operations environments.  |
|                                |               | Short-Term Rating: P1          |   |
|                                |               | Subordinated Notes: AA2        |   |
|                                |               | Tier 1 Capital Securities: AA3 |   |
| Moody's Investors Services Ltd | 16-May-14     | Long-Term Rating: A3           | Indicates a mixture of above-average and average credit worthiness. However, elements may be present which suggest a susceptibility to impairment some time in the future.  |
|                                |               | Short-Term Rating: P2          |   |
|                                | 16-May-14     | Senior Unsecured: A3           |   |
| Fitch Ratings Ltd              | 6-Dec-13      | Long-Term Rating: BBB+         | Ratings generally indicates good credit quality. There is currently a low expectation of credit risk and satisfactory capacity to meet timely payment of financial obligations. However, adverse changes in circumstances and in economic conditions are likely to impair the institution's capacity. |
|                                |               | Short-Term Rating: F2          |   |
|                                | 6-Dec-13      | Senior Unsecured: BBB+         |   |

### FINANCIAL RESULTS

|                                   | The Group<br>RM'000 | The Bank<br>RM'000 |
|-----------------------------------|---------------------|--------------------|
| Profit before taxation            | 2,613,221           | 2,057,725          |
| Taxation                          | (510,951)           | (466,786)          |
| Net profit for the financial year | 2,102,270           | 1,590,939          |

## DIRECTORS' REPORT

for the financial year ended 30 June 2014  
(continued)

### DIVIDENDS

Since the last financial year ended 30 June 2013, a final dividend of 30.0 sen per share, less income tax of 25% amounting to RM396,172,525 in respect of the financial year ended 30 June 2013, was paid on 13 November 2013.

An interim single tier dividend for the financial year ended 30 June 2014 of 15.0 sen per share amounting to RM264,189,867, was paid on 27 March 2014.

The Directors now propose a final single tier dividend of 26.0 sen per share on the Bank's adjusted issued and paid-up share capital (excluding the 81,101,700 treasury shares held pursuant to Section 67A of the Companies Act, 1965 and ESOS scheme of 36,210,678 shares) of RM1,762,596,722 comprising 1,762,596,722 shares, amounting to RM458,275,148 for the financial year ended 30 June 2014.

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 50 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.

### SHARE CAPITAL

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2014, the issued and paid-up share capital of the Bank is RM1,879,909,100 comprising 1,879,909,100 ordinary shares of RM1.00 each.

### SHARE BUY-BACK

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 existing total 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 buy-back plan can be applied in the best interests of the Bank and its shareholders.

During the financial year, the Bank bought back 2,000 (2013: 1,000) ordinary shares of RM1.00 each, as stated in Note 28(a) to the financial statements at an average price of RM14.29 per share (2013: RM13.48), from the open market. The share buy-back transaction was financed by internally generated funds. As at 30 June 2014, the total number of shares bought was 81,101,700 (2013: 81,099,700) and were held as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965. Accordingly, the adjusted issued and paid-up share capital of the Bank [excluding 81,101,700 (2013: 81,099,700) treasury shares] as at 30 June 2014 was RM1,798,807,400 (2013: RM1,798,809,400) comprising 1,798,807,400 (2013: 1,798,809,400) shares.



## DIRECTORS' REPORT

for the financial year ended 30 June 2014  
(continued)

### 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 since the date of the last report and at the date of this report are as follows:

|  |  |
|--|--|
| YBhg Tan Sri Quek Leng Chan                        | (Chairman, Non-Executive Non-Independent)  |
| Mr Tan Kong Khoon                                  | (Group Managing Director/Chief Executive Officer, Non-Independent)                     |
| Mr Kwek Leng Hai                                   | (Non-Independent Non-Executive Director)   |
| YBhg Dato' Mohamed Nazim bin Abdul Razak           | (Independent Non-Executive Director)   |
| Mr Choong Yee How                                  | (Non-Independent Non-Executive Director)   |
| Mr Quek Kon Sean                                   | (Non-Independent Non-Executive Director)   |
| Ms Lim Lean See                                    | (Independent Non-Executive Director)   |
| YBhg Tan Sri A. Razak bin Ramli                    | (Independent Non-Executive Director)   |
| Mr Lim Beng Choon                                  | (Independent Non-Executive Director)   |
| Ms Chok Kwee Bee                                   | (Independent Non-Executive Director)<br>(Appointed with effect from 2 December 2013)   |
| Mr Nicholas John Lough @ Sharif Lough bin Abdullah | (Independent Non-Executive Director)<br>(Appointed with effect from 23 June 2014)      |
| YBhg Datuk Kwek Leng San                           | (Non-Independent Non-Executive Director)<br>(Resigned with effect from 1 January 2014) |
| YBhg Dato' Syed Faisal Albar bin Syed A.R Albar    | (Independent Non-Executive Director)<br>(Resigned with effect from 29 January 2014)    |

## DIRECTORS' REPORT

for the financial year ended 30 June 2014  
(continued)

### DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965, 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 options over ordinary shares of the Bank and/or its related corporations during the financial year are as follows:

| Shareholdings in which Directors have direct interests   |                                     |                     |                           |                             |                     |
|--|-------------------------------------|---------------------|---------------------------|-----------------------------|---------------------|
| Number of ordinary shares/preference shares/<br>*shares issued or to be issued or acquired arising<br>from the exercise of options |                                     |                     |                           |                             |                     |
|  | Nominal<br>value per<br>share<br>RM | As at<br>01.07.2013 | Acquired                  | Sold                        | As at<br>30.06.2014 |
| <b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>  |                                     |                     |                           |                             |                     |
| Hong Leong Company (Malaysia) Berhad   | 1.00                                | 390,000             | -                         | -                           | 390,000             |
| Hong Leong Financial Group Berhad  | 1.00                                | 4,989,600           | -                         | -                           | 4,989,600           |
| Narra Industries Berhad  | 1.00                                | 8,150,200           | -                         | (8,150,200)                 | -                   |
| Guoco Group Limited ("GGL")  | USD0.50                             | 1,056,325           | -                         | -                           | 1,056,325           |
| GuocoLand Limited  | <sup>(1)</sup>                      | 13,333,333          | -                         | -                           | 13,333,333          |
| GuocoLand (Malaysia) Berhad  | 0.50                                | 19,506,780          | -                         | -                           | 19,506,780          |
| GuocoLeisure Limited   | USD0.20                             | 735,000             | -                         | -                           | 735,000             |
| The Rank Group Plc ("Rank")  | GBP13 <sup>8/9</sup> p              | -                   | 285,207 <sup>(10)</sup>   | -                           | 285,207             |
| <b>Interests of Mr Kwek Leng Hai in:</b>   |                                     |                     |                           |                             |                     |
| Hong Leong Company (Malaysia) Berhad   | 1.00                                | 420,500             | -                         | -                           | 420,500             |
| Guoco Group Limited  | USD0.50                             | 3,800,775           | -                         | -                           | 3,800,775           |
| GuocoLand Limited  | <sup>(1)</sup>                      | 35,290,914          | -                         | -                           | 35,290,914          |
| Hong Leong Financial Group Berhad  | 1.00                                | 2,316,800           | -                         | -                           | 2,316,800           |
| Hong Leong Industries Berhad   | 0.50                                | 190,000             | -                         | -                           | 190,000             |
| Hong Leong Bank Berhad   | 1.00                                | 4,750,000           | -                         | -                           | 4,750,000           |
| Lam Soon (Hong Kong) Limited   | <sup>(5)</sup>                      | 2,300,000           | -                         | -                           | 2,300,000           |
| GuocoLand (Malaysia) Berhad  | 0.50                                | 226,800             | -                         | -                           | 226,800             |
| Malaysian Pacific Industries Berhad  | 0.50                                | 71,250              | -                         | -                           | 71,250              |
| The Rank Group Plc   | GBP13 <sup>8/9</sup> p              | -                   | 1,026,209                 | -                           | 1,026,209           |
| <b>Interest of Mr Choong Yee How in:</b>   |                                     |                     |                           |                             |                     |
| Hong Leong Financial Group Berhad  | 1.00                                | 4,784,000           | 2,646,000 <sup>(12)</sup> | (4,330,000)                 | 3,100,000           |
|  |                                     | 4,396,000*          | -                         | (2,646,000) <sup>(12)</sup> | 1,750,000*          |

**DIRECTORS' REPORT**for the financial year ended 30 June 2014  
(continued)**DIRECTORS' INTERESTS (CONTINUED)**

| Shareholdings in which Directors have direct interests<br>Number of ordinary shares/preference shares/<br>*shares issued or to be issued or acquired arising<br>from the exercise of options |                                     |                         |                                |  |                       |
|--|-------------------------------------|-------------------------|--------------------------------|--|-----------------------|
|  | Nominal<br>value per<br>share<br>RM | As at<br>01.07.2013     | Acquired                       | Sold                                     | As at<br>30.06.2014   |
| <b>Interest of Mr Quek Kon Sean in:</b>  |                                     |                         |                                |  |                       |
| Hong Leong Financial Group Berhad  | 1.00                                | 1,495,000<br>2,080,000* | 1,180,000 <sup>(12)</sup><br>– | (500,000)<br>(1,180,000) <sup>(12)</sup> | 2,175,000<br>900,000* |
| <b>Interest of Mr Lim Beng Choon in:</b>   |                                     |                         |                                |  |                       |
| Hong Leong Bank Berhad   | 1.00                                | 14,000                  | –                              | –  | 14,000                |

| Shareholdings in which Directors have indirect interests<br>Number of ordinary shares/preference shares/<br>*shares issued or to be issued or acquired arising<br>from the exercise of options |                                     |                            |          |          |                            |
|--|-------------------------------------|----------------------------|----------|----------|----------------------------|
|  | Nominal<br>value per<br>share<br>RM | As at<br>01.07.2013        | Acquired | Sold     | As at<br>30.06.2014        |
| <b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>  |                                     |                            |          |          |                            |
| Hong Leong Company (Malaysia) Berhad   | 1.00                                | 13,069,100                 | –        | –        | 13,069,100                 |
| Hong Leong Financial Group Berhad  | 1.00                                | 824,437,300                | –        | –        | 824,437,300                |
| Hong Leong Capital Berhad  | 1.00                                | 200,805,058                | –        | –        | 200,805,058                |
| Hong Leong Bank Berhad   | 1.00                                | 1,160,619,285              | –        | (70,000) | 1,160,549,285              |
| Hong Leong MSIG Takaful Berhad   | 1.00                                | 65,000,000                 | –        | –        | 65,000,000                 |
| Hong Leong Assurance Berhad  | 1.00                                | 140,000,000                | –        | –        | 140,000,000                |
| Hong Leong Industries Berhad   | 0.50                                | 246,136,603 <sup>(6)</sup> | –        | –        | 246,136,603 <sup>(6)</sup> |
| Hong Leong Yamaha Motor Sdn Bhd  | 1.00                                | 17,352,872                 | –        | –        | 17,352,872                 |
|  | 1.00                                | 6,941 <sup>(7)</sup>       | –        | –        | 6,941 <sup>(7)</sup>       |
| Guocera Tile Industries (Meru) Sdn Bhd   | 1.00                                | 19,600,000                 | –        | –        | 19,600,000                 |
| Hong Leong Maruken Sdn Bhd<br>(In members' voluntary liquidation)  | 1.00                                | 1,750,000                  | –        | –        | 1,750,000                  |
| Century Touch Sdn Bhd<br>(In members' voluntary liquidation)   | 1.00                                | 6,545,001                  | –        | –        | 6,545,001                  |
| Varinet Sdn Bhd<br>(In members' voluntary liquidation)   | 1.00                                | 10,560,627                 | –        | –        | 10,560,627                 |

## DIRECTORS' REPORT

for the financial year ended 30 June 2014  
(continued)

### DIRECTORS' INTERESTS (CONTINUED)

| Shareholdings in which Directors have indirect interests<br>Number of ordinary shares/preference shares/<br>*shares issued or to be issued or acquired arising<br>from the exercise of options |                                     |                            |           |              |                            |
|--|-------------------------------------|----------------------------|-----------|--------------|----------------------------|
|  | Nominal<br>value per<br>share<br>RM | As at<br>01.07.2013        | Acquired  | Sold         | As at<br>30.06.2014        |
| <b>Interests of YBhg Tan Sri Quek Leng Chan in: (continued)</b>  |                                     |                            |           |              |                            |
| RZA Logistics Sdn Bhd<br>(In members' voluntary liquidation)   | 1.00                                | 7,934,247                  | -         | -            | 7,934,247                  |
| Malaysian Pacific Industries Berhad  | 0.50                                | 107,782,357 <sup>(6)</sup> | 4,169,000 | -            | 111,951,357 <sup>(6)</sup> |
| Carter Realty Sdn Bhd  | 1.00                                | 7                          | 5,640,600 | -            | 5,640,607                  |
| Carsem (M) Sdn Bhd   | 1.00                                | 84,000,000                 | -         | -            | 84,000,000                 |
|  | 100.00                              | 22,400 <sup>(7)</sup>      | -         | -            | 22,400 <sup>(7)</sup>      |
| Narra Industries Berhad  | 1.00                                | 38,314,000                 | -         | (460,900)    | 37,853,100                 |
| Guoco Group Limited  | USD0.50                             | 244,415,930                | -         | (7,291,000)  | 237,124,930                |
| GuocoLand Limited  | (1)                                 | 819,244,363 <sup>(6)</sup> | -         | -            | 819,244,363 <sup>(6)</sup> |
| Southern Steel Berhad  | 1.00                                | 301,541,202                | -         | -            | 301,541,202                |
| Southern Pipe Industry (Malaysia) Sdn Bhd  | 1.00                                | 118,822,953                | -         | -            | 118,822,953                |
|  | 1.00                                | 50,000 <sup>(8)</sup>      | -         | -            | 50,000 <sup>(8)</sup>      |
| Belmeth Pte. Ltd.  | (1)                                 | 40,000,000                 | -         | -            | 40,000,000                 |
| Guston Pte. Ltd.   | (1)                                 | 8,000,000                  | -         | -            | 8,000,000                  |
| Perfect Eagle Pte. Ltd.  | (1)                                 | 24,000,000                 | -         | -            | 24,000,000                 |
| First Garden Development Pte Ltd   | (1)                                 | 63,000,000                 | -         | -            | 63,000,000                 |
| Sanctuary Land Pte Ltd   | (1)                                 | 90,000                     | -         | -            | 90,000                     |
| Beijing Minghua Property<br>Development Co., Ltd<br>(In members' voluntary liquidation)  | (2)                                 | 150,000,000                | -         | -            | 150,000,000                |
| Nanjing Mahui Property Development<br>Co., Ltd   | (2)                                 | 271,499,800                | -         | -            | 271,499,800                |
| Nanjing Xinhaoning Property<br>Development Co., Ltd  | (3)                                 | 98,010,000                 | -         | (98,010,000) | -                          |
| Nanjing XinHaoFu Economic<br>Information Consultants Co., Ltd<br>(formerly known as Nanjing Xinhaoxuan<br>Property Development Co., Ltd)   | (3)                                 | 11,800,800                 | 119,200   | -            | 11,920,000 <sup>(9)</sup>  |
| Shanghai Xinhaojia Property<br>Development Co., Ltd  | (2)                                 | 3,150,000,000              | -         | -            | 3,150,000,000              |
| Shanghai Xinhaozhong Property<br>Development Co., Ltd  | (3)                                 | 19,600,000                 | -         | -            | 19,600,000                 |

**DIRECTORS' REPORT**for the financial year ended 30 June 2014  
(continued)**DIRECTORS' INTERESTS (CONTINUED)**

| Shareholdings in which Directors have indirect interests<br>Number of ordinary shares/preference shares/<br>*shares issued or to be issued or acquired arising<br>from the exercise of options |                                     |                           |                            |                              |                           |
|--|-------------------------------------|---------------------------|----------------------------|------------------------------|---------------------------|
|  | Nominal<br>value per<br>share<br>RM | As at<br>01.07.2013       | Acquired                   | Sold                         | As at<br>30.06.2014       |
| <b>Interests of YBhg Tan Sri Quek Leng Chan in: (continued)</b>  |                                     |                           |                            |                              |                           |
| Beijing Cheng Jian Dong Hua Real Estate Development Company Limited  | (2)                                 | 50,000,000                | –                          | –                            | 50,000,000                |
| Lam Soon (Hong Kong) Limited   | (5)                                 | 140,008,659               | –                          | –                            | 140,008,659               |
| Kwok Wah Hong Flour Company Limited  | (5)                                 | 9,800                     | –                          | –                            | 9,800                     |
| Guangzhou Lam Soon Food Products Limited   | (4)                                 | 6,570,000                 | –                          | –                            | 6,570,000                 |
| GuocoLand (Malaysia) Berhad  | 0.50                                | 456,055,616               | –                          | –                            | 456,055,616               |
| Guoman Hotel & Resort Holdings Sdn Bhd   | 1.00                                | 277,000,000               | –                          | –                            | 277,000,000               |
| JB Parade Sdn Bhd  | 1.00                                | 28,000,000                | –                          | –                            | 28,000,000                |
|  | 0.01                                | 68,594,000 <sup>(7)</sup> | –                          | –                            | 68,594,000 <sup>(7)</sup> |
| GuocoLeisure Limited   | USD0.20                             | 923,255,425               | –                          | –                            | 923,255,425               |
| The Rank Group Plc   | GBP13 <sup>8/9</sup> p              | 291,046,540               | 65,992,300 <sup>(10)</sup> | (88,843,871) <sup>(11)</sup> | 268,194,969               |
| <b>Interests of Mr Quek Kon Sean in:</b>   |                                     |                           |                            |                              |                           |
| Hong Leong Industries Berhad   | 0.50                                | 750,000                   | –                          | –                            | 750,000                   |
| Malaysian Pacific Industries Berhad  | 0.50                                | 281,250                   | –                          | –                            | 281,250                   |

**Notes:**

- (1) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
- (2) Capital contribution in RMB
- (3) Capital contribution in USD
- (4) Capital contribution in HK\$
- (5) Concept of par value was abolished with effect from 3 March 2014 pursuant to the New Companies Ordinance (Chapter 622), Hong Kong
- (6) Inclusive of interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member
- (7) Redeemable Preference Shares
- (8) Redeemable convertible cumulative preference shares
- (9) Became a wholly-owned subsidiary during the financial year
- (10) Entitlement pursuant to the distribution of shares in Rank by GGL to its shareholders as special interim dividend in specie ("Distribution of Rank shares")
- (11) Inclusive of Distribution of Rank shares
- (12) Exercise of options

## DIRECTORS' REPORT

for the financial year ended 30 June 2014  
(continued)

### 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 Option 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, 1965 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 2014 and of financial results and cash flows of the Group and of the Bank for the financial year ended 30 June 2014.

The financial statements are prepared on the going concern basis and the directors have ensured that proper accounting records are kept, applied the appropriate accounting policies on a consistent basis and made accounting estimates that are reasonable and fair so as to enable the preparation of the financial statements of the Group and of the Bank with reasonable accuracy.

## DIRECTORS' REPORT

for the financial year ended 30 June 2014  
(continued)

### EXECUTIVE SHARE OPTION SCHEME AND EXECUTIVE SHARE SCHEME

The Bank has concurrently established and implemented an Executive Share Option Scheme and an Executive Share Scheme.

#### (a) Executive Share Option Scheme 2006/2016 ("ESOS 2006/2016")

The ESOS 2006/2016 of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Bank, which was approved by the shareholders of the Bank on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Bank announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the ESOS 2006/2016 at any time during the existence of the ESOS 2006/2016.

The ESOS 2006/2016 would provide an opportunity for eligible executives who had contributed to the growth and development of the Bank and its subsidiaries ("HLB Group") to participate in the equity of the Bank. The aggregate number of shares to be issued under the ESOS 2006/2016 shall not exceed 15% of the issued and paid-up ordinary share capital of the Bank for the time being ("ESOS 2006/2016 Aggregate Maximum Allocation").

The Bank granted the following conditional incentive share options to eligible executives of the Bank pursuant to the ESOS 2006/2016 of the Bank:

- (a) 4,500,000 share options at an exercise price of RM5.72;
- (b) 21,800,000 share options at an exercise price of RM6.05;
- (c) 12,835,000 share options at an exercise price of RM5.99;
- (d) 250,000 share options at an exercise price of RM5.75 (granted and lapsed in financial year ended 2009);
- (e) 200,000 share options at an exercise price of RM7.49;
- (f) 3,095,000 share options at an exercise price of RM9.14;
- (g) 1,000,000 share options at an exercise price of RM10.55; and
- (h) 1,151,408 share options arising from adjustment for rights issue (per terms of approved ESOS Bye-Laws).

The said share options, if vested, will be satisfied by the transfer of existing shares purchased by a trust established for the ESOS 2006/2016.

## DIRECTORS' REPORT

for the financial year ended 30 June 2014  
(continued)

### EXECUTIVE SHARE OPTION SCHEME AND EXECUTIVE SHARE SCHEME (CONTINUED)

#### (a) Executive Share Option Scheme 2006/2016 ("ESOS 2006/2016") (continued)

Arising from the completion of the Bank's rights issue on 18 October 2011, there was an adjustment to the exercise price and number of option shares. The unexercised share options and the exercise price adjusted for the rights issue are listed below:-

- (a) 75,063 share options at an exercise price of RM5.44;
- (b) 13,165,125 share options at an exercise price of RM5.75;
- (c) 6,294,724 share options at an exercise price of RM5.69;
- (d) 154,884 share options at an exercise price of RM7.12;
- (e) 2,804,113 share options at an exercise price of RM8.69; and
- (f) 1,000,000 share options at an exercise price of RM10.55.

There were no options granted under the ESOS 2006/2016 of the Bank during the financial year ended 30 June 2014.

As at 30 June 2014, a total of 44,831,408 options had been granted under ESOS 2006/2016, out of which 22,299,410 options had been exercised, with 903,531 options remaining outstanding. The aggregate options granted to Directors and chief executives of the HLB Group under the ESOS 2006/2016 amounted to 7,030,515, out of which 6,310,515 options had been exercised with no options outstanding.

Since the commencement of the ESOS 2006/2016, the maximum allocation applicable to Directors and senior management of the HLB Group is 50% of the ESOS 2006/2016 Aggregate Maximum Allocation.

As at 30 June 2014, the actual percentage of total options granted to Directors and senior management of the HLB Group under the ESOS 2006/2016 was 1.21% of the issued and paid up ordinary share capital (excluding treasury shares) of the Bank.

#### (b) Executive Share Scheme ("ESS")

The ESS of up to ten percent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Bank comprises the Executive Share Option Scheme 2013/2023 ("ESOS 2013/2023") and the Executive Share Grant Scheme ("ESGS").

##### (i) ESOS 2013/2023

The ESOS 2013/2023 which was approved by the shareholders of the Bank on 25 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

On 18 September 2012, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the ESOS 2013/2023.

The ESOS 2013/2023 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 2014  
(continued)

### EXECUTIVE SHARE OPTION SCHEME AND EXECUTIVE SHARE SCHEME (CONTINUED)

#### (b) Executive Share Scheme ("ESS") (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 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.

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 issued and paid-up ordinary share capital (excluding treasury shares) of the Bank at any one time ("Schemes Aggregate Maximum Allocation").

As at 30 June 2014, there were no options or grants granted under the ESS of the Bank.

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

A trust has been set up for the ESOS 2006/2016 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 ESOS Scheme", in addition to the Treasury Shares for share buy-back, in the Shareholders' Funds on the Statements of Financial Position.

For further details on the ESOS 2006/2016 and ESS, refer to Notes to the Financial Statements on Equity Compensation Benefits.

## DIRECTORS' REPORT

for the financial year ended 30 June 2014  
(continued)

### STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK

#### (I) As at the end of the financial year

- (a) Before the statements of income and statements of financial position of the Group and the Bank were made out, 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, other than debts and financing, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (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 2014 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 2014  
(continued)

### **DISCLOSURE OF SHARIAH ADVISORY COMMITTEE**

The Group's Islamic banking activity is subject to the Shariah compliance and confirmation by the Shariah Advisory 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 Advisor 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.

### **AUDITORS**

The auditors, Messrs PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 July 2014.

**TAN KONG KHOON**

**CHOONG YEE HOW**

Kuala Lumpur  
18 September 2014

## STATEMENTS OF FINANCIAL POSITION

as at 30 June 2014

|  | Note | The Group          |                    | The Bank           |                    |
|--|------|--------------------|--------------------|--------------------|--------------------|
|  |      | 2014<br>RM'000     | 2013<br>RM'000     | 2014<br>RM'000     | 2013<br>RM'000     |
| <b>Assets</b>  |      |                    |                    |                    |                    |
| Cash and short-term funds  | 3    | 14,712,789         | 18,047,448         | 13,629,775         | 16,719,258         |
| Deposits and placements with banks<br>and other financial institutions | 4    | 4,040,276          | 5,928,370          | 4,020,983          | 6,729,056          |
| Securities purchased under resale<br>agreements                        |      | 2,717,021          | 1,025,253          | 2,717,021          | 1,025,253          |
| Financial assets held-for-trading                                      | 5    | 11,314,476         | 15,195,782         | 10,132,834         | 12,106,928         |
| Financial investments available-for-sale                               | 6    | 16,677,209         | 13,827,062         | 13,732,377         | 11,635,449         |
| Financial investments held-to-maturity                                 | 7    | 8,916,568          | 4,161,012          | 7,828,290          | 4,115,805          |
| Loans, advances and financing  | 8    | 102,579,076        | 95,430,961         | 87,873,449         | 81,835,734         |
| Other assets   | 19   | 497,237            | 888,600            | 434,542            | 794,510            |
| Derivative financial instruments                                       | 20   | 687,441            | 877,144            | 670,325            | 939,409            |
| Amount due from subsidiaries   | 9    | –                  | –                  | 11,437             | 616,487            |
| Statutory deposits with Central Banks                                  | 10   | 3,150,642          | 3,432,909          | 2,591,500          | 2,917,000          |
| Subsidiary companies   | 11   | –                  | –                  | 1,352,159          | 2,194,913          |
| Investment in joint venture  | 12   | 90,080             | 79,945             | 76,711             | 76,711             |
| Investment in associated companies                                     | 13   | 2,063,300          | 1,752,949          | 946,505            | 946,505            |
| Property and equipment   | 14   | 725,585            | 737,535            | 697,102            | 712,963            |
| Intangible assets  | 15   | 347,791            | 369,415            | 335,319            | 362,855            |
| Goodwill   | 55   | 1,831,312          | 1,831,312          | 1,771,547          | 1,771,547          |
| <b>Total assets</b>  |      | <b>170,350,803</b> | <b>163,585,697</b> | <b>148,821,876</b> | <b>145,500,383</b> |
| <b>Liabilities</b>   |      |                    |                    |                    |                    |
| Deposits from customers  | 17   | 130,252,337        | 123,637,070        | 114,098,835        | 109,168,631        |
| Deposits and placements of banks<br>and other financial institutions   | 18   | 7,111,295          | 11,567,147         | 5,387,384          | 10,166,114         |
| Obligations on securities sold<br>under repurchase agreements          |      | 4,116,888          | 1,748,744          | 4,116,888          | 1,748,744          |
| Bills and acceptances payable  |      | 358,732            | 800,680            | 327,899            | 656,892            |
| Derivative financial instruments                                       | 20   | 790,415            | 954,187            | 760,406            | 1,011,249          |
| Other liabilities  | 21   | 4,251,037          | 3,266,447          | 3,284,182          | 2,880,272          |
| Senior bonds   | 22   | 1,936,207          | 1,902,171          | 1,936,207          | 1,902,171          |
| Tier 2 subordinated bonds  | 23   | 4,868,353          | 4,382,603          | 4,468,275          | 4,382,601          |
| Non-innovative Tier 1 stapled securities                               | 24   | 1,410,252          | 1,408,992          | 1,410,252          | 1,408,992          |
| Innovative Tier 1 capital securities                                   | 25   | 541,767            | 556,042            | 541,767            | 556,042            |
| Taxation   |      | 49,581             | 213,555            | 24,364             | 165,974            |
| Deferred tax liabilities   | 16   | 133,761            | 111,435            | 134,919            | 112,284            |
| <b>Total liabilities</b>   |      | <b>155,820,625</b> | <b>150,549,073</b> | <b>136,491,378</b> | <b>134,159,966</b> |
| <b>Equity</b>  |      |                    |                    |                    |                    |
| Share capital  | 26   | 1,879,909          | 1,879,909          | 1,879,909          | 1,879,909          |
| Reserves   | 27   | 13,295,848         | 11,818,524         | 11,096,168         | 10,122,317         |
| Less: Treasury shares  | 28   | (645,579)          | (661,809)          | (645,579)          | (661,809)          |
| <b>Total equity</b>  |      | <b>14,530,178</b>  | <b>13,036,624</b>  | <b>12,330,498</b>  | <b>11,340,417</b>  |
| <b>Total equity and liabilities</b>                                    |      | <b>170,350,803</b> | <b>163,585,697</b> | <b>148,821,876</b> | <b>145,500,383</b> |
| <b>Commitments and contingencies</b>                                   | 41   | <b>193,135,411</b> | <b>159,578,751</b> | <b>186,995,685</b> | <b>158,249,385</b> |

The accompanying notes form an integral part of the financial statements

**STATEMENTS OF INCOME**

for the financial year ended 30 June 2014

|  | Note | The Group            |                        | The Bank               |                        |
|--|------|----------------------|------------------------|------------------------|------------------------|
|  |      | 2014<br>RM'000       | 2013<br>RM'000         | 2014<br>RM'000         | 2013<br>RM'000         |
| Interest income  | 29   | 5,649,722            | 5,529,397              | 5,667,175              | 5,609,243              |
| Interest expense   | 30   | (2,987,498)          | (3,015,730)            | (3,053,529)            | (3,139,893)            |
| Net interest income  |      | 2,662,224            | 2,513,667              | 2,613,646              | 2,469,350              |
| Income from Islamic Banking business   | 31   | 434,379              | 454,887                | -                      | -                      |
| Non-interest income  | 32   | 3,096,603<br>942,456 | 2,968,554<br>1,038,241 | 2,613,646<br>1,070,304 | 2,469,350<br>1,222,457 |
| Net income   |      | 4,039,059            | 4,006,795              | 3,683,950              | 3,691,807              |
| Overhead expenses  | 33   | (1,792,213)          | (1,847,025)            | (1,573,637)            | (1,630,340)            |
| Operating profit before allowances   |      | 2,246,846            | 2,159,770              | 2,110,313              | 2,061,467              |
| Allowance for impairment losses on loans,<br>advances and financing                  | 34   | (52,065)             | (41,376)               | (92,403)               | (95,250)               |
| Write back of impairment losses  |      | 39,815               | 7,474                  | 39,815                 | 7,475                  |
| Share of results of associated company   | 13   | 2,234,596<br>368,490 | 2,125,868<br>264,005   | 2,057,725<br>-         | 1,973,692<br>-         |
| Share of results of joint venture  | 12   | 10,135               | 3,074                  | -                      | -                      |
| <b>Profit before taxation</b>  |      | 2,613,221            | 2,392,947              | 2,057,725              | 1,973,692              |
| Taxation   | 37   | (510,951)            | (536,675)              | (466,786)              | (523,238)              |
| <b>Net profit for the financial year</b>   |      | 2,102,270            | 1,856,272              | 1,590,939              | 1,450,454              |
| <b>Attributable to:</b>  |      |                      |                        |                        |                        |
| Owners of the parent   |      | 2,102,270            | 1,856,272              | 1,590,939              | 1,450,454              |
| <b>Earnings per share for profit attributable<br/>to owners of the parent (sen):</b> |      |                      |                        |                        |                        |
| - basic  | 38   | 119.4                | 105.8                  | 90.3                   | 82.7                   |
| - diluted  | 38   | 119.3                | 105.7                  | 90.3                   | 82.6                   |

The accompanying notes form an integral part of the financial statements

## STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2014

|  | Note | The Group        |                | The Bank         |                |
|--|------|------------------|----------------|------------------|----------------|
|  |      | 2014<br>RM'000   | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| <b>Net profit for the financial year</b>                               |      | <b>2,102,270</b> | 1,856,272      | <b>1,590,939</b> | 1,450,454      |
| <b>Other comprehensive income/(loss):</b>                              |      |                  |                |                  |                |
| Items that may be reclassified subsequently to profit or loss:         |      |                  |                |                  |                |
| Share of other comprehensive loss of associated company                |      | (2,053)          | (22)           | –                | –              |
| Currency translation differences                                       |      | 7,657            | 7,028          | 574              | 11,209         |
| Net fair value changes on financial investments available-for-sale     | 40   | 33,828           | (39,629)       | 51,012           | (30,629)       |
| Income tax relating to components of other comprehensive (income)/loss | 40   | (8,457)          | 9,907          | (12,753)         | 7,657          |
| Other comprehensive income/(loss) for the financial year, net of tax   |      | <b>30,975</b>    | (22,716)       | <b>38,833</b>    | (11,763)       |
| <b>Total comprehensive income for the financial year, net of tax</b>   |      | <b>2,133,245</b> | 1,833,556      | <b>1,629,772</b> | 1,438,691      |

The accompanying notes form an integral part of the financial statements

**STATEMENTS OF CHANGES IN EQUITY**

for the financial year ended 30 June 2014

|  |      | Attributable to owners of the parent |                         |                            |                             |                              |                                 |                                |  |                            |                 |
|--|------|--------------------------------------|-------------------------|----------------------------|-----------------------------|------------------------------|---------------------------------|--------------------------------|--|----------------------------|-----------------|
| The Group  | Note | Share capital<br>RM'000              | Share premium<br>RM'000 | Treasury shares*<br>RM'000 | Statutory reserve<br>RM'000 | Fair value reserve<br>RM'000 | Share options reserve<br>RM'000 | Regulatory reserve**<br>RM'000 | Exchange fluctuation reserve<br>RM'000 | Retained profits<br>RM'000 | Total<br>RM'000 |
| At 1 July 2013   |      | 1,879,909                            | 2,832,383               | (661,809)                  | 2,625,743                   | 163,126                      | 5,125                           | 8,527                          | (13,752)                               | 6,197,372                  | 13,036,624      |
| <b>Comprehensive income</b>  |      |                                      |                         |                            |                             |                              |                                 |                                |  |                            |                 |
| Net profit for the financial year                                  |      | -                                    | -                       | -                          | -                           | -                            | -                               | -                              | -                                      | 2,102,270                  | 2,102,270       |
| Share of other comprehensive loss of associates                    |      | -                                    | -                       | -                          | -                           | (2,053)                      | -                               | -                              | -                                      | -                          | (2,053)         |
| Net fair value changes in financial investments available-for-sale |      | 40                                   | -                       | -                          | -                           | 25,371                       | -                               | -                              | -                                      | -                          | 25,371          |
| Currency translation difference                                    |      | -                                    | -                       | -                          | -                           | -                            | -                               | -                              | 7,657                                  | -                          | 7,657           |
| Total comprehensive income   |      | -                                    | -                       | -                          | -                           | 23,318                       | -                               | -                              | 7,657                                  | 2,102,270                  | 2,133,245       |
| <b>Transactions with owners</b>                                    |      |                                      |                         |                            |                             |                              |                                 |                                |  |                            |                 |
| Transfer to statutory reserve/regulatory reserve                   |      | -                                    | -                       | -                          | 455,385                     | -                            | -                               | 1,739                          | -                                      | (457,124)                  | -               |
| Purchase of treasury shares  |      | 28                                   | -                       | (29)                       | -                           | -                            | -                               | -                              | -                                      | -                          | (29)            |
| Dividends paid:  |      |                                      |                         |                            |                             |                              |                                 |                                |  |                            |                 |
| - final dividend for the financial year ended 30 June 2013         |      | 39                                   | -                       | -                          | -                           | -                            | -                               | -                              | -                                      | (396,172)                  | (396,172)       |
| - interim dividend for the financial year ended 30 June 2014       |      | 39                                   | -                       | -                          | -                           | -                            | -                               | -                              | -                                      | (264,190)                  | (264,190)       |
| ESOS exercised   |      | -                                    | -                       | 16,259                     | -                           | -                            | (4,107)                         | -                              | -                                      | 6,948                      | 19,100          |
| Option charge arising from ESOS granted                            |      | -                                    | -                       | -                          | -                           | -                            | 1,600                           | -                              | -                                      | -                          | 1,600           |
| Total transactions with owners                                     |      | -                                    | -                       | 16,230                     | 455,385                     | -                            | (2,507)                         | 1,739                          | -                                      | (1,110,538)                | (639,691)       |
| At 30 June 2014  |      | 1,879,909                            | 2,832,383               | (645,579)                  | 3,081,128                   | 186,444                      | 2,618                           | 10,266                         | (6,095)                                | 7,189,104                  | 14,530,178      |

\* Treasury shares consist of two categories which are detailed in Note 28

\*\* The regulatory reserves are maintained by the Group's banking subsidiary company in Vietnam in line with the requirements of the State Bank of Vietnam

The accompanying notes form an integral part of the financial statements

## STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2014  
(continued)

|  |      | Attributable to owners of the parent |                         |                            |                             |                              |                                 |                                |  |                            |                 |
|--|------|--------------------------------------|-------------------------|----------------------------|-----------------------------|------------------------------|---------------------------------|--------------------------------|--|----------------------------|-----------------|
| The Group  | Note | Share capital<br>RM'000              | Share premium<br>RM'000 | Treasury shares*<br>RM'000 | Statutory reserve<br>RM'000 | Fair value reserve<br>RM'000 | Share options reserve<br>RM'000 | Regulatory reserve**<br>RM'000 | Exchange fluctuation reserve<br>RM'000 | Retained profits<br>RM'000 | Total<br>RM'000 |
| At 1 July 2012   |      | 1,879,909                            | 2,832,383               | (714,792)                  | 2,149,801                   | 192,870                      | 22,483                          | 6,045                          | (20,780)                               | 5,356,240                  | 11,704,159      |
| <b>Comprehensive income</b>  |      |                                      |                         |                            |                             |                              |                                 |                                |  |                            |                 |
| Net profit for the financial year                                  |      | -                                    | -                       | -                          | -                           | -                            | -                               | -                              | -                                      | 1,856,272                  | 1,856,272       |
| Share of other comprehensive loss of associates                    |      | -                                    | -                       | -                          | -                           | (22)                         | -                               | -                              | -                                      | -                          | (22)            |
| Net fair value changes in financial investments available-for-sale | 40   | -                                    | -                       | -                          | -                           | (29,722)                     | -                               | -                              | -                                      | -                          | (29,722)        |
| Currency translation difference                                    |      | -                                    | -                       | -                          | -                           | -                            | -                               | -                              | 7,028                                  | -                          | 7,028           |
| Total comprehensive (loss)/income                                  |      | -                                    | -                       | -                          | -                           | (29,744)                     | -                               | -                              | 7,028                                  | 1,856,272                  | 1,833,556       |
| <b>Transactions with owners</b>                                    |      |                                      |                         |                            |                             |                              |                                 |                                |  |                            |                 |
| Transfer to statutory reserve/regulatory reserve                   |      | -                                    | -                       | -                          | 475,942                     | -                            | -                               | 2,482                          | -                                      | (478,424)                  | -               |
| Purchase of treasury shares  | 28   | -                                    | -                       | (13)                       | -                           | -                            | -                               | -                              | -                                      | -                          | (13)            |
| Dividends paid:  |      |                                      |                         |                            |                             |                              |                                 |                                |  |                            |                 |
| - final dividend for the financial year ended 30 June 2012         | 39   | -                                    | -                       | -                          | -                           | -                            | -                               | -                              | -                                      | (355,251)                  | (355,251)       |
| - interim dividend for the financial year ended 30 June 2013       | 39   | -                                    | -                       | -                          | -                           | -                            | -                               | -                              | -                                      | (197,362)                  | (197,362)       |
| ESOS exercised   |      | -                                    | -                       | 52,996                     | -                           | -                            | (15,738)                        | -                              | -                                      | 15,897                     | 53,155          |
| Option charge arising from ESOS granted                            |      | -                                    | -                       | -                          | -                           | -                            | (1,620)                         | -                              | -                                      | -                          | (1,620)         |
| Total transactions with owners                                     |      | -                                    | -                       | 52,983                     | 475,942                     | -                            | (17,358)                        | 2,482                          | -                                      | (1,015,140)                | (501,091)       |
| At 30 June 2013  |      | 1,879,909                            | 2,832,383               | (661,809)                  | 2,625,743                   | 163,126                      | 5,125                           | 8,527                          | (13,752)                               | 6,197,372                  | 13,036,624      |

\* Treasury shares consist of two categories which are detailed in Note 28

\*\* The regulatory reserves are maintained by the Group's banking subsidiary company in Vietnam in line with the requirements of the State Bank of Vietnam

The accompanying notes form an integral part of the financial statements



**STATEMENTS OF CHANGES IN EQUITY**for the financial year ended 30 June 2014  
(continued)

| The Bank   | Note | ← Non-distributable →   |                         |                            |                             |                              | ← Distributable →               |  |                            |                        |
|--|------|-------------------------|-------------------------|----------------------------|-----------------------------|------------------------------|---------------------------------|--|----------------------------|------------------------|
|  |      | Share capital<br>RM'000 | Share premium<br>RM'000 | Treasury shares*<br>RM'000 | Statutory reserve<br>RM'000 | Fair value reserve<br>RM'000 | Share options reserve<br>RM'000 | Exchange fluctuation reserve<br>RM'000 | Retained profits<br>RM'000 | Total equity<br>RM'000 |
| At 1 July 2013   |      | 1,879,909               | 2,832,383               | (661,809)                  | 2,242,523                   | 170,683                      | 5,125                           | 36,323                                 | 4,835,280                  | 11,340,417             |
| <b>Comprehensive income</b>  |      |                         |                         |                            |                             |                              |                                 |  |                            |                        |
| Net profit for the financial year                                  |      | -                       | -                       | -                          | -                           | -                            | -                               | -                                      | 1,590,939                  | 1,590,939              |
| Net fair value changes in financial investments available-for-sale | 40   | -                       | -                       | -                          | -                           | 38,259                       | -                               | -                                      | -                          | 38,259                 |
| Currency translation difference                                    |      | -                       | -                       | -                          | -                           | -                            | -                               | 574                                    | -                          | 574                    |
| Total comprehensive income   |      | -                       | -                       | -                          | -                           | 38,259                       | -                               | 574                                    | 1,590,939                  | 1,629,772              |
| <b>Transactions with owners</b>                                    |      |                         |                         |                            |                             |                              |                                 |  |                            |                        |
| Transfer to statutory reserves                                     |      | -                       | -                       | -                          | 397,735                     | -                            | -                               | -                                      | (397,735)                  | -                      |
| Purchase of treasury shares  | 28   | -                       | -                       | (29)                       | -                           | -                            | -                               | -                                      | -                          | (29)                   |
| Dividends paid:  |      |                         |                         |                            |                             |                              |                                 |  |                            |                        |
| - final dividend for the financial year ended 30 June 2013         | 39   | -                       | -                       | -                          | -                           | -                            | -                               | -                                      | (396,172)                  | (396,172)              |
| - interim dividend for the financial year ended 30 June 2014       | 39   | -                       | -                       | -                          | -                           | -                            | -                               | -                                      | (264,190)                  | (264,190)              |
| ESOS exercised   |      | -                       | -                       | 16,259                     | -                           | -                            | (4,107)                         | -                                      | 6,948                      | 19,100                 |
| Option charge arising from ESOS granted                            |      | -                       | -                       | -                          | -                           | -                            | 1,600                           | -                                      | -                          | 1,600                  |
| Total transactions with owners                                     |      | -                       | -                       | 16,230                     | 397,735                     | -                            | (2,507)                         | -                                      | (1,051,149)                | (639,691)              |
| At 30 June 2014  |      | 1,879,909               | 2,832,383               | (645,579)                  | 2,640,258                   | 208,942                      | 2,618                           | 36,897                                 | 5,375,070                  | 12,330,498             |

\* Treasury shares consist of two categories which are detailed in Note 28

## STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2014  
(continued)

| The Bank   | Note | Non-distributable       |                         |                            |                             |                              | Distributable                   |  |                            | Total equity<br>RM'000 |
|--|------|-------------------------|-------------------------|----------------------------|-----------------------------|------------------------------|---------------------------------|--|----------------------------|------------------------|
|  |      | Share capital<br>RM'000 | Share premium<br>RM'000 | Treasury shares*<br>RM'000 | Statutory reserve<br>RM'000 | Fair value reserve<br>RM'000 | Share options reserve<br>RM'000 | Exchange fluctuation reserve<br>RM'000 | Retained profits<br>RM'000 |                        |
| At 1 July 2012   |      | 1,879,909               | 2,832,383               | (714,792)                  | 1,879,909                   | 193,655                      | 22,483                          | 25,114                                 | 4,284,156                  | 10,402,817             |
| <b>Comprehensive income</b>  |      |                         |                         |                            |                             |                              |                                 |  |                            |                        |
| Net profit for the financial year                                  |      | -                       | -                       | -                          | -                           | -                            | -                               | -                                      | 1,450,454                  | 1,450,454              |
| Net fair value changes in financial investments available-for-sale | 40   | -                       | -                       | -                          | -                           | (22,972)                     | -                               | -                                      | -                          | (22,972)               |
| Currency translation difference                                    |      | -                       | -                       | -                          | -                           | -                            | -                               | 11,209                                 | -                          | 11,209                 |
| Total comprehensive (loss)/income                                  |      | -                       | -                       | -                          | -                           | (22,972)                     | -                               | 11,209                                 | 1,450,454                  | 1,438,691              |
| <b>Transactions with owners</b>                                    |      |                         |                         |                            |                             |                              |                                 |  |                            |                        |
| Transfer to statutory reserve                                      |      | -                       | -                       | -                          | 362,614                     | -                            | -                               | -                                      | (362,614)                  | -                      |
| Purchase of treasury shares  | 28   | -                       | -                       | (13)                       | -                           | -                            | -                               | -                                      | -                          | (13)                   |
| Dividends paid:  |      |                         |                         |                            |                             |                              |                                 |  |                            |                        |
| - final dividend for the financial year ended 30 June 2012         | 39   | -                       | -                       | -                          | -                           | -                            | -                               | -                                      | (355,251)                  | (355,251)              |
| - interim dividend for the financial year ended 30 June 2013       | 39   | -                       | -                       | -                          | -                           | -                            | -                               | -                                      | (197,362)                  | (197,362)              |
| ESOS exercised   |      | -                       | -                       | 52,996                     | -                           | -                            | (15,738)                        | -                                      | 15,897                     | 53,155                 |
| Option charge arising from ESOS granted                            |      | -                       | -                       | -                          | -                           | -                            | (1,620)                         | -                                      | -                          | (1,620)                |
| Total transactions with owners                                     |      | -                       | -                       | 52,983                     | 362,614                     | -                            | (17,358)                        | -                                      | (899,330)                  | (501,091)              |
| At 30 June 2013  |      | 1,879,909               | 2,832,383               | (661,809)                  | 2,242,523                   | 170,683                      | 5,125                           | 36,323                                 | 4,835,280                  | 11,340,417             |

\* Treasury shares consist of two categories which are detailed in Note 28

**STATEMENTS OF CASH FLOWS**

for the financial year ended 30 June 2014

|   | The Group      |                | The Bank       |                |
|---|----------------|----------------|----------------|----------------|
|   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>Cash flows from operating activities</b>   |                |                |                |                |
| Profit before taxation  | 2,613,221      | 2,392,947      | 2,057,725      | 1,973,692      |
| Adjustment for:   |                |                |                |                |
| Depreciation of property and equipment  | 110,193        | 105,812        | 105,116        | 101,587        |
| Amortisation of intangible assets   | 97,502         | 99,243         | 92,969         | 96,471         |
| Net (gain)/loss on disposal of property and equipment   | (4,012)        | 3,574          | (4,095)        | 3,485          |
| Shares of associated company's results  | (368,490)      | (264,005)      | -              | -              |
| Shares of joint venture's results   | (10,135)       | (3,074)        | -              | -              |
| Property and equipment written off  | 1,282          | 7              | 1,249          | 7              |
| Intangible assets written off   | 8,565          | 506            | 8,561          | 506            |
| Gain from redemption of financial investments held-to-maturity  | (790)          | (8,437)        | (790)          | (8,437)        |
| Gain from disposal of financial investments available-for-sale  | (74,419)       | (75,171)       | (54,893)       | (75,153)       |
| Gain from disposal of financial assets held-for-trading and derivatives   | (53,237)       | (77,983)       | (53,237)       | (77,983)       |
| Allowances for impairment losses on loans, advances and financing   | 305,946        | 304,820        | 322,301        | 336,945        |
| Net unrealised gain on revaluation of securities held at fair value through profit or loss and derivatives  | (2,065)        | (74,991)       | (2,065)        | (74,991)       |
| Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges | 8,334          | 26,614         | 6,379          | 23,062         |
| Net unrealised gain on fair value changes arising from fair value hedges  | -              | (10,917)       | -              | (10,917)       |
| Write-back of allowance for impairment losses   | (39,815)       | (7,474)        | (39,815)       | (7,475)        |
| Interest expense on subordinated obligations  | 357,326        | 349,356        | 372,262        | 366,952        |
| Interest income from financial investments available-for-sale   | (393,231)      | (306,942)      | (357,627)      | (275,688)      |
| Interest income from financial investments held-to-maturity   | (182,496)      | (91,110)       | (210,239)      | (115,168)      |
| Dividend income from financial investments available-for-sale   | (66,632)       | (57,785)       | (66,632)       | (57,785)       |
| Dividend income from associated company   | -              | -              | (76,859)       | (70,361)       |
| Dividend income from subsidiary companies   | -              | -              | (56,700)       | (111,239)      |
| Share option expenses   | 1,600          | (1,620)        | 1,600          | (1,620)        |
| Operating profit before working capital changes   | 2,308,647      | 2,303,370      | 2,045,210      | 2,015,890      |

## STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2014  
(continued)

|  | The Group          |                | The Bank           |                |
|--|--------------------|----------------|--------------------|----------------|
|  | 2014<br>RM'000     | 2013<br>RM'000 | 2014<br>RM'000     | 2013<br>RM'000 |
| <b>(Increase)/Decrease in operating assets</b>                         |                    |                |                    |                |
| Deposits and placements with banks<br>and other financial institutions | <b>1,888,094</b>   | (1,362,551)    | <b>2,708,073</b>   | (2,314,906)    |
| Securities purchased under resale agreements                           | <b>(1,691,768)</b> | (434,732)      | <b>(1,691,768)</b> | (434,732)      |
| Financial assets held-for-trading                                      | <b>3,898,379</b>   | 6,677,392      | <b>1,991,167</b>   | 5,706,669      |
| Loans, advances and financing  | <b>(7,462,395)</b> | (7,188,150)    | <b>(6,366,395)</b> | (5,791,480)    |
| Derivative financial instruments                                       | <b>145,267</b>     | 185,986        | <b>243,867</b>     | 196,053        |
| Other assets   | <b>391,363</b>     | (347,007)      | <b>359,968</b>     | (369,754)      |
| Amount due from subsidiaries   | –                  | –              | <b>605,050</b>     | (1,097)        |
| Statutory deposits with Central Banks                                  | <b>282,267</b>     | (101,472)      | <b>325,500</b>     | (36,750)       |
| <b>Increase/(Decrease) in operating liabilities</b>                    |                    |                |                    |                |
| Deposits from customers  | <b>6,697,431</b>   | 541,427        | <b>4,993,650</b>   | 228,936        |
| Deposits and placements of banks<br>and other financial institutions   | <b>(4,455,852)</b> | 1,776,451      | <b>(4,778,730)</b> | 2,288,750      |
| Bills and acceptances payable  | <b>(441,948)</b>   | 314,589        | <b>(328,993)</b>   | 222,112        |
| Derivative financial instruments                                       | <b>(163,271)</b>   | (115,040)      | <b>(250,843)</b>   | (114,507)      |
| Other liabilities  | <b>964,126</b>     | 520,572        | <b>1,205,410</b>   | 56,131         |
| Securities sold under repurchase agreements                            | <b>2,368,144</b>   | 1,114,947      | <b>2,368,144</b>   | 1,114,947      |
| Cash flows generated from operations                                   | <b>4,728,484</b>   | 3,885,782      | <b>3,429,310</b>   | 2,766,262      |
| Taxation paid  | <b>(651,664)</b>   | (585,729)      | <b>(542,748)</b>   | (524,700)      |
| <b>Net cash flows generated from operating activities</b>              | <b>4,076,820</b>   | 3,300,053      | <b>2,886,562</b>   | 2,241,562      |

**STATEMENTS OF CASH FLOWS**for the financial year ended 30 June 2014  
(continued)

|   | Note | The Group          |                    | The Bank           |                    |
|---|------|--------------------|--------------------|--------------------|--------------------|
|   |      | 2014<br>RM'000     | 2013<br>RM'000     | 2014<br>RM'000     | 2013<br>RM'000     |
| <b>Cash flows from investing activities</b>                         |      |                    |                    |                    |                    |
| Dividends from subsidiaries   |      | –                  | –                  | 56,700             | 111,239            |
| Net purchases of financial investments available-for-sale           |      | (2,326,480)        | (3,618,751)        | (1,615,358)        | (2,977,776)        |
| Net purchases of financial investments held-to-maturity             |      | (4,551,714)        | (384,754)          | (3,480,900)        | (170,803)          |
| Purchase of property and equipment                                  |      | (105,832)          | (122,708)          | (96,224)           | (119,537)          |
| Proceeds from sale of property and equipment                        |      | 10,738             | 2,691              | 10,106             | 2,477              |
| Purchase of intangible assets                                       |      | (84,368)           | (22,730)           | (73,994)           | (21,983)           |
| Dividend received on financial investments available-for-sale       |      | 66,632             | 57,785             | 66,632             | 57,785             |
| Dividend from associated company                                    |      | 56,086             | 51,344             | 56,086             | 51,344             |
| <b>Net cash flows used in investing activities</b>                  |      | <b>(6,934,938)</b> | <b>(4,037,123)</b> | <b>(5,076,952)</b> | <b>(3,067,254)</b> |
| <b>Cash flows from financing activities</b>                         |      |                    |                    |                    |                    |
| Dividend paid   |      | (660,362)          | (552,613)          | (660,362)          | (552,613)          |
| Purchase of treasury shares   |      | (29)               | (13)               | (29)               | (13)               |
| Cash received from ESOS exercised                                   |      | 19,100             | 53,155             | 19,100             | 53,155             |
| Repayment of Tier 2 subordinated loan                               |      | (410,000)          | –                  | (410,000)          | –                  |
| Proceeds from debt issuance   |      |                    |                    |                    |                    |
| – Tier-2 subordinated bonds   |      | 900,000            | –                  | 500,000            | –                  |
| Interest paid on subordinated obligations                           |      | (363,013)          | (349,713)          | (378,685)          | (367,309)          |
| <b>Net cash flows used in financing activities</b>                  |      | <b>(514,304)</b>   | <b>(849,184)</b>   | <b>(929,976)</b>   | <b>(866,780)</b>   |
| <b>Net decrease in cash and cash equivalents</b>                    |      | <b>(3,372,422)</b> | <b>(1,586,254)</b> | <b>(3,120,366)</b> | <b>(1,692,472)</b> |
| <b>Effects of exchange rate changes</b>                             |      | <b>37,763</b>      | <b>(2,324)</b>     | <b>30,883</b>      | <b>1,646</b>       |
| <b>Cash and cash equivalents at the beginning of financial year</b> |      | <b>18,047,448</b>  | <b>19,636,026</b>  | <b>16,719,258</b>  | <b>18,410,084</b>  |
| <b>Cash and cash equivalents at the end of financial year</b>       | 3    | <b>14,712,789</b>  | <b>18,047,448</b>  | <b>13,629,775</b>  | <b>16,719,258</b>  |

The accompanying notes form an integral part of the financial statements

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

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, 1965 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 53.

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

The new accounting standards and amendments to published standards that are effective and applicable to the Group and the Bank for the financial year beginning on 1 July 2013 are as follows:

- \* MFRS 10 "Consolidated financial statements"
- \* MFRS 11 "Joint arrangements"
- \* MFRS 12 "Disclosures of interests in other entities"
- \* MFRS 13 "Fair value measurement"
- \* Revised MFRS 127 "Separate financial statements"
- \* Revised MFRS 128 "Investments in associates and joint ventures"
- \* Amendment to MFRS 7 "Financial instruments: Disclosures"
- \* Amendment to MFRS 10, MFRS 11 and MFRS 12 "Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition Guidance"
- \* Annual improvements to MFRS 2009-2011 Cycle

The adoption of the above accounting standards, amendments and improvements to published standards did not have material impact on the financial statements of the Group and the Bank.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

(continued)

### 1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

#### B Standard that is early adopted by the Group and the Bank

- \* The amendments to MFRS 136 'Impairment of assets' removed certain disclosures of the recoverable amount of cash-generating-units (CGUs) which had been included in MFRS 136 by the issuance of MFRS 13. The amendment is not mandatory for the Group until 1 July 2014, however the Group has decided to early adopt the amendment as of 1 July 2013.

#### C Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013. The Group and the Bank will apply these standards, amendments to published standards and interpretations from:

##### (i) Financial year beginning on/after 1 July 2014

- \* Amendment to MFRS 132 "Financial instruments: Presentation" does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.
- \* Amendment to MFRS 139 "Financial Instruments: Recognition and Measurement" - Novation of Derivatives and Continuation of Hedge Accounting provides relief from discontinuing hedge accounting in a situation where a derivative (which has been designated as a hedging instrument) is novated to effect clearing with a central counterparty as a result of laws or regulation, subject to meeting the following criteria - the parties to the hedging instrument agree that the central counterparty replaces the original counterparty and other changes to the hedging instrument are limited to those that are necessary to effect replacement of the counterparty. This is to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminating way.
- \* Amendments to MFRS 10, MFRS 12 and MFRS 127 introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.
- \* IC Interpretation 21, 'Levies' sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liability to pay a levy is recognised when the obligating event occurs. Obligating event is the event identified by the legislation that triggers the payment of the levy.
- \* Annual Improvements to MFRSs 2010-2012 Cycle (*Amendments to MFRS 2 "Share-based Payment", MFRS 3 "Business Combinations", MFRS 8 "Operating Segments", MFRS 13 "Fair Value Measurement", MFRS 116 "Property, Plant and Equipment", MFRS 124 "Related Party Disclosures" & MFRS 138 "Intangible Assets"*)
- \* Annual Improvements to MFRSs 2011-2013 Cycle (*Amendments to MFRS 1 "First-time Adoption of Financial Reporting Standards", MFRS 3 "Business Combinations" and MFRS 13 "Fair Value Measurement"*)

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

#### C Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

##### (ii) Effective date yet to be determined by MASB

- \* MFRS 9 Financial Instruments "Classification and Measurement of Financial Assets and Financial Liabilities" will replace MFRS 139 "Financial instruments: Recognition and measurement". MFRS 9 has two measurement categories – amortised cost and fair value. All equity instruments are measured at fair value. 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 that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 Financial Instruments "Hedge accounting" brings into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The revised standard establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in MFRS 139.

None of the standards, amendments and interpretations that are effective after 1 July 2013 is expected to have a significant effect on the financial statements of the Group and the Bank, except for MFRS 9. MFRS 9 introduces significant changes in the way the Group accounts for financial instruments. Due to the complexity of this standard and its proposed changes, the financial effects of its adoption are still being assessed by the Group and the Bank.

### 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 over 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.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A Consolidation (continued)

##### (i) Subsidiaries (continued)

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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are 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, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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 either in profit or loss or as a change to other comprehensive 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.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 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 equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### (iii) Disposal of subsidiaries

When the Group ceases to have 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.

##### (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 movements in other comprehensive income. 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A Consolidation (continued)

##### (v) Associated companies

Associated companies are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is power to participate in financial and operating policy decisions of associated companies but not power to exercise control over those policies.

Investments in associated companies are accounted for in the consolidated financial statements using equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of associated companies' post-acquisition profits or losses is recognised in statements of income, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses of an associated company equals or exceeds its interest in the associated company, the Group discontinues recognising its share of further losses. The interest in an associated company is the carrying amount of the investment in the associated company under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associated company. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the statements of income.

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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A Consolidation (continued)

##### (vi) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in statements of income. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. 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.

##### (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 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.

#### B Recognition of interest/profit income and interest/profit expense

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the statements of income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest 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 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 rate, but not future credit losses.

Interest on impaired financial assets is recognised using the rate of interest 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 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 rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivable are recognised during the original effective interest rate.

Income from Islamic banking business is recognised on an accrual basis in accordance with the principles of Shariah.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

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 up-front at the point when transactions are entered into.

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

Financial assets at fair value through profit or loss comprise of 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.

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 as 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D Financial assets (continued)

##### (i) Classification (continued)

##### (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 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D Financial assets (continued)

##### (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 of 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### F Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. 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,<br>equipment and renovations<br>and computer equipment |   | 20% – 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.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### G Intangible assets

##### (i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

##### (ii) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associated companies over the fair value of the Group's share of the identifiable net assets at the date of acquisition. Goodwill on acquisition of associates is included in 'Investment in associated company' and is tested for impairment as part of the overall balance.

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 to sell. 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 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 2014  
(continued)

### 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which separately identifiable cash flows (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 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 tax. 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.

Current income tax expense is determined according to the tax laws 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 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.

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 substantially 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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. 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.

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 are highly effective in offsetting changes in fair values or cash flows of hedged items.

##### (i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity. The adjustments to the carrying amount of a hedged equity security remains in retained profits until the disposal of the equity security.

##### (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 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 transferred to the statements of income.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### K Derivative financial instruments and hedging (continued)

##### (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 included in 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. 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.

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.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are recognised in income as part of the financial instruments 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L Currency translations (continued)

##### (iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of the statements of financial position;
- income and expenses for each statements of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of 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. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statements of income as part of the gain or loss on sale.

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.

#### M Employee benefits

##### (i) Short-term employee benefits

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.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### M Employee benefits (continued)

##### (ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions into a fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior financial periods.

The Group and the 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 in 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 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 2014

(continued)

### 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.

If, in a subsequent period, the amount of the impairment loss 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 reversal of the previously recognised impairment loss is recognised in profit or loss.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. 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 2014  
(continued)

### 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. The criteria the Group and the Bank use to determine that there is objective evidence of impairment loss include indications that the issuer is experiencing significant financial difficulty, the probability that the issuer will enter bankruptcy or other financial reorganisation, default or 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 the market or economic conditions that correlate with defaults on the assets. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment 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 that is 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.

If any such evidence exists for available-for-sale assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity is removed from other comprehensive income and recognised in the statements of income. Impairment losses recognised in the statements of income on equity instruments are not reversed through the statements of income. 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 statements of income, the impairment loss is reversed through the statements of income.

#### 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.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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 fair value of a financial guarantee at the time of signature is zero because all 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.

#### 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### U Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and short-term funds.

#### V Treasury shares

The Bank has repurchased its shares and designated as treasury shares in accordance with MFRS 132 "Financial Statements: Presentation". Treasury shares consist of those own shares purchased pursuant to Section 67A of the Companies Act, 1965 and those purchased pursuant to ESOS scheme. Details of treasury shares are as detailed in Note 28 of the financial statements.

#### W 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.

#### X 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.

#### Y 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.

#### Z 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. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

(continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Z Share capital (continued)

##### (iii) Dividends

Distributions to shareholders are recognised directly in equity and the corresponding liability is recognised in the period in which the dividends are approved.

##### (iv) Purchase of own shares

Where the Bank or its subsidiaries purchases the Bank's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs, net of tax, is included in equity attributable to the Bank's equity holders as treasury shares until they are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Bank's equity holders.

#### AA 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.

#### AB Sale and repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to re-sell at future dates. The commitment to re-sell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the statements of financial position.

The difference between the sale and repurchase price as well as purchase and resale price is treated as interest and accrued over the life of the resale/repurchase agreement using the effective yield method.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 3 CASH AND SHORT-TERM FUNDS

|  | The Group         |                | The Bank          |                |
|--|-------------------|----------------|-------------------|----------------|
|  | 2014<br>RM'000    | 2013<br>RM'000 | 2014<br>RM'000    | 2013<br>RM'000 |
| Cash and balances with banks and other financial institutions  | <b>1,604,676</b>  | 1,472,389      | <b>1,409,476</b>  | 1,309,888      |
| Money at call and deposit placements maturing within one month | <b>13,108,113</b> | 16,575,059     | <b>12,220,299</b> | 15,409,370     |
|  | <b>14,712,789</b> | 18,047,448     | <b>13,629,775</b> | 16,719,258     |

### 4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

|                              | The Group        |                | The Bank         |                |
|------------------------------|------------------|----------------|------------------|----------------|
|                              | 2014<br>RM'000   | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| Licensed banks               | <b>3,225,772</b> | 2,349,153      | <b>3,206,479</b> | 3,149,839      |
| Licensed investment banks    | –                | 70,248         | –                | 70,248         |
| Bank Negara Malaysia ("BNM") | <b>77,830</b>    | 2,404,494      | <b>77,830</b>    | 2,404,494      |
| Other financial institutions | <b>736,674</b>   | 1,104,475      | <b>736,674</b>   | 1,104,475      |
|                              | <b>4,040,276</b> | 5,928,370      | <b>4,020,983</b> | 6,729,056      |

**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**5 FINANCIAL ASSETS HELD-FOR-TRADING**

|   | The Group         |                | The Bank          |                |
|---|-------------------|----------------|-------------------|----------------|
|   | 2014<br>RM'000    | 2013<br>RM'000 | 2014<br>RM'000    | 2013<br>RM'000 |
| <b>Money market instruments</b>                 |                   |                |                   |                |
| Bank Negara Malaysia bills                      | 848,000           | 4,961,614      | 550,140           | 2,535,880      |
| Government treasury bills                       | 197,064           | 352,727        | 88,751            | 352,727        |
| Malaysian Government securities                 | 27,242            | 704,705        | 27,242            | 704,705        |
| Malaysian Government investment certificates    | 528,352           | 692,661        | 137,825           | 220,169        |
| Bankers' acceptances and Islamic accepted bills | 260,078           | 3,237,163      | 260,078           | 3,038,329      |
| Negotiable instruments of deposit               | 8,774,899         | 4,400,751      | 8,427,396         | 4,602,982      |
| Cagamas bonds                                   | 64,787            | 20,573         | 64,787            | 20,573         |
| Khazanah bonds                                  | 37,439            | -              | -                 | -              |
| <b>Quoted securities</b>                        |                   |                |                   |                |
| Shares in Malaysia                              | -                 | 1,326          | -                 | 1,326          |
| Shares outside Malaysia                         | 3,883             | 11,298         | 3,883             | 11,298         |
| Foreign currency bonds                          | 243,175           | 229,077        | 243,175           | 206,282        |
|   | <b>10,984,919</b> | 14,611,895     | <b>9,803,277</b>  | 11,694,271     |
| <b>Unquoted securities</b>                      |                   |                |                   |                |
| Private and Islamic debt securities             | 231,963           | 583,887        | 231,963           | 412,657        |
| Foreign currency bonds                          | 97,594            | -              | 97,594            | -              |
|   | <b>11,314,476</b> | 15,195,782     | <b>10,132,834</b> | 12,106,928     |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

|  | The Group         |                | The Bank          |                |
|--|-------------------|----------------|-------------------|----------------|
|  | 2014<br>RM'000    | 2013<br>RM'000 | 2014<br>RM'000    | 2013<br>RM'000 |
| <b>Money market instruments</b>              |                   |                |                   |                |
| Government treasury bills                    | 546,703           | 371,911        | 546,703           | 371,911        |
| Malaysian Government securities              | 1,288,604         | 153,141        | 1,288,604         | 153,141        |
| Malaysian Government investment certificates | 2,538,447         | 3,104,568      | 917,089           | 2,079,978      |
| Negotiable instruments of deposit            | 103,384           | 142,045        | 103,611           | 142,574        |
| Other Government securities                  | 475,893           | 455,868        | -                 | -              |
| Cagamas bonds                                | 946,547           | 760,660        | 855,878           | 669,255        |
| Khazanah bonds                               | 208,615           | -              | 208,615           | -              |
|  | <b>6,108,193</b>  | 4,988,193      | <b>3,920,500</b>  | 3,416,859      |
| <b>Quoted securities</b>                     |                   |                |                   |                |
| Shares quoted in Malaysia                    | 47,429            | 81,372         | 47,429            | 81,372         |
| Loan stocks quoted in Malaysia               | 23                | 223            | 23                | 223            |
| Shares outside Malaysia                      | -                 | 7,437          | -                 | 530            |
| Wholesale fund                               | 2,001,515         | 1,499,900      | 2,001,515         | 1,499,900      |
| Foreign currency bonds in Malaysia           | 3,224,143         | 3,396,120      | 3,130,326         | 3,305,836      |
| Foreign currency bonds outside Malaysia      | 727,868           | 940,332        | 727,868           | 940,332        |
|  | <b>12,109,171</b> | 10,913,577     | <b>9,827,661</b>  | 9,245,052      |
| <b>Unquoted securities</b>                   |                   |                |                   |                |
| Private debt securities in Malaysia          | 4,062,806         | 2,594,022      | 3,399,531         | 2,071,001      |
| Shares in Malaysia                           | 366,027           | 331,755        | 365,980           | 331,688        |
| Shares outside Malaysia                      | 3,506             | 3,450          | 3,506             | 3,450          |
| Foreign currency bonds in Malaysia           | 143,242           | -              | 143,242           | -              |
|  | <b>16,684,752</b> | 13,842,804     | <b>13,739,920</b> | 11,651,191     |
| Allowance for impairment losses              | (7,543)           | (15,742)       | (7,543)           | (15,742)       |
|  | <b>16,677,209</b> | 13,827,062     | <b>13,732,377</b> | 11,635,449     |

The table below shows the movements in allowance for impairment losses during the financial year for the Group and the Bank:

|  | The Group<br>RM'000 | The Bank<br>RM'000 |
|--|---------------------|--------------------|
| <b>2014</b>                                  |                     |                    |
| At 1 July                                    | 15,742              | 15,742             |
| Amount written back in respect of recoveries | (8,199)             | (8,199)            |
| At 30 June                                   | <b>7,543</b>        | <b>7,543</b>       |
| <b>2013</b>                                  |                     |                    |
| At 1 July                                    | 5,242               | 5,242              |
| Allowance made during the financial year     | 10,500              | 10,500             |
| At 30 June                                   | 15,742              | 15,742             |

**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**7 FINANCIAL INVESTMENTS HELD-TO-MATURITY**

|  | The Group        |                | The Bank         |                |
|--|------------------|----------------|------------------|----------------|
|  | 2014<br>RM'000   | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| <b>Money market instruments</b>              |                  |                |                  |                |
| Malaysian Government securities              | 3,069,415        | 1,616,218      | 3,069,415        | 1,616,218      |
| Malaysian Government investment certificates | 5,374,048        | 2,303,940      | 3,927,829        | 1,465,068      |
| Cagamas bonds                                | 96,455           | 76,718         | 55,658           | 35,655         |
| Negotiable instruments of deposit            | 3,718            | 5,833          | 647,339          | 943,717        |
| Other Government securities                  | 253,646          | 2,541          | 75,514           | 2,541          |
|  | <b>8,797,282</b> | 4,005,250      | <b>7,775,755</b> | 4,063,199      |
| <b>Unquoted securities in Malaysia</b>       |                  |                |                  |                |
| Loan stocks                                  | 8,794            | 10,899         | 8,794            | 10,899         |
| Private and Islamic debt securities          | 66,751           | 103,156        | -                | -              |
| Unquoted bonds                               | 132,726          | 155,507        | 132,726          | 155,507        |
| Investment in preference shares              | 52,000           | 52,000         | 52,000           | 52,000         |
|  | <b>9,057,553</b> | 4,326,812      | <b>7,969,275</b> | 4,281,605      |
| Allowance for impairment losses              | <b>(140,985)</b> | (165,800)      | <b>(140,985)</b> | (165,800)      |
|  | <b>8,916,568</b> | 4,161,012      | <b>7,828,290</b> | 4,115,805      |

The table below shows the movements in allowance for impairment losses during the financial year for the Group and the Bank:

|  | The Group<br>RM'000 | The Bank<br>RM'000 |
|--|---------------------|--------------------|
| <b>2014</b>  |                     |                    |
| At 1 July  | 165,800             | 165,800            |
| Amount written back in respect of recoveries                       | (24,815)            | (24,815)           |
| At 30 June   | <b>140,985</b>      | <b>140,985</b>     |
| <b>2013</b>  |                     |                    |
| At 1 July  | 169,133             | 169,133            |
| Amount transferred from Individual assessment impairment allowance | 14,211              | 14,211             |
| Amount written back in respect of recoveries                       | (17,544)            | (17,544)           |
| At 30 June   | 165,800             | 165,800            |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 8 LOANS, ADVANCES AND FINANCING

|  | The Group          |                    | The Bank           |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 2014<br>RM'000     | 2013<br>RM'000     | 2014<br>RM'000     | 2013<br>RM'000     |
| Overdrafts   | 4,104,535          | 4,346,203          | 3,944,594          | 4,154,195          |
| Term loans/financing:  |                    |                    |                    |                    |
| – Housing and shop loans/financing                                       | 46,563,762         | 41,135,376         | 38,974,919         | 34,134,679         |
| – Syndicated term loans/financing  | 7,799,610          | 6,300,297          | 7,078,739          | 5,782,212          |
| – Hire purchase receivables  | 17,405,481         | 17,408,072         | 13,940,555         | 13,612,858         |
| – Other term loans/financing   | 8,684,556          | 9,829,885          | 7,089,671          | 8,273,558          |
| Credit/charge card receivables   | 4,192,192          | 4,088,083          | 4,192,192          | 4,088,083          |
| Bills receivable   | 1,116,670          | 1,292,482          | 1,109,346          | 1,287,605          |
| Trust receipts   | 296,587            | 302,199            | 256,166            | 298,749            |
| Claims on customers under acceptance credits                             | 8,118,324          | 7,362,332          | 7,420,281          | 6,863,637          |
| Block discounting  | 253                | 6,030              | 253                | 6,030              |
| Revolving credit   | 5,545,623          | 4,890,478          | 4,897,352          | 4,573,967          |
| Staff loans/financing  | 171,911            | 192,788            | 158,309            | 181,530            |
| Other loans/financing  | 169,145            | 54,732             | 162,964            | 50,910             |
| <b>Gross loans, advances and financing</b>                               | <b>104,168,649</b> | <b>97,208,957</b>  | <b>89,225,341</b>  | <b>83,308,013</b>  |
| Fair value changes arising from fair value hedges                        | –                  | (7,450)            | –                  | (674)              |
| Unamortised fair value changes arising from terminated fair value hedges | (1,516)            | 15,035             | 3,431              | 10,524             |
| Allowance for impaired loans, advances and financing:                    |                    |                    |                    |                    |
| – Collective assessment allowance  | (1,076,604)        | (1,259,563)        | (922,286)          | (1,032,022)        |
| – Individual assessment allowance  | (511,453)          | (526,018)          | (433,037)          | (450,107)          |
|  | <b>(1,588,057)</b> | <b>(1,785,581)</b> | <b>(1,355,323)</b> | <b>(1,482,129)</b> |
| <b>Total net loans, advances and financing</b>                           | <b>102,579,076</b> | <b>95,430,961</b>  | <b>87,873,449</b>  | <b>81,835,734</b>  |

As at 30 June 2014, the Group and the Bank do not have any fair value hedges on interest rate risk (30 June 2013: RM1,205,000,000 and RM155,000,000 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 at 30 June 2014 amounted to RM NIL at Group and Bank, respectively (total fair value loss at 30 June 2013: RM1,127,483 and RM2,269,148 at Group and Bank, respectively).



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 8 LOANS, ADVANCES AND FINANCING (CONTINUED)

Included in the net non-interest income is the net realised and unrealised gains and losses arising from fair value hedges that were effective during the financial year as follows:

|   | The Group      |                | The Bank       |                |
|---|----------------|----------------|----------------|----------------|
|   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Gain on hedging instruments                               | 1,508          | 17,733         | -              | 9,567          |
| Loss on the hedged items attributable to the hedged risks | (2,520)        | (16,823)       | -              | (6,449)        |

(i) The maturity structure of loans, advances and financing is as follows:

|                                     | The Group      |                | The Bank       |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>Maturing within:</b>             |                |                |                |                |
| - one year                          | 27,515,823     | 27,488,901     | 25,657,871     | 25,704,301     |
| - one year to three years           | 8,208,062      | 7,418,422      | 6,717,890      | 6,327,512      |
| - three years to five years         | 9,659,310      | 9,087,625      | 8,048,496      | 7,418,718      |
| - over five years                   | 58,785,454     | 53,214,009     | 48,801,084     | 43,857,482     |
| Gross loans, advances and financing | 104,168,649    | 97,208,957     | 89,225,341     | 83,308,013     |

(ii) The loans, advances and financing are disbursed to the following types of customers:

|  | The Group      |                | The Bank       |                |
|--|----------------|----------------|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Domestic non-bank financial institutions other than stockbroking companies | 278,231        | 293,310        | 94,328         | 101,233        |
| Domestic business enterprises:   |                |                |                |                |
| - small medium enterprises   | 16,295,719     | 14,516,722     | 15,056,080     | 13,466,490     |
| - others   | 19,182,004     | 19,560,421     | 16,673,126     | 17,495,895     |
| Government and statutory bodies  | 28,345         | 23,538         | 12,945         | 14,889         |
| Individuals  | 63,928,055     | 58,705,833     | 53,298,312     | 48,474,121     |
| Other domestic entities  | 158,579        | 231,638        | 119,786        | 195,723        |
| Foreign entities   | 4,297,716      | 3,877,495      | 3,970,764      | 3,559,662      |
| Gross loans, advances and financing  | 104,168,649    | 97,208,957     | 89,225,341     | 83,308,013     |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(iii) Loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:

|                                     | The Group          |                | The Bank          |                |
|-------------------------------------|--------------------|----------------|-------------------|----------------|
|                                     | 2014<br>RM'000     | 2013<br>RM'000 | 2014<br>RM'000    | 2013<br>RM'000 |
| <b>Fixed rate:</b>                  |                    |                |                   |                |
| - Housing and shop loans/financing  | 2,838,586          | 3,092,687      | 1,694,863         | 1,832,102      |
| - Hire purchase receivables         | 16,949,593         | 17,032,101     | 13,484,668        | 13,240,138     |
| - Credit card                       | 4,192,192          | 4,088,083      | 4,192,192         | 4,088,083      |
| - Other fixed rate loan/financing   | 2,665,287          | 3,685,801      | 1,908,389         | 2,738,631      |
| <b>Variable rate:</b>               |                    |                |                   |                |
| - Base lending rate plus            | 62,275,657         | 56,615,136     | 54,250,015        | 49,611,579     |
| - Cost plus                         | 14,934,610         | 12,612,686     | 13,695,214        | 11,797,480     |
| - Other variable rates              | 312,724            | 82,463         | -                 | -              |
| Gross loans, advances and financing | <b>104,168,649</b> | 97,208,957     | <b>89,225,341</b> | 83,308,013     |

(iv) Loans, advances and financing analysed by their economic purposes are as follows:

|   | The Group          |                | The Bank          |                |
|---|--------------------|----------------|-------------------|----------------|
|   | 2014<br>RM'000     | 2013<br>RM'000 | 2014<br>RM'000    | 2013<br>RM'000 |
| Purchase of securities                                    | 762,695            | 981,258        | 749,293           | 969,569        |
| Purchase of transport vehicles                            | 17,292,162         | 17,345,577     | 13,805,110        | 13,541,768     |
| Residential property (housing)                            | 39,000,324         | 34,216,321     | 32,307,912        | 28,257,239     |
| Non-residential property                                  | 12,370,138         | 10,858,636     | 11,260,737        | 9,860,975      |
| Purchase of fixed assets<br>(excluding landed properties) | 530,527            | 555,874        | 485,549           | 519,919        |
| Personal use  | 3,370,722          | 3,502,241      | 2,724,900         | 2,744,303      |
| Credit card   | 4,192,192          | 4,088,083      | 4,192,192         | 4,088,083      |
| Purchase of consumer durables                             | 445                | 472            | 444               | 468            |
| Construction  | 1,163,043          | 1,163,851      | 1,058,646         | 1,119,190      |
| Mergers and acquisition                                   | 303,096            | 447,926        | 303,096           | 447,926        |
| Working capital   | 22,573,362         | 21,770,180     | 19,987,905        | 19,746,342     |
| Other purpose   | 2,609,943          | 2,278,538      | 2,349,557         | 2,012,231      |
| Gross loans, advances and financing                       | <b>104,168,649</b> | 97,208,957     | <b>89,225,341</b> | 83,308,013     |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(v) Loans, advances and financing analysed by their geographical distribution are as follows:

|                                     | The Group      |                | The Bank       |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| In Malaysia                         | 101,088,811    | 94,484,686     | 86,545,396     | 80,827,537     |
| Outside Malaysia:                   |                |                |                |                |
| – Singapore                         | 2,675,129      | 2,480,476      | 2,675,129      | 2,480,476      |
| – Hong Kong                         | 4,816          | –              | 4,816          | –              |
| – Vietnam                           | 312,724        | 243,795        | –              | –              |
| – Cambodia                          | 87,169         | –              | –              | –              |
| Gross loans, advances and financing | 104,168,649    | 97,208,957     | 89,225,341     | 83,308,013     |

(vi) Impaired loans, advances and financing analysed by their economic purposes are as follows:

|   | The Group      |                | The Bank       |                |
|---|----------------|----------------|----------------|----------------|
|   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Purchase of securities                                    | 758            | 6,895          | 758            | 6,854          |
| Purchase of transport vehicles                            | 225,697        | 220,106        | 176,973        | 170,886        |
| Residential property (housing)                            | 213,583        | 245,899        | 152,070        | 191,160        |
| Non-residential property                                  | 47,737         | 59,554         | 40,163         | 49,303         |
| Purchase of fixed assets<br>(excluding landed properties) | 37,484         | 14,576         | 36,092         | 14,413         |
| Personal use  | 34,940         | 72,209         | 27,449         | 62,319         |
| Credit card   | 53,058         | 60,675         | 53,058         | 60,675         |
| Purchase of consumer durables                             | 4              | 4              | 4              | 4              |
| Construction  | 4,379          | 9,266          | 2,247          | 7,609          |
| Working capital   | 572,014        | 635,311        | 494,221        | 556,327        |
| Others  | 42,081         | 34,948         | 42,080         | 34,623         |
| Gross impaired loans, advances<br>and financing           | 1,231,735      | 1,359,443      | 1,025,115      | 1,154,173      |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(vii) Movements in the impaired loans, advances and financing are as follows:

|  | The Group      |                | The Bank       |                |
|--|----------------|----------------|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| At 1 July  | 1,359,443      | 1,532,014      | 1,154,173      | 1,310,186      |
| Impaired during the financial year                                 | 1,705,427      | 1,851,753      | 1,439,645      | 1,585,079      |
| Performing during the financial year                               | (897,336)      | (966,418)      | (732,219)      | (799,385)      |
| Amount written back in respect of recoveries                       | (507,069)      | (503,594)      | (452,330)      | (441,384)      |
| Amount written off   | (431,273)      | (554,051)      | (385,673)      | (500,350)      |
| Exchange difference  | 2,543          | (261)          | 1,519          | 27             |
| At 30 June   | 1,231,735      | 1,359,443      | 1,025,115      | 1,154,173      |
| Gross impaired loans as a % of gross loans, advances and financing | 1.2%           | 1.4%           | 1.1%           | 1.4%           |

(viii) Impaired loans, advances and financing analysed by their geographical distribution are as follows:

|  | The Group      |                | The Bank       |                |
|--|----------------|----------------|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| In Malaysia                                  | 1,218,521      | 1,329,644      | 1,025,115      | 1,124,735      |
| Outside Malaysia:                            |                |                |                |                |
| – Singapore                                  | –              | 29,438         | –              | 29,438         |
| – Vietnam                                    | 13,214         | 361            | –              | –              |
| Gross impaired loans, advances and financing | 1,231,735      | 1,359,443      | 1,025,115      | 1,154,173      |

**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**8 LOANS, ADVANCES AND FINANCING (CONTINUED)****(ix) Movements in the allowance for impaired loans, advances and financing are as follows:**

|   | The Group      |                | The Bank       |                |
|---|----------------|----------------|----------------|----------------|
|   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>Collective assessment allowance</b>                              |                |                |                |                |
| At 1 July   | 1,259,563      | 1,501,615      | 1,032,022      | 1,188,198      |
| Net allowances made during the financial year                       | 254,706        | 183,884        | 274,988        | 221,498        |
| Amount transferred to individual assessment                         | (1,915)        | (4,800)        | (1,915)        | (4,800)        |
| Amount written off  | (367,890)      | (402,347)      | (325,171)      | (357,205)      |
| Unwinding income  | (68,545)       | (18,751)       | (58,362)       | (15,657)       |
| Exchange difference   | 685            | (38)           | 724            | (12)           |
| At 30 June  | 1,076,604      | 1,259,563      | 922,286        | 1,032,022      |
| <b>Individual assessment allowance</b>                              |                |                |                |                |
| At 1 July   | 526,018        | 541,978        | 450,107        | 463,710        |
| Allowances made during the financial year                           | 140,023        | 190,721        | 135,014        | 183,030        |
| Amount transferred from collective assessment                       | 1,915          | 4,800          | 1,915          | 4,800          |
| Amount transferred to allowance for impairment losses on securities | -              | (14,211)       | -              | (14,211)       |
| Amount written back in respect of recoveries                        | (108,808)      | (90,853)       | (105,426)      | (86,663)       |
| Amount written off  | (41,618)       | (94,650)       | (41,618)       | (89,303)       |
| Unwinding income  | (7,112)        | (11,524)       | (6,994)        | (11,301)       |
| Exchange difference   | 1,035          | (243)          | 39             | 45             |
| At 30 June  | 511,453        | 526,018        | 433,037        | 450,107        |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 9 AMOUNT DUE FROM SUBSIDIARIES

|   | The Bank       |                |
|---|----------------|----------------|
|   | 2014<br>RM'000 | 2013<br>RM'000 |
| Redeemable Preference Shares in Famehub Capital Sdn Bhd | -              | 613,800        |
| Intercompany settlement                                 | 11,437         | 2,687          |
|   | <b>11,437</b>  | <b>616,487</b> |

### 10 STATUTORY DEPOSITS WITH CENTRAL BANKS

|  | The Group        |                  | The Bank         |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2014<br>RM'000   | 2013<br>RM'000   | 2014<br>RM'000   | 2013<br>RM'000   |
| Statutory deposits with Bank Negara Malaysia (BNM)*                | <b>3,118,381</b> | 3,421,061        | <b>2,591,500</b> | 2,917,000        |
| Statutory deposit with the State Bank of Vietnam <sup>^</sup>      | <b>13,516</b>    | -                | -                | -                |
| Statutory deposits with the National Bank of Cambodia <sup>#</sup> | <b>18,745</b>    | 11,848           | -                | -                |
|  | <b>3,150,642</b> | <b>3,432,909</b> | <b>2,591,500</b> | <b>2,917,000</b> |

\* The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which is determined at set percentages of total eligible liabilities.

<sup>^</sup> The statutory deposit is maintained by Hong Leong Bank Vietnam Limited ("HLBVN"), a subsidiary of the Bank, with the State Bank of Vietnam ("SBV"). According to Decision 1925/QĐ-NHNN dated 26/8/2011 and Decision 379/QĐ-NHNN dated 24/2/2009 issued by SBV, HLBVN is required to maintain its monthly average demand deposit balances with SBV at least equal to its obligatory reserve level, which will be informed by SBV to HLBVN on monthly basis.

<sup>#</sup> The statutory deposits maintained by Hong Leong Bank (Cambodia) PLC ("HLBCAM"), subsidiary of the Bank, with the National Bank of Cambodia ("NBC") in compliance with Article 5 of NBC Parkas No. B7-01-136, the amounts of which are determined as set percentages of HLBCAM issued share capital.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 11 SUBSIDIARY COMPANIES

|   | The Bank         |                |
|---|------------------|----------------|
|   | 2014<br>RM'000   | 2013<br>RM'000 |
| <u>Investment in subsidiary companies</u>                   |                  |                |
| Unquoted shares, at cost:                                   |                  |                |
| – in Malaysia   | 1,319,699        | 1,919,292      |
| – outside Malaysia  | 11               | 11             |
| Arising from translation of a foreign subsidiary company    | 13               | 13             |
|   | <b>1,319,723</b> | 1,919,316      |
| <u>Subordinated facilities issued by subsidiary company</u> |                  |                |
| Subordinated financing facility issued by HLISB             | –                | 275,597        |
| Subordinated financing facility issued by HLBCAM            | 32,436           | –              |
|   | <b>1,352,159</b> | 2,194,913      |

|   | The Bank         |                |
|---|------------------|----------------|
|   | 2014<br>RM'000   | 2013<br>RM'000 |
| At 1 July   | 2,194,913        | 2,081,933      |
| Add: Subscription of new shares in a subsidiary company (i)             | –                | 112,980        |
| Add: Subscription of new sub debt in a subsidiary company (ii)          | 32,436           | –              |
| Less: Reduction in issued and paid up capital of Promitol Sdn Bhd (iii) | (599,593)        | –              |
| Less: Redemption of subordinated financing facility (iv)                | (275,597)        | –              |
| At 30 June  | <b>1,352,159</b> | 2,194,913      |

- (i) The subscription of new shares in subsidiary companies is in relation to subscription of shares in HLBCAM in 2013.
- (ii) The subscription of new shares in subsidiary companies is in relation to subscription of sub debt in HLBCAM in 2014.
- (iii) Promitol Sdn Bhd had reduced its issued and paid-up capital from RM612,371,007 divided into 612,371,007 ordinary shares of RM1.00 each to RM2.00 divided into 2 ordinary shares of RM1.00 each by cancelling 612,371,005 ordinary shares of RM1.00 each and returning the RM612,371,005 to its ordinary shareholder via cash payment.
- (iv) Redemption of subordinated financing facility by HLISB in 2014.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 11 SUBSIDIARY COMPANIES (CONTINUED)

The subsidiary companies of the Bank are as follows:

| Name  | Percentage (%) of equity held |      | Principal activities  |
|---|-------------------------------|------|---|
|   | 2014                          | 2013 |   |
| (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  | Holding of or dealing in offshore securities and investment holding |
| – Promino Sdn Bhd   | 100                           | 100  | Ceased operations   |
| (c) EB Nominees (Tempatan) Sdn Bhd                                    | 100                           | 100  | Nominees services   |
| (d) EB Nominees (Asing) Sdn Bhd                                       | 100                           | 100  | Nominees services   |
| (e) EB Realty Sdn Bhd   | 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 (“WTB”) and its subsidiary companies:    | 100                           | 100  | Investment holding  |
| – Wah Tat Nominees (Tempatan) Sdn Bhd                                 | 100                           | 100  | Agent and nominee for Malaysian clients                             |
| – Wah Tat Nominees (Asing) Sdn Bhd                                    | 100                           | 100  | Agent and nominee for foreign clients                               |
| (iii) Chew Geok Lin Finance Sdn Bhd                                   | 100                           | 100  | Investment holding  |
| (iv) Hong Leong Leasing Sdn Bhd *                                     | 100                           | 100  | Investment holding  |
| (v) HL Leasing Sdn Bhd  | 100                           | 100  | Investment holding  |
| (vi) HLB Realty Sdn Bhd   | 100                           | 100  | Real property investment and investment holding                     |
| (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   |



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 11 SUBSIDIARY COMPANIES (CONTINUED)

The subsidiary companies of the Bank are as follows: (continued)

| Name  | Percentage (%)<br>of equity held |      | Principal activities   |
|---|----------------------------------|------|--|
|   | 2014                             | 2013 |  |
| (n) Prominic Berhad                               | 100                              | 100  | To issue Subordinated Notes under a Stapled Securities structure and to on-lend the proceeds from the issuance to Hong Leong Bank Berhad, the issuer of the Capital Securities |
| (o) Promitol Sdn Bhd                              | 100                              | 100  | Ceased operations  |
| (p) Promilia Berhad                               | 100                              | -    | Ceased operations  |
| (q) Famehub Quest Sdn Bhd <sup>Ω*</sup>           | -                                | -    | Special purpose vehicle  |
| (r) Famehub Capital Sdn Bhd <sup>Ω*</sup>         | -                                | -    | Special purpose vehicle  |
| (s) Allegra Capital Investments Ltd <sup>Ω*</sup> | -                                | -    | Special purpose vehicle  |
| (t) GoldPearl International Ltd <sup>Ω*</sup>     | -                                | -    | Special purpose vehicle  |
| (u) Unincorporated trust for ESOS <sup>Ω*</sup>   | -                                | -    | Special purpose vehicle  |

\* Not audited by PricewaterhouseCoopers

+ Audited by member firms 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) which is incorporated in Hong Kong, Allegra Capital Investments Ltd and GoldPearl International Ltd which are incorporated in the British Virgin Islands, Hong Leong Bank Vietnam Limited which is incorporated in Vietnam and Hong Leong Bank (Cambodia) PLC which is incorporated in Cambodia.

### 12 INVESTMENT IN JOINT VENTURE

|   | The Group      |                | The Bank       |                |
|---|----------------|----------------|----------------|----------------|
|   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Unquoted shares outside Malaysia, at cost | 76,711         | 76,711         | 76,711         | 76,711         |
| Cumulative share of results               | 13,369         | 3,234          | -              | -              |
|   | <b>90,080</b>  | 79,945         | <b>76,711</b>  | 76,711         |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 12 INVESTMENT IN JOINT VENTURE (CONTINUED)

(a) Information about joint venture

| Name  | Country of incorporation | The Group                     |      | Principal activity |
|---|--------------------------|-------------------------------|------|--------------------|
|   |                          | Percentage (%) of equity held |      |                    |
|   |                          | 2014                          | 2013 |                    |
| Sichuan Jincheng Consumer Finance Limited Company ("CFC") | China                    | 49%                           | 49%  | Consumer finance   |

On 1 March 2010, HLB together with the Bank of Chengdu Co., Ltd. ("BOCD"), obtained operation approval from China Banking Regulatory Commission ("CBRC") for Sichuan Jincheng Consumer Finance Limited Company ("JV Co")., is 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.

CFC is a private company and there is no quoted market price available for its shares.

(b) Summarised financial information of the joint venture, which are accounted for using the equity method is as follows:

|                   | The Group      |                |
|-------------------|----------------|----------------|
|                   | 2014<br>RM'000 | 2013<br>RM'000 |
| Total assets      | 496,506        | 282,573        |
| Total liabilities | (312,669)      | (119,420)      |
| Net assets        | 183,837        | 163,153        |

There are no commitments or contingent liabilities relating to the Group's interest in the joint venture.

|                        | The Group      |                |
|------------------------|----------------|----------------|
|                        | 2014<br>RM'000 | 2013<br>RM'000 |
| Interest income        | 76,104         | 10,955         |
| Interest expenses      | 14,110         | 4,988          |
| Non-interest income    | 78             | 282            |
| Profit before taxation | 28,348         | 9,024          |
| Profit after taxation  | 20,684         | 6,273          |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 12 INVESTMENT IN JOINT VENTURE (CONTINUED)

- (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      |                |
|--|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 |
| Opening net assets as at 1 July                | 163,153        | 156,880        |
| Profit for the financial year                  | 20,684         | 6,273          |
| Closing net assets as at 30 June               | 183,837        | 163,153        |
| Interest in jointly controlled entity (%)      | 49%            | 49%            |
| Interest in jointly controlled entity (RM'000) | 90,080         | 79,945         |

### 13 INVESTMENT IN ASSOCIATED COMPANIES

|  | The Group      |                | The Bank       |                |
|--|----------------|----------------|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Unquoted shares outside Malaysia, at cost                    | 946,505        | 946,505        | 946,505        | 946,505        |
| Cumulative share of results,<br>net of dividends received    | 1,119,557      | 807,153        | -              | -              |
| Cumulative share of changes<br>in other comprehensive income | (2,762)        | (709)          | -              | -              |
|  | 2,063,300      | 1,752,949      | 946,505        | 946,505        |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 13 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(a) Information about associated companies

| Name                               | Country of incorporation | The Group Percentage (%) of equity held |      | Principal activities |
|------------------------------------|--------------------------|---|------|----------------------|
|                                    |                          | 2014                                    | 2013 |                      |
| Bank of Chengdu Co., Ltd. ("BOCD") | China                    | 20%                                     | 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 Bank of Chengdu Co., Ltd. ("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 Proposed Subscription will enable 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 HLBB.

##### (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.

(b) The summarised financial information of the associated companies, which are accounted for using the equity method is as follows:

|                   | The Group      |                |
|-------------------|----------------|----------------|
|                   | 2014<br>RM'000 | 2013<br>RM'000 |
| Total assets      | 143,944,995    | 121,696,640    |
| Total liabilities | (133,628,495)  | (112,931,895)  |
| Net assets        | 10,316,500     | 8,764,745      |

**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**13 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)**

- (b) The summarised financial information of the associated companies, which are accounted for using the equity method is as follows: (continued)

|  | The Group      |                |
|--|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 |
| Interest income  | 7,049,249      | 5,244,405      |
| Interest expenses  | (3,015,749)    | (2,382,400)    |
| Non-interest income  | 361,385        | 224,455        |
| Profit before taxation   | 2,383,505      | 1,687,108      |
| Profit after taxation  | 1,842,450      | 1,320,025      |
| Dividends paid by the associated company during the financial year | 280,430        | 256,720        |

- (c) Reconciliation of the summarised financial information to the carrying amount of the interest in the associated companies recognised in the consolidated financial statements:

|   | The Group      |                |
|---|----------------|----------------|
|   | 2014<br>RM'000 | 2013<br>RM'000 |
| Opening net assets as at 1 July                 | 8,764,745      | 7,701,440      |
| Profit for the financial year                   | 1,842,450      | 1,320,025      |
| Other comprehensive loss for the financial year | (10,265)       | -              |
| Dividends                                       | (280,430)      | (256,720)      |
| Closing net assets as at 30 June                | 10,316,500     | 8,764,745      |
| Interest in associated company (%)              | 20%            | 20%            |
| Interest in associated company (RM'000)         | 2,063,300      | 1,752,949      |





## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 15 INTANGIBLE ASSETS

| The Group<br>2014                        | Core<br>deposits<br>RM'000 | Customer<br>relationships<br>RM'000 | Computer<br>software<br>RM'000 | Total<br>RM'000 |
|--|----------------------------|-------------------------------------|--------------------------------|-----------------|
| <b>Cost or valuation</b>                 |                            |                                     |                                |                 |
| At 1 July                                | 152,434                    | 127,426                             | 441,362                        | 721,222         |
| Additions                                | -                          | -                                   | 84,368                         | 84,368          |
| Written off                              | -                          | -                                   | (77,027)                       | (77,027)        |
| Exchange fluctuation                     | -                          | -                                   | 53                             | 53              |
| At 30 June                               | 152,434                    | 127,426                             | 448,756                        | 728,616         |
| <b>Amortisation and impairment</b>       |                            |                                     |                                |                 |
| At 1 July                                | 47,182                     | 27,609                              | 277,016                        | 351,807         |
| Amortisation during the financial year   | 21,776                     | 12,743                              | 62,983                         | 97,502          |
| Written off                              | -                          | -                                   | (68,462)                       | (68,462)        |
| Exchange fluctuation                     | -                          | -                                   | (22)                           | (22)            |
| At 30 June                               | 68,958                     | 40,352                              | 271,515                        | 380,825         |
| <b>Net book value as at 30 June 2014</b> | <b>83,476</b>              | <b>87,074</b>                       | <b>177,241</b>                 | <b>347,791</b>  |

| The Group<br>2013                        | Core<br>deposits<br>RM'000 | Customer<br>relationships<br>RM'000 | Computer<br>software<br>RM'000 | Total<br>RM'000 |
|--|----------------------------|-------------------------------------|--------------------------------|-----------------|
| <b>Cost or valuation</b>                 |                            |                                     |                                |                 |
| At 1 July                                | 152,434                    | 127,426                             | 421,603                        | 701,463         |
| Additions                                | -                          | -                                   | 22,730                         | 22,730          |
| Written off                              | -                          | -                                   | (2,884)                        | (2,884)         |
| Exchange fluctuation                     | -                          | -                                   | (87)                           | (87)            |
| At 30 June                               | 152,434                    | 127,426                             | 441,362                        | 721,222         |
| <b>Amortisation and impairment</b>       |                            |                                     |                                |                 |
| At 1 July                                | 25,406                     | 14,866                              | 214,694                        | 254,966         |
| Amortisation during the financial year   | 21,776                     | 12,743                              | 64,724                         | 99,243          |
| Written off                              | -                          | -                                   | (2,378)                        | (2,378)         |
| Exchange fluctuation                     | -                          | -                                   | (24)                           | (24)            |
| At 30 June                               | 47,182                     | 27,609                              | 277,016                        | 351,807         |
| <b>Net book value as at 30 June 2013</b> | <b>105,252</b>             | <b>99,817</b>                       | <b>164,346</b>                 | <b>369,415</b>  |



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 15 INTANGIBLE ASSETS (CONTINUED)

| The Bank<br>2014                         | Core<br>deposits<br>RM'000 | Customer<br>relationships<br>RM'000 | Computer<br>software<br>RM'000 | Total<br>RM'000 |
|--|----------------------------|-------------------------------------|--------------------------------|-----------------|
| <b>Cost or valuation</b>                 |                            |                                     |                                |                 |
| At 1 July                                | 152,434                    | 127,426                             | 428,938                        | 708,798         |
| Additions                                | -                          | -                                   | 73,994                         | 73,994          |
| Written off                              | -                          | -                                   | (77,020)                       | (77,020)        |
| At 30 June                               | 152,434                    | 127,426                             | 425,912                        | 705,772         |
| <b>Amortisation and impairment</b>       |                            |                                     |                                |                 |
| At 1 July                                | 47,182                     | 27,609                              | 271,152                        | 345,943         |
| Amortisation during the financial year   | 21,776                     | 12,743                              | 58,450                         | 92,969          |
| Written off                              | -                          | -                                   | (68,459)                       | (68,459)        |
| At 30 June                               | 68,958                     | 40,352                              | 261,143                        | 370,453         |
| <b>Net book value as at 30 June 2014</b> | <b>83,476</b>              | <b>87,074</b>                       | <b>164,769</b>                 | <b>335,319</b>  |

| The Bank<br>2013                         | Core<br>deposits<br>RM'000 | Customer<br>relationships<br>RM'000 | Computer<br>software<br>RM'000 | Total<br>RM'000 |
|--|----------------------------|-------------------------------------|--------------------------------|-----------------|
| <b>Cost or valuation</b>                 |                            |                                     |                                |                 |
| At 1 July                                | 152,434                    | 127,426                             | 409,839                        | 689,699         |
| Additions                                | -                          | -                                   | 21,983                         | 21,983          |
| Written off                              | -                          | -                                   | (2,884)                        | (2,884)         |
| At 30 June                               | 152,434                    | 127,426                             | 428,938                        | 708,798         |
| <b>Amortisation and impairment</b>       |                            |                                     |                                |                 |
| At 1 July                                | 25,406                     | 14,866                              | 211,577                        | 251,849         |
| Amortisation during the financial year   | 21,776                     | 12,743                              | 61,952                         | 96,471          |
| Written off                              | -                          | -                                   | (2,377)                        | (2,377)         |
| At 30 June                               | 47,182                     | 27,609                              | 271,152                        | 345,943         |
| <b>Net book value as at 30 June 2013</b> | <b>105,252</b>             | <b>99,817</b>                       | <b>157,786</b>                 | <b>362,855</b>  |

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 core deposits and customer relationships are 4 to 7 years respectively.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 16 DEFERRED TAXATION

|                          | The Group      |                | The Bank       |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Deferred tax assets      | 92,616         | 103,723        | 90,586         | 101,793        |
| Deferred tax liabilities | (226,377)      | (215,158)      | (225,505)      | (214,077)      |
|                          | (133,761)      | (111,435)      | (134,919)      | (112,284)      |

The movements in deferred tax assets and liabilities during the financial year are as follows:

| The Group                                     | Note | Loans,<br>advances<br>and<br>financing<br>RM'000 | Property<br>and<br>equipment<br>RM'000 | Financial<br>instruments<br>available-<br>for-sale<br>RM'000 | Intangible<br>assets<br>RM'000 | Other<br>temporary<br>differences<br>RM'000 | Total<br>RM'000 |
|---|------|--|--|--|--------------------------------|---|-----------------|
| <b>Deferred tax assets/<br/>(liabilities)</b> |      |  |  |  |                                |   |                 |
| <b>2014</b>                                   |      |  |  |  |                                |   |                 |
| At 1 July                                     |      | -  | (92,660)                               | (71,231)   | (51,267)                       | 103,723                                     | (111,435)       |
| (Charged)/Credited to<br>statements of income | 37   | -  | (8,486)                                | 25   | 8,629                          | (11,107)                                    | (10,939)        |
| Recognised in equity                          |      | -  | -                                      | (11,387)   | -                              | -   | (11,387)        |
| At 30 June                                    |      | -  | (101,146)                              | (82,593)   | (42,638)                       | 92,616                                      | (133,761)       |
| <b>2013</b>                                   |      |  |  |  |                                |   |                 |
| At 1 July                                     |      | 15,437   | (106,198)                              | (79,516)   | (59,897)                       | 89,641                                      | (140,533)       |
| (Charged)/Credited to<br>statements of income | 37   | (15,437)   | 13,538                                 | 516  | 8,630                          | 14,082                                      | 21,329          |
| Recognised in equity                          |      | -  | -                                      | 7,769  | -                              | -   | 7,769           |
| At 30 June                                    |      | -  | (92,660)                               | (71,231)   | (51,267)                       | 103,723                                     | (111,435)       |

**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**16 DEFERRED TAXATION (CONTINUED)**

The movements in deferred tax assets and liabilities during the financial year are as follows: (continued)

| The Bank                                      | Note | Loans,<br>advances<br>and<br>financing<br>RM'000 | Property<br>and<br>equipment<br>RM'000 | Financial<br>instruments<br>available-<br>for-sale<br>RM'000 | Intangible<br>assets<br>RM'000 | Other<br>temporary<br>differences<br>RM'000 | Total<br>RM'000 |
|---|------|--|--|--|--------------------------------|---|-----------------|
| <b>Deferred tax assets/<br/>(liabilities)</b> |      |  |  |  |                                |   |                 |
| <b>2014</b>                                   |      |  |  |  |                                |   |                 |
| At 1 July                                     |      | -  | (90,873)                               | (71,937)   | (51,267)                       | 101,793                                     | (112,284)       |
| (Charged)/Credited to<br>statements of income | 37   | -  | (8,551)                                | 26   | 8,629                          | (11,207)                                    | (11,103)        |
| Recognised in equity                          |      | -  | -                                      | (11,532)   | -                              | -   | (11,532)        |
| At 30 June                                    |      | -  | (99,424)                               | (83,443)   | (42,638)                       | 90,586                                      | (134,919)       |
| <b>2013</b>                                   |      |  |  |  |                                |   |                 |
| At 1 July                                     |      | 11,565   | (103,190)                              | (78,889)   | (59,897)                       | 87,310                                      | (143,101)       |
| (Charged)/Credited to<br>statements of income | 37   | (11,565)   | 12,317                                 | 516  | 8,630                          | 14,483                                      | 24,381          |
| Recognised in equity                          |      | -  | -                                      | 6,436  | -                              | -   | 6,436           |
| At 30 June                                    |      | -  | (90,873)                               | (71,937)   | (51,267)                       | 101,793                                     | (112,284)       |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 17 DEPOSITS FROM CUSTOMERS

|  | The Group          |                | The Bank           |                |
|--|--------------------|----------------|--------------------|----------------|
|  | 2014<br>RM'000     | 2013<br>RM'000 | 2014<br>RM'000     | 2013<br>RM'000 |
| Fixed deposits   | <b>73,625,412</b>  | 73,423,719     | <b>65,186,386</b>  | 66,079,991     |
| Negotiable instruments of deposit  | <b>11,598,134</b>  | 8,147,193      | <b>9,685,899</b>   | 6,709,548      |
|  | <b>85,223,546</b>  | 81,570,912     | <b>74,872,285</b>  | 72,789,539     |
| Demand deposits  | <b>19,071,251</b>  | 17,563,960     | <b>16,705,898</b>  | 16,037,087     |
| Savings deposits   | <b>15,020,628</b>  | 14,439,487     | <b>12,850,935</b>  | 12,342,637     |
| Short term corporate placements  | <b>10,637,552</b>  | 9,743,050      | <b>9,359,459</b>   | 7,685,837      |
| Others   | <b>381,524</b>     | 319,661        | <b>373,704</b>     | 313,531        |
| Gross deposits from customers  | <b>130,334,501</b> | 123,637,070    | <b>114,162,281</b> | 109,168,631    |
| Fair value changes arising from designation at fair value through profit or loss * | <b>(82,164)</b>    | -              | <b>(63,446)</b>    | -              |
| Total net deposits from customers  | <b>130,252,337</b> | 123,637,070    | <b>114,098,835</b> | 109,168,631    |

\* During the financial year, the Group has issued structured deposits (Callable Range Accrual Notes) 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 its fair value and includes terms that have substantive derivative characteristic. The structured deposits are recorded at fair value.

(i) The maturity structure of fixed deposits and negotiable instruments of deposit are as follows:

|                          | The Group         |                | The Bank          |                |
|--------------------------|-------------------|----------------|-------------------|----------------|
|                          | 2014<br>RM'000    | 2013<br>RM'000 | 2014<br>RM'000    | 2013<br>RM'000 |
| Due within:              |                   |                |                   |                |
| - six months             | <b>64,684,513</b> | 57,645,995     | <b>56,018,366</b> | 51,216,469     |
| - six months to one year | <b>16,537,616</b> | 19,875,082     | <b>15,396,676</b> | 17,708,225     |
| - one year to five years | <b>3,501,417</b>  | 3,939,835      | <b>3,007,243</b>  | 3,754,845      |
| - more than five years   | <b>500,000</b>    | 110,000        | <b>450,000</b>    | 110,000        |
|                          | <b>85,223,546</b> | 81,570,912     | <b>74,872,285</b> | 72,789,539     |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 17 DEPOSITS FROM CUSTOMERS (CONTINUED)

(ii) The deposits are sourced from the following customers:

|                                 | The Group          |                    | The Bank           |                    |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                 | 2014<br>RM'000     | 2013<br>RM'000     | 2014<br>RM'000     | 2013<br>RM'000     |
| Government and statutory bodies | 1,765,218          | 3,486,932          | 1,074,113          | 2,492,761          |
| Business enterprises            | 56,894,417         | 49,835,642         | 46,891,841         | 40,745,271         |
| Individuals                     | 66,661,897         | 66,104,854         | 61,673,751         | 62,295,411         |
| Others                          | 5,012,969          | 4,209,642          | 4,522,576          | 3,635,188          |
|                                 | <b>130,334,501</b> | <b>123,637,070</b> | <b>114,162,281</b> | <b>109,168,631</b> |

### 18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

|                              | The Group        |                   | The Bank         |                   |
|------------------------------|------------------|-------------------|------------------|-------------------|
|                              | 2014<br>RM'000   | 2013<br>RM'000    | 2014<br>RM'000   | 2013<br>RM'000    |
| Licensed banks               | 5,451,089        | 9,840,902         | 5,387,384        | 9,785,220         |
| Licensed investment banks    | –                | 322,879           | –                | 300,874           |
| Licensed Islamic banks       | 901,261          | 930,887           | –                | –                 |
| Other financial institutions | 758,945          | 472,479           | –                | 80,020            |
|                              | <b>7,111,295</b> | <b>11,567,147</b> | <b>5,387,384</b> | <b>10,166,114</b> |

### 19 OTHER ASSETS

|                                      | The Group      |                | The Bank       |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Foreclosed properties                | 1,112          | 1,112          | 1,112          | 1,112          |
| Sundry debtors and other prepayments | 130,436        | 159,527        | 104,028        | 111,688        |
| Treasury related receivables         | 242,573        | 255,608        | 242,573        | 254,632        |
| Other receivables                    | 123,116        | 472,353        | 86,829         | 427,078        |
|                                      | <b>497,237</b> | <b>888,600</b> | <b>434,542</b> | <b>794,510</b> |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 20 DERIVATIVE FINANCIAL INSTRUMENTS

|   | The Group        |                  | The Bank         |                    |
|---|------------------|------------------|------------------|--------------------|
|   | 2014<br>RM'000   | 2013<br>RM'000   | 2014<br>RM'000   | 2013<br>RM'000     |
| Derivatives at fair value through profit or loss:         |                  |                  |                  |                    |
| - interest rate swaps                                     | 298,560          | 431,847          | 284,852          | 429,558            |
| - cross currency swaps                                    | 111,724          | 83,417           | 110,016          | 160,046            |
| - foreign currency forwards                               | 252,902          | 276,368          | 251,202          | 272,514            |
| - foreign currency options                                | 11,330           | 37,745           | 11,330           | 37,745             |
| - futures   | 1,417            | 1,536            | 1,417            | 1,536              |
| - future options  | 953              | -                | 953              | -                  |
| - equity options  | 1,149            | 1,602            | 1,149            | 1,602              |
| - swaption  | 9,406            | 38,652           | 9,406            | 36,408             |
| Derivatives designated as fair value hedge:               |                  |                  |                  |                    |
| - interest rate swaps                                     | -                | 5,977            | -                | -                  |
| <b>Total derivative financial instruments assets</b>      | <b>687,441</b>   | <b>877,144</b>   | <b>670,325</b>   | <b>939,409</b>     |
| Derivatives at fair value through profit or loss:         |                  |                  |                  |                    |
| - interest rate swaps                                     | (332,513)        | (435,179)        | (319,171)        | (430,031)          |
| - cross currency swaps                                    | (123,611)        | (99,988)         | (122,352)        | (176,697)          |
| - foreign currency forwards                               | (265,833)        | (330,704)        | (259,831)        | (323,284)          |
| - foreign currency options                                | (12,336)         | (35,458)         | (12,336)         | (35,458)           |
| - equity options  | (1,149)          | (1,602)          | (1,149)          | (1,602)            |
| - future options  | (605)            | -                | (605)            | -                  |
| - futures   | (13,745)         | (3,790)          | (13,745)         | (3,790)            |
| - swaption  | (40,623)         | (40,362)         | (31,217)         | (38,118)           |
| Derivatives designated as fair value hedge:               |                  |                  |                  |                    |
| - interest rate swaps                                     | -                | (7,104)          | -                | (2,269)            |
| <b>Total derivative financial instruments liabilities</b> | <b>(790,415)</b> | <b>(954,187)</b> | <b>(760,406)</b> | <b>(1,011,249)</b> |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 21 OTHER LIABILITIES

|  | The Group        |                  | The Bank         |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2014<br>RM'000   | 2013<br>RM'000   | 2014<br>RM'000   | 2013<br>RM'000   |
| Zakat  | 200              | 200              | -                | -                |
| Post employment benefits obligation            |                  |                  |                  |                  |
| – defined contribution plan                    | 2,937            | 2,948            | 2,937            | 2,948            |
| Loan advance payment                           | 1,882,838        | 1,603,098        | 1,525,872        | 1,309,788        |
| Amount due to Cagamas Berhad                   | 84,160           | 172,115          | 84,160           | 172,115          |
| Amount due to subsidiary companies             | -                | -                | 28,494           | 129,742          |
| Treasury clearing                              | 1,191,406        | 113,385          | 523,173          | 1,028            |
| Cheque clearing                                | 27,650           | 74,199           | -                | 30,537           |
| Treasury related payable                       | 56,425           | 21,416           | 56,425           | 21,416           |
| Sundry creditors and accruals                  | 540,999          | 543,355          | 475,869          | 499,766          |
| Provision for bonus and staff related expenses | 125,016          | 151,144          | 120,544          | 145,552          |
| Others   | 339,406          | 584,587          | 466,708          | 567,380          |
|  | <b>4,251,037</b> | <b>3,266,447</b> | <b>3,284,182</b> | <b>2,880,272</b> |

### 22 SENIOR BONDS

|                                     | Note | The Group and The Bank |                  |
|-------------------------------------|------|------------------------|------------------|
|                                     |      | 2014<br>RM'000         | 2013<br>RM'000   |
| USD300 million senior bonds, at par | (a)  | 916,350                | 916,350          |
| USD300 million senior bonds, at par | (b)  | 919,200                | 919,200          |
| Foreign exchange translations       |      | 90,750                 | 60,150           |
|                                     |      | <b>1,926,300</b>       | <b>1,895,700</b> |
| Add: Interest payable               |      | <b>16,454</b>          | <b>16,192</b>    |
|                                     |      | <b>1,942,754</b>       | <b>1,911,892</b> |
| Less: Unamortised discounts         |      | <b>(6,547)</b>         | <b>(9,721)</b>   |
|                                     |      | <b>1,936,207</b>       | <b>1,902,171</b> |

- (a) On 17 March 2011, the Bank issued USD300 million in aggregate principal amount of Senior Bonds (“the Bonds”), which will mature in 2016. The Bonds bear interest at the rate of 3.75% is payable semi-annually. The Bonds were issued at a price of 99.761 per cent of the principal amount of the Bonds.

The Bonds will constitute direct, general, unsubordinated and (subject to the provisions of Negative Pledge Condition) unsecured obligations of the Bank which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Bank.

- (b) On 20 April 2012, HLB completed its inaugural US dollar senior unsecured notes issuance of USD300 million (the “Senior Notes”) under its Euro Medium Term Note Programme of up to USD1.5 billion (or its equivalent in other currencies) in nominal value (the “Programme”) which was established on 9 April 2012.

The Senior Notes will have a tenor of five years, maturing on 19 April 2017. The Senior Notes will pay a coupon of 3.125% per annum which is equivalent to a yield to investors of 3.269%.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 23 TIER 2 SUBORDINATED BONDS

|   | Note | The Group        |                | The Bank         |                |
|---|------|------------------|----------------|------------------|----------------|
|   |      | 2014<br>RM'000   | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| RM700 million Tier 2 subordinated debt, at par                          | (a)  | <b>700,000</b>   | 700,000        | <b>700,000</b>   | 700,000        |
| Add: Interest payable   |      | <b>13,115</b>    | 12,836         | <b>13,115</b>    | 12,836         |
|   |      | <b>713,115</b>   | 712,836        | <b>713,115</b>   | 712,836        |
| Less: Unamortised discounts   |      | <b>(207)</b>     | (741)          | <b>(207)</b>     | (741)          |
|   |      | <b>712,908</b>   | 712,095        | <b>712,908</b>   | 712,095        |
| RM1.0 billion Tier 2 subordinated debt, at par                          | (b)  | <b>1,000,000</b> | 1,000,000      | <b>1,000,000</b> | 1,000,000      |
| Add: Interest payable   |      | <b>6,793</b>     | 6,674          | <b>6,793</b>     | 6,674          |
|   |      | <b>1,006,793</b> | 1,006,674      | <b>1,006,793</b> | 1,006,674      |
| Less: Unamortised discounts   |      | <b>(570)</b>     | (1,341)        | <b>(570)</b>     | (1,341)        |
|   |      | <b>1,006,223</b> | 1,005,333      | <b>1,006,223</b> | 1,005,333      |
| Subordinated medium term notes, at par                                  | (c)  | <b>750,000</b>   | 1,160,000      | <b>750,000</b>   | 1,160,000      |
| Add: Interest payable   |      | <b>1,207</b>     | 9,307          | <b>1,207</b>     | 9,307          |
|   |      | <b>751,207</b>   | 1,169,307      | <b>751,207</b>   | 1,169,307      |
| Less: Unamortised discounts   |      | <b>(1,138)</b>   | (6,985)        | <b>(1,138)</b>   | (6,985)        |
| Fair value adjustments on completion of business combination accounting |      | <b>210</b>       | 3,829          | <b>210</b>       | 3,827          |
|   |      | <b>750,279</b>   | 1,166,151      | <b>750,279</b>   | 1,166,149      |
| RM1.5 billion Tier 2 subordinated debt, at par                          | (d)  | <b>1,500,000</b> | 1,500,000      | <b>1,500,000</b> | 1,500,000      |
| Add: Interest payable   |      | <b>1,479</b>     | 1,295          | <b>1,479</b>     | 1,295          |
|   |      | <b>1,501,479</b> | 1,501,295      | <b>1,501,479</b> | 1,501,295      |
| Less: Unamortised discounts   |      | <b>(1,590)</b>   | (2,271)        | <b>(1,590)</b>   | (2,271)        |
|   |      | <b>1,499,889</b> | 1,499,024      | <b>1,499,889</b> | 1,499,024      |



**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**23 TIER 2 SUBORDINATED BONDS (CONTINUED)**

|  | Note | The Group      |                | The Bank       |               |
|--|------|----------------|----------------|----------------|---------------|
|  |      | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'00 |
| RM400 million Tier 2 subordinated Sukuk Ijarah, at par | (e)  | 400,000        | -              | -              | -             |
| Add: Interest payable                                  |      | 736            | -              | -              | -             |
|  |      | 400,736        | -              | -              | -             |
| Less: Unamortised discounts                            |      | (658)          | -              | -              | -             |
|  |      | 400,078        | -              | -              | -             |
| RM500 million Tier 2 subordinated notes, at par        | (f)  | 500,000        | -              | 500,000        | -             |
| Add: Interest payable                                  |      | 526            | -              | 526            | -             |
|  |      | 500,526        | -              | 500,526        | -             |
| Less: Unamortised discounts                            |      | (1,550)        | -              | (1,550)        | -             |
|  |      | 498,976        | -              | 498,976        | -             |
|  |      | 4,868,353      | 4,382,603      | 4,468,275      | 4,382,601     |

- (a) On 10 August 2010, HLB had completed the first issuance of RM700 million nominal value of Tier 2 Subordinated Debt ("Sub Debt") out of its RM1.7 billion Tier 2 Subordinated Notes Programme. The RM700 million Sub Debt will mature in 2020 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Sub Debt which bears interest of 4.85% per annum is payable semi-annually in arrears.

The Sub Debt 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 5 May 2011, HLB issued the remaining RM1.0 billion nominal value of Sub Debt which will mature in 2021 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The second issuance of Sub Debt bears interest at the rate of 4.35% per annum and is payable semi-annually in arrears.

The Sub Debt 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

(continued)

### 23 TIER 2 SUBORDINATED BONDS (CONTINUED)

- (c) On 27 February 2009, Promino Sdn Bhd ("Promino"), a wholly owned subsidiary of the Bank, has successfully issued the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes ("MTN") callable on 27 February 2014 (and thereafter) and due on 27 February 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date.

Subsequently, on 2 December 2009, Promino issued a second tranche of RM250.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 2 December 2014 (and thereafter) and due on 2 December 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this second tranche of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate of this second tranche will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date; similar to the step-up rates in the first tranche.

Subsequently, on 30 December 2010, Promino issued a third tranche of RM500.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 30 December 2015 (and at each anniversary date thereafter) and due on 30 December 2020 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this third tranche of the Subordinated MTN is 4.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, or at each anniversary date thereafter, the coupon rate of this third tranche will be remain at 4.75% per annum, from the beginning of the sixth (6) year to the final maturity date.

On 1 July 2011, the above Subordinated MTN was vested to HLB. The above tranches of Subordinated MTNs constitute unsecured liabilities of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities, which by their terms, rank equally in rights of payment with the Subordinated MTNs. The Subordinated MTNs qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and HLB.

On 27 February 2014, HLB had fully redeemed the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum.

- (d) 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 23 TIER 2 SUBORDINATED BONDS (CONTINUED)

- (e) On 17 June 2014, Hong Leong Islamic Bank Berhad (“HLISB”), a wholly owned subsidiary of the Bank, had completed the first issuance of RM400 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 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment dates 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 extent 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.

- (f) On 23 June 2014, HLB had completed the first issuance of RM500 million nominal value of Tier 2 Subordinated Notes (“Sub-Notes”) out of its RM10.0 billion Multi-Currency Sub-Notes Programme. The RM500 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 qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

### 24 NON-INNOVATIVE TIER 1 STAPLED SECURITIES

|  | The Group and The Bank |                |
|--|------------------------|----------------|
|  | 2014<br>RM'000         | 2013<br>RM'000 |
| RM1.4 billion Non-Innovative Tier 1 stapled securities, at par | 1,400,000              | 1,400,000      |
| Add: Interest payable  | 11,041                 | 10,847         |
|  | <b>1,411,041</b>       | 1,410,847      |
| Less: Unamortised discounts                                    | (789)                  | (1,855)        |
|  | <b>1,410,252</b>       | 1,408,992      |

On 5 May 2011, HLB had completed its issuance of Non-Innovative Tier 1 Stapled Securities (“NIT-1 Stapled Securities”) of RM1.4 billion. The NIT-1 Stapled Securities which is perpetual in nature and callable at the end of year 5 and on each coupon payment date, pays a semi annual coupon of 5.05% per annum. The call option shall be subject to the approval of BNM.

The NIT-1 Stapled Securities 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 1 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 25 INNOVATIVE TIER 1 CAPITAL SECURITIES

|   | The Group and The Bank |                |
|---|------------------------|----------------|
|   | 2014<br>RM'000         | 2013<br>RM'000 |
| RM500 million Innovative Tier 1 capital securities, at par              | 500,000                | 500,000        |
| Add: Interest payable   | 12,771                 | 12,658         |
|   | 512,771                | 512,658        |
| Less: Unamortised discounts   | (8,746)                | (10,012)       |
| Fair value adjustments on completion of business combination accounting | 37,742                 | 53,396         |
|   | 541,767                | 556,042        |

On 10 September 2009, Promino issued the first tranche of Innovative Tier 1 Capital Securities ("IT-1 Capital Securities") amounting to RM500 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 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500 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-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.

### 26 SHARE CAPITAL

|                                     | The Group and The Bank |                |
|-------------------------------------|------------------------|----------------|
|                                     | 2014<br>RM'000         | 2013<br>RM'000 |
| <b>Authorised:</b>                  |                        |                |
| 3,000,000,000 shares of RM1.00 each | 3,000,000              | 3,000,000      |
| <b>Issued and fully paid:</b>       |                        |                |
| Ordinary shares of RM1.00 each      | 1,879,909              | 1,879,909      |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 27 RESERVES

|                              | Note | The Group      |                | The Bank       |                |
|------------------------------|------|----------------|----------------|----------------|----------------|
|                              |      | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Retained profits             | (a)  | 7,189,104      | 6,197,372      | 5,375,070      | 4,835,280      |
| Share premium                |      | 2,832,383      | 2,832,383      | 2,832,383      | 2,832,383      |
| Statutory reserve            | (b)  | 3,081,128      | 2,625,743      | 2,640,258      | 2,242,523      |
| Share options reserve        | (c)  | 2,618          | 5,125          | 2,618          | 5,125          |
| Fair value reserve           | (d)  | 186,444        | 163,126        | 208,942        | 170,683        |
| Regulatory reserve (HLBVN)   | (f)  | 10,266         | 8,527          | -              | -              |
| Exchange fluctuation reserve | (e)  | (6,095)        | (13,752)       | 36,897         | 36,323         |
|                              |      | 6,106,744      | 5,621,152      | 5,721,098      | 5,287,037      |
|                              |      | 13,295,848     | 11,818,524     | 11,096,168     | 10,122,317     |

- (a) Pursuant to the Finance Act, 2007 which was gazetted on 28 November 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Bank, but are exempted from tax to the shareholders ("single-tier system"). The unutilised Section 108 balance of the Bank has expired as at 31 December 2013. As at 30 June 2014, dividends will be paid under the single-tier system.
- (b) The statutory reserve is maintained by the Bank in compliance with Section 47(2)(f) of the Financial Services Act, 2013 and the Islamic banking subsidiary in compliance with Section 57(2)(f) of the Islamic Financial Services Act, 2013 and is not distributable as cash dividends.
- (c) The share options reserve arose from share options granted to eligible executives of the Bank pursuant to the ESOS. Terms of the ESOS are disclosed in Note 52 to the financial statements.
- (d) Movement of the fair value reserve is as follows:

|  | The Group      |                | The Bank       |                |
|--|----------------|----------------|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| At 1 July  | 163,126        | 192,870        | 170,683        | 193,655        |
| Net gain from change in fair value                                   | 120,085        | 27,867         | 112,883        | 35,245         |
| Reclassification adjustment to net profit on disposal and impairment | (82,618)       | (64,671)       | (63,092)       | (64,653)       |
| Deferred taxation  | (11,387)       | 7,769          | (11,532)       | 6,436          |
| Share of fair value reserve of associated company                    | (2,762)        | (709)          | -              | -              |
| Net change in fair value reserve                                     | 23,318         | (29,744)       | 38,259         | (22,972)       |
| At 30 June   | 186,444        | 163,126        | 208,942        | 170,683        |

- (e) Currency translation differences arising from translation of the Bank's foreign branches and subsidiaries are shown under exchange fluctuation reserve.
- (f) The regulatory reserve is maintained by the Group's banking subsidiary company in Vietnam in line with the requirements of the State Bank of Vietnam.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 28 TREASURY SHARES

|  | Note | The Group      |                | The Bank       |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Purchase of own shares pursuant to Section 67A, Companies Act 1965 | (a)  | <b>431,829</b> | 431,800        | <b>431,829</b> | 431,800        |
| Treasury shares for ESOS scheme                                    | (b)  | <b>213,750</b> | 230,009        | <b>213,750</b> | 230,009        |
|  |      | <b>645,579</b> | 661,809        | <b>645,579</b> | 661,809        |

#### (a) Purchase of own shares pursuant to Section 67A of the Companies Act, 1965

The shareholders of the Bank, via an ordinary resolution passed at the Annual General Meeting held on 25 October 2011, had approved the Bank's plan to purchase its own shares up to 10% of existing total 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.

During the financial year, the Bank bought back 2,000 (2013: 1,000) of its issued share capital, at an average price of RM14.29 per share (2013: RM13.48), from the open market. The total consideration paid for the share buyback of its own shares, including transaction costs, was RM28,579 (2013: RM13,538) and was financed by internally generated funds. As at 30 June 2014, the total number of shares bought was 81,101,700 (2013: 81,099,700) and the shares held were accounted as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965.

There was no resale or cancellation of treasury shares during the financial year. The adjusted number of issued and fully paid-up shares with voting rights as at 30 June 2014 after deducting treasury shares purchased is 1,798,807,400 shares (2013: 1,798,809,400). Treasury shares have no rights to vote, dividends and participation in other distribution.

#### (b) Treasury shares for ESOS scheme

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 ESOS holders are recorded as "Treasury Shares for ESOS" in the equity on the statements of financial position. During the financial year, there were no shares bought back by the appointed Trustee. As at 30 June 2014, the total number of shares held was 36,210,678 (30 June 2013: 39,022,157).

**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**29 INTEREST INCOME**

|  | The Group        |                | The Bank         |                |
|--|------------------|----------------|------------------|----------------|
|  | 2014<br>RM'000   | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| Loans, advances and financing                                    | <b>4,125,470</b> | 4,001,931      | <b>4,099,812</b> | 3,988,191      |
| Money at call and deposit placements with financial institutions | <b>430,603</b>   | 391,142        | <b>450,070</b>   | 419,295        |
| Securities purchased under resale agreements                     | <b>18,404</b>    | 28,019         | <b>18,404</b>    | 28,019         |
| Financial assets held-for-trading                                | <b>499,315</b>   | 709,989        | <b>518,097</b>   | 736,568        |
| Financial investments available-for-sale                         | <b>393,231</b>   | 306,942        | <b>357,627</b>   | 275,688        |
| Financial investments held-to-maturity                           | <b>182,496</b>   | 91,110         | <b>210,239</b>   | 115,168        |
| Others   | <b>203</b>       | 264            | <b>12,926</b>    | 46,314         |
|  | <b>5,649,722</b> | 5,529,397      | <b>5,667,175</b> | 5,609,243      |
| Of which:  |                  |                |                  |                |
| Accretion of discount less amortisation of premium               | <b>203,482</b>   | 465,810        | <b>203,482</b>   | 465,810        |
| Interest income earned on impaired loans, advances and financing | <b>65,356</b>    | 26,958         | <b>65,356</b>    | 26,958         |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 30 INTEREST EXPENSE

|   | The Group        |                | The Bank         |                |
|---|------------------|----------------|------------------|----------------|
|   | 2014<br>RM'000   | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| Deposits and placements of banks and other financial institutions | 63,567           | 94,737         | 69,728           | 95,223         |
| Deposits from other customers                                     | 2,366,826        | 2,255,452      | 2,411,760        | 2,361,533      |
| Short term corporate placements                                   | 190,579          | 304,756        | 190,579          | 304,756        |
| Senior bonds  | 70,240           | 67,557         | 70,240           | 67,557         |
| Tier 2 subordinated bonds   | 188,785          | 185,842        | 203,394          | 203,116        |
| Non-innovative Tier 1 stapled securities                          | 71,439           | 72,215         | 71,766           | 72,215         |
| Innovative Tier 1 capital securities                              | 26,862           | 23,742         | 26,862           | 24,064         |
| Others  | 9,200            | 11,429         | 9,200            | 11,429         |
|   | <b>2,987,498</b> | 3,015,730      | <b>3,053,529</b> | 3,139,893      |

### 31 INCOME FROM ISLAMIC BANKING BUSINESS

|  | The Group      |                |
|--|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 |
| Income derived from investment of depositors' funds and others | 835,835        | 848,865        |
| Income derived from investment of shareholders' funds          | 91,395         | 85,520         |
| Income attributable to depositors                              | (492,851)      | (479,498)      |
|  | <b>434,379</b> | 454,887        |
| Of which:  |                |                |
| Financing income earned on impaired financing and advances     | 10,301         | 3,317          |



**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**32 NON-INTEREST INCOME**

|   | The Group      |                | The Bank         |                |
|---|----------------|----------------|------------------|----------------|
|   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| <b>Fee income</b>   |                |                |                  |                |
| Commissions   | 141,375        | 136,695        | 140,831          | 136,448        |
| Service charges and fees  | 51,012         | 46,824         | 50,829           | 46,795         |
| Guarantee fees  | 22,818         | 21,695         | 22,736           | 21,619         |
| Credit card related fees  | 240,267        | 270,152        | 240,267          | 270,152        |
| Corporate advisory fees   | 654            | 1,951          | 654              | 1,951          |
| Commitment fees   | 36,562         | 34,539         | 36,537           | 34,543         |
| Fee on loans, advances and financing  | 64,676         | 66,359         | 64,074           | 66,359         |
| Other fee income  | 37,481         | 13,287         | 37,346           | 13,489         |
|   | <b>594,845</b> | 591,502        | <b>593,274</b>   | 591,356        |
| <b>Net income from securities</b>   |                |                |                  |                |
| Net realised gain from sale/redemption of securities portfolio:   |                |                |                  |                |
| – Financial assets held-for-trading   | 15,185         | 40,150         | 15,185           | 40,150         |
| – Derivatives financial instruments   | 38,052         | 37,833         | 38,052           | 37,833         |
| – Financial investments available-for-sale  | 74,419         | 75,171         | 54,893           | 75,153         |
| – Financial investments held-to-maturity  | 790            | 8,437          | 790              | 8,437          |
| Dividend income from:   |                |                |                  |                |
| – Subsidiary companies  | –              | –              | 56,700           | 111,239        |
| – Associated company  | –              | –              | 76,859           | 70,361         |
| – Financial investments available-for-sale  | 66,632         | 57,785         | 66,632           | 57,785         |
| Net unrealised gain on revaluation of:  |                |                |                  |                |
| – Financial assets held-for-trading   | 1,888          | 14,611         | 1,888            | 14,611         |
| – Derivatives financial instruments   | 177            | 60,380         | 177              | 60,380         |
| Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges | (8,334)        | (26,614)       | (6,379)          | (23,062)       |
| Net unrealised gain on fair value changes arising from fair value hedges  | –              | 10,917         | –                | 10,917         |
|   | <b>188,809</b> | 278,670        | <b>304,797</b>   | 463,804        |
| <b>Other income</b>   |                |                |                  |                |
| Foreign exchange gain   | 132,150        | 148,470        | 132,225          | 147,911        |
| Rental income   | 5,357          | 4,852          | 5,357            | 4,852          |
| Gain on disposal of property and equipment  | 6,113          | 880            | 6,113            | 880            |
| Other non-operating income  | 15,182         | 13,867         | 28,538           | 13,654         |
|   | <b>158,802</b> | 168,069        | <b>172,233</b>   | 167,297        |
|   | <b>942,456</b> | 1,038,241      | <b>1,070,304</b> | 1,222,457      |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 33 OVERHEAD EXPENSES

|                                     | The Group        |                | The Bank         |                |
|-------------------------------------|------------------|----------------|------------------|----------------|
|                                     | 2014<br>RM'000   | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| Personnel costs                     | 948,348          | 953,870        | 801,745          | 810,254        |
| Establishment costs                 | 487,648          | 499,737        | 426,112          | 437,954        |
| Marketing expenses                  | 151,354          | 125,123        | 146,782          | 119,377        |
| Administration and general expenses | 204,863          | 268,295        | 198,998          | 262,755        |
|                                     | <b>1,792,213</b> | 1,847,025      | <b>1,573,637</b> | 1,630,340      |

The overhead expenses of the Bank are net of shared services costs charged to subsidiaries.

(i) Personnel costs comprise the followings:

|                                  | The Group      |                | The Bank       |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Salaries, bonus and allowances   | 859,063        | 864,649        | 724,344        | 735,585        |
| Medical expenses                 | 23,804         | 24,348         | 20,069         | 20,480         |
| Training and convention expenses | 29,925         | 31,630         | 26,920         | 27,719         |
| Staff welfare                    | 13,213         | 14,572         | 11,693         | 11,950         |
| Other employees benefits         | 22,343         | 18,671         | 18,719         | 14,520         |
|                                  | <b>948,348</b> | 953,870        | <b>801,745</b> | 810,254        |

(ii) Establishment costs comprise the followings:

|  | The Group      |                | The Bank       |                |
|--|----------------|----------------|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Depreciation of property and equipment | 110,193        | 105,812        | 105,116        | 101,587        |
| Amortisation of intangible assets      | 97,502         | 99,243         | 92,969         | 96,471         |
| Rental of premises                     | 73,369         | 78,749         | 60,807         | 64,449         |
| Information technology expenses        | 109,059        | 112,445        | 100,095        | 99,975         |
| Security services                      | 31,344         | 31,384         | 25,214         | 27,561         |
| Electricity, water and sewerage        | 24,743         | 27,176         | 21,607         | 25,864         |
| Hire of plant and machinery            | 13,664         | 13,895         | 12,556         | 12,076         |
| Others                                 | 27,774         | 31,033         | 7,748          | 9,971          |
|  | <b>487,648</b> | 499,737        | <b>426,112</b> | 437,954        |

**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**33 OVERHEAD EXPENSES (CONTINUED)**

(iii) Marketing expenses comprise the followings:

|                             | The Group      |                | The Bank       |                |
|-----------------------------|----------------|----------------|----------------|----------------|
|                             | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Advertisement and publicity | 36,885         | 49,531         | 34,151         | 44,488         |
| Credit card related fees    | 97,263         | 61,794         | 97,263         | 61,794         |
| Others                      | 17,206         | 13,798         | 15,368         | 13,095         |
|                             | <b>151,354</b> | 125,123        | <b>146,782</b> | 119,377        |

(iv) Administration and general expenses comprise the followings:

|                                   | The Group      |                | The Bank       |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Teletransmission expenses         | 13,555         | 15,364         | 13,227         | 15,413         |
| Stationery and printing expenses  | 18,259         | 17,965         | 17,741         | 17,573         |
| Professional fees                 | 79,656         | 88,591         | 77,506         | 86,008         |
| Insurance fees                    | 29,988         | 21,695         | 25,648         | 18,422         |
| Stamp, postage and courier        | 22,171         | 24,698         | 21,876         | 24,492         |
| Travelling and transport expenses | 6,430          | 6,790          | 5,120          | 5,506          |
| Registration and license fees     | 4,910          | 4,859          | 4,460          | 4,589          |
| Brokerage and commission          | 5,993          | 4,960          | 5,153          | 4,341          |
| Others                            | 23,901         | 83,373         | 28,267         | 86,411         |
|                                   | <b>204,863</b> | 268,295        | <b>198,998</b> | 262,755        |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 33 OVERHEAD EXPENSES (CONTINUED)

The above expenditure includes the following statutory disclosures:

|  | The Group      |                | The Bank       |                |
|--|----------------|----------------|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Directors' remuneration (Note 36)          | 4,637          | 6,070          | 4,435          | 5,878          |
| Hire of equipment                          | 13,682         | 13,906         | 12,954         | 13,829         |
| Auditors' remuneration:                    |                |                |                |                |
| Malaysian firm                             |                |                |                |                |
| – statutory audit                          | 1,680          | 1,793          | 1,439          | 1,521          |
| – audit related fees                       | 648            | 828            | 494            | 682            |
| – other services                           | 170            | 120            | 135            | 120            |
| – tax compliance                           | 86             | 141            | 65             | 101            |
| – other tax services                       | 311            | 70             | 311            | 70             |
| PwC overseas affiliated firms              |                |                |                |                |
| – statutory audit                          | 375            | 289            | 270            | 225            |
| – other fees                               | 180            | 141            | 180            | 141            |
| Loss on disposal of property and equipment | 2,101          | 4,454          | 2,018          | 4,365          |
| Property and equipment written off         | 1,282          | 7              | 1,249          | 7              |
| Intangible assets written off              | 8,565          | 506            | 8,561          | 506            |

### 34 ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

|                                       | The Group      |                | The Bank       |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Allowance for impairment losses       |                |                |                |                |
| on loans, advances and financing:     |                |                |                |                |
| – collective assessment allowance     | 254,706        | 183,884        | 274,988        | 221,498        |
| – individual assessment allowance     | 31,215         | 99,868         | 29,588         | 96,367         |
| Impaired loans and financing:         |                |                |                |                |
| – written off                         | 20,025         | 21,068         | 17,725         | 19,080         |
| – recovered from bad debt written off | (253,881)      | (263,444)      | (229,898)      | (241,695)      |
|                                       | 52,065         | 41,376         | 92,403         | 95,250         |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 35 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) ("HLMG")<br>Hume Cement Sdn Bhd<br>Hume Construction Sdn Bhd<br>Hume Plastics (Malaysia) Sdn Berhad<br>Hume Quarry (Sarawak) Sdn Bhd<br>Hongvilla Development Sdn Bhd<br>HIMB Overseas Limited<br>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 & its subsidiaries and associated companies  | Subsidiary and associated companies of ultimate holding company   |
| Subsidiary companies of the Bank as disclosed in Note 11   | Subsidiary companies of the Bank  |
| Associated companies of the Group as disclosed in Note 13  | Associated companies of the Group   |
| Joint venture of the Group as disclosed in Note 12   | Joint venture of the Group  |
| Key management personnel   | The key management personnel of the Bank consists of:<br>– All Directors of the Bank and six members of senior management of the Bank |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 35 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

#### (a) Related parties and relationships (continued)

The related parties of and their relationships with the Bank are as follows: (continued)

| Related parties   | Relationship   |
|---|--|
| Related parties of key management personnel (deemed as related to the Bank) | (i) Close family members and dependents of key management personnel<br><br>(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 |

#### (b) Related party transactions and balances

| The Group<br>2014                               | Parent<br>company<br>RM'000 | Other<br>related<br>companies<br>RM'000 | Key<br>management<br>personnel<br>RM'000 |
|---|-----------------------------|---|--|
| <b>Income</b>                                   |                             |   |  |
| Interest:                                       |                             |   |  |
| – loans   | –                           | –                                       | 12,026                                   |
| Commission on Group products/services sold      | –                           | 19,401                                  | –  |
| Others  | 262                         | 7,658                                   | –  |
|   | <b>262</b>                  | <b>27,059</b>                           | <b>12,026</b>                            |
| <b>Expenditure</b>                              |                             |   |  |
| Rental and maintenance                          | –                           | 17,254                                  | –  |
| Insurance                                       | –                           | 2,626                                   | –  |
| Interest on deposits                            | –                           | 23                                      | 587                                      |
| Interest paid on short-term corporate placement | –                           | 7,157                                   | 2,038                                    |
| Management fees                                 | 6,005                       | 27,847                                  | –  |
| Other miscellaneous expenses                    | 392                         | 2,579                                   | –  |
|   | <b>6,397</b>                | <b>57,486</b>                           | <b>2,625</b>                             |
| <b>Amounts due from</b>                         |                             |   |  |
| Loans   | –                           | 296,057                                 | 717                                      |
| Credit card balances                            | –                           | –                                       | 324                                      |
| Others  | 16                          | 1,553                                   | –  |
|   | <b>16</b>                   | <b>297,610</b>                          | <b>1,041</b>                             |
| <b>Amounts due to</b>                           |                             |   |  |
| Current account and fixed deposits              | –                           | 203,869                                 | 104,615                                  |
| Short-term corporate placement                  | –                           | 627,078                                 | 66,407                                   |
|   | <b>–</b>                    | <b>830,947</b>                          | <b>171,022</b>                           |

**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**35 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)****(b) Related party transactions and balances (continued)**

| <b>The Group<br/>2013</b>                       | <b>Parent<br/>company<br/>RM'000</b> | <b>Other<br/>related<br/>companies<br/>RM'000</b> | <b>Key<br/>management<br/>personnel<br/>RM'000</b> |
|---|--------------------------------------|---|--|
| <b>Income</b>                                   |                                      |   |  |
| Interest:                                       |                                      |   |  |
| – loans   | –                                    | –   | 2,526  |
| Commission on Group products/services sold      | –                                    | 18,817  | –  |
| Others  | –                                    | 7,587   | –  |
|   | –                                    | 26,404  | 2,526  |
| <b>Expenditure</b>                              |                                      |   |  |
| Rental and maintenance                          | –                                    | 15,545  | –  |
| Insurance                                       | –                                    | 3,089   | –  |
| Interest on deposits                            | –                                    | 33  | 837  |
| Interest paid on short-term corporate placement | –                                    | 10,568  | 1,615  |
| Management fees                                 | 5,580                                | 29,496  | –  |
| Other miscellaneous expenses                    | 381                                  | 2,701   | –  |
|   | 5,961                                | 61,432  | 2,452  |
| <b>Amounts due from</b>                         |                                      |   |  |
| Loans   | –                                    | 342,306   | 875  |
| Credit card balances                            | –                                    | –   | 297  |
| Others  | 125                                  | 836   | –  |
|   | 125                                  | 343,142   | 1,172  |
| <b>Amounts due to</b>                           |                                      |   |  |
| Current account and fixed deposits              | 151                                  | 101,251   | 55,858   |
| Short-term corporate placement                  | –                                    | 236,383   | 62,870   |
|   | 151                                  | 337,634   | 118,728  |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 35 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

#### (b) Related party transactions and balances (continued)

| The Bank<br>2014                                      | Parent<br>company<br>RM'000 | Subsidiary<br>companies<br>RM'000 | Other<br>related<br>companies<br>RM'000 | Key<br>management<br>personnel<br>RM'000 |
|---|-----------------------------|-----------------------------------|---|--|
| <b>Income</b>   |                             |                                   |   |  |
| Interest:   |                             |                                   |   |  |
| - loans   | -                           | -                                 | -                                       | 12,019                                   |
| - interbank placement                                 | -                           | 6,535                             | -                                       | -  |
| - negotiable instruments of deposit                   | -                           | 52,932                            | -                                       | -  |
| - redeemable preference shares                        | -                           | 12,698                            | -                                       | -  |
| - medium term note                                    | -                           | 14,935                            | -                                       | -  |
| Commission on Group products/<br>services sold        | -                           | -                                 | 19,401                                  | -  |
| Reimbursement of shared service cost                  | 262                         | 129,686                           | 7,658                                   | -  |
|   | <b>262</b>                  | <b>216,786</b>                    | <b>27,059</b>                           | <b>12,019</b>                            |
| <b>Expenditure</b>                                    |                             |                                   |   |  |
| Rental and maintenance                                | -                           | 961                               | 17,254                                  | -  |
| Insurance   | -                           | -                                 | 2,626                                   | -  |
| Interest on current account<br>and fixed deposits     | -                           | 428                               | 23                                      | 581                                      |
| Interest paid on stapled securities                   | -                           | 71,766                            | -                                       | -  |
| Interest paid on short-term corporate<br>placement    | -                           | -                                 | 7,157                                   | 2,038                                    |
| Interest paid on negotiable instruments<br>of deposit | -                           | 12,698                            | -                                       | -  |
| Management fees                                       | 6,005                       | -                                 | 27,847                                  | -  |
| Other miscellaneous expenses                          | 392                         | -                                 | 2,579                                   | -  |
|   | <b>6,397</b>                | <b>85,853</b>                     | <b>57,486</b>                           | <b>2,619</b>                             |
| <b>Amounts due from</b>                               |                             |                                   |   |  |
| Interbank placement                                   | -                           | 94,530                            | -                                       | -  |
| Negotiable instruments of deposit                     | -                           | 1,144,186                         | -                                       | -  |
| Loans   | -                           | -                                 | 296,057                                 | 717                                      |
| Credit card balances                                  | -                           | -                                 | -                                       | 324                                      |
| Others  | 16                          | 11,437                            | 1,553                                   | -  |
|   | <b>16</b>                   | <b>1,250,153</b>                  | <b>297,610</b>                          | <b>1,041</b>                             |
| <b>Amounts due to</b>                                 |                             |                                   |   |  |
| Current account and fixed deposits                    | -                           | 91,909                            | 203,869                                 | 103,720                                  |
| Stapled securities                                    | -                           | 1,410,252                         | -                                       | -  |
| Short-term corporate placement                        | -                           | -                                 | 627,078                                 | 66,407                                   |
| Others  | -                           | 175,182                           | -                                       | -  |
|   | <b>-</b>                    | <b>1,677,343</b>                  | <b>830,947</b>                          | <b>170,127</b>                           |



**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**35 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)****(b) Related party transactions and balances (continued)**

| The Bank<br>2013                                      | Parent<br>company<br>RM'000 | Subsidiary<br>companies<br>RM'000 | Other<br>related<br>companies<br>RM'000 | Key<br>management<br>personnel<br>RM'000 |
|---|-----------------------------|-----------------------------------|---|--|
| <b>Income</b>   |                             |                                   |   |  |
| Interest:   |                             |                                   |   |  |
| - loans   | -                           | -                                 | -                                       | 2,525                                    |
| - interbank placement                                 | -                           | 686                               | -                                       | -  |
| - negotiable instruments of deposit                   | -                           | 60,379                            | -                                       | -  |
| - redeemable preference shares                        | -                           | 46,035                            | -                                       | -  |
| - medium term note                                    | -                           | 15,521                            | -                                       | -  |
| Commitment fee and bank charges                       | -                           | 4                                 | -                                       | -  |
| Commission on Group products/<br>services sold        | -                           | -                                 | 18,817                                  | -  |
| Reimbursement of shared service cost                  | -                           | 141,660                           | 7,587                                   | -  |
|   | -                           | 264,285                           | 26,404                                  | 2,525                                    |
| <b>Expenditure</b>                                    |                             |                                   |   |  |
| Rental and maintenance                                | -                           | 961                               | 15,545                                  | -  |
| Insurance   | -                           | -                                 | 3,089                                   | -  |
| Interest on current account<br>and fixed deposits     | -                           | 415                               | 33                                      | 831                                      |
| Interest paid on stapled securities                   | -                           | 72,215                            | -                                       | -  |
| Interest paid on short-term corporate<br>placement    | -                           | -                                 | 10,568                                  | 1,615                                    |
| Interest paid on negotiable instruments<br>of deposit | -                           | 46,035                            | -                                       | -  |
| Management fees                                       | 5,580                       | -                                 | 29,496                                  | -  |
| Other miscellaneous expenses                          | 381                         | -                                 | 2,701                                   | -  |
|   | 5,961                       | 119,626                           | 61,432                                  | 2,446                                    |
| <b>Amounts due from</b>                               |                             |                                   |   |  |
| Interbank placement                                   | -                           | 800,686                           | -                                       | -  |
| Negotiable instruments of deposit                     | -                           | 1,740,000                         | -                                       | -  |
| Redeemable preference shares                          | -                           | 613,800                           | -                                       | -  |
| Loans   | -                           | -                                 | 342,306                                 | 875                                      |
| Medium term note                                      | -                           | 275,597                           | -                                       | -  |
| Credit card balances                                  | -                           | -                                 | -                                       | 297                                      |
| Others  | 125                         | 2,687                             | 836                                     | -  |
|   | 125                         | 3,432,770                         | 343,142                                 | 1,172                                    |
| <b>Amounts due to</b>                                 |                             |                                   |   |  |
| Current account and fixed deposits                    | 151                         | 704,793                           | 101,251                                 | 55,019                                   |
| Negotiable instruments of deposit                     | -                           | 613,800                           | -                                       | -  |
| Stapled securities                                    | -                           | 1,408,992                         | -                                       | -  |
| Short-term corporate placement                        | -                           | -                                 | 236,383                                 | 62,870                                   |
| Others  | -                           | 129,742                           | -                                       | -  |
|   | 151                         | 2,857,327                         | 337,634                                 | 117,889                                  |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 35 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

#### (b) Related party transactions and balances (continued)

|  | The Group      |                |
|--|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 |
| The approved limit on loans, advances and financing for key management personnel | 999            | 1,179          |

#### (c) Key management personnel

Key management compensation

|  | The Group      |                | The Bank       |                |
|--|----------------|----------------|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Salaries and other short-term employee benefit | 19,655         | 18,909         | 19,655         | 18,909         |
| Share options balance of the Bank              | 265,156        | 1,575,546      | 265,156        | 1,575,546      |

Included in the above is the Directors' compensation which is disclosed in Note 36 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 2014 and 2013 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       |                |
|---|----------------|----------------|----------------|----------------|
|   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Outstanding credit exposures with connected parties   | 6,329,379      | 5,797,369      | 6,119,610      | 5,739,418      |
| Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures | 5.18%          | 5.08%          | 5.79%          | 5.79%          |
| Percentage of outstanding credit exposures with connected parties which is non-performing or in default   | 0.0004%        | 0.0009%        | 0.0004%        | 0.0010%        |

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 30 June 2014

(continued)

**36 DIRECTORS' REMUNERATION**

Forms of remuneration in aggregate for all Directors for the financial year are as follows:

|   | The Group  |                      |   | The Bank   |                      |   |              |
|---|--|----------------------|---|--|----------------------|---|--------------|
|   | Salaries and bonuses and defined contribution retirement plan RM'000 | Director fees RM'000 | Estimated money value for benefits-in-kind 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 |
| <b>2014</b>                                     |  |                      |   |  |                      |   |              |
| <b>Executive Director</b>                       |  |                      |   |  |                      |   |              |
| Mr Tan Kong Khoo                                | 3,780  | -                    | 34  | 3,780  | -                    | 34  | 3,814        |
| <b>Non-executive Directors</b>                  |  |                      |   |  |                      |   |              |
| YBhg Tan Sri Quek Leng Chan                     | -  | -                    | -   | -  | -                    | -   | -            |
| Mr Kwek Leng Hai                                | -  | -                    | -   | -  | -                    | -   | -            |
| YBhg Dato' Mohamed Nazim bin Abdul Razak        | -  | 178                  | -   | -  | 100                  | -   | 100          |
| Mr Choong Yee How                               | -  | -                    | -   | -  | -                    | -   | -            |
| Mr Quek Kon Sean                                | -  | -                    | -   | -  | -                    | -   | -            |
| Ms Lim Lean See                                 | -  | 165                  | -   | -  | 165                  | -   | 165          |
| YBhg Tan Sri A. Razak bin Ramli                 | -  | 214                  | -   | -  | 90                   | -   | 90           |
| Mr Lim Beng Choon                               | -  | 150                  | -   | -  | 150                  | -   | 150          |
| Ms Chok Kwee Bee                                | -  | 53                   | -   | -  | 53                   | -   | 53           |
| Mr Nicholas John Lough                          | -  | 2                    | -   | -  | 2                    | -   | 2            |
| YBhg Datuk Kwek Leng San                        | -  | -                    | -   | -  | -                    | -   | -            |
| YBhg Dato' Syed Faisal Albar bin Syed A.R Albar | -  | 61                   | -   | -  | 61                   | -   | 61           |
|   | -  | 823                  | -   | -  | 621                  | -   | 621          |
| <b>Total Directors' remuneration</b>            | <b>3,780</b>   | <b>823</b>           | <b>34</b>   | <b>3,780</b>   | <b>621</b>           | <b>34</b>   | <b>4,435</b> |

The movement and details of the Directors of the Company in office and interests in shares and share options are reported in the Directors' report.

**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**36 DIRECTORS' REMUNERATION (CONTINUED)**

Forms of remuneration in aggregate for all Directors for the financial year are as follows: (continued)

|  | The Group  |                      |   | The Bank     |  |                      |   |              |
|--|--|----------------------|---|--------------|--|----------------------|---|--------------|
|  | 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 |
| <b>2013</b>                                      |  |                      |   |              |  |                      |   |              |
| <b>Executive Director</b>                        |  |                      |   |              |  |                      |   |              |
| YBhg Datuk Yvonne Chia                           | 5,245  | -                    | 23  | 5,268        | 5,245  | -                    | 23  | 5,268        |
| <b>Non-executive Directors</b>                   |  |                      |   |              |  |                      |   |              |
| YBhg Tan Sri Quek Leng Chan                      | -  | -                    | -   | -            | -  | -                    | -   | -            |
| Mr Kwek Leng Hai                                 | -  | -                    | -   | -            | -  | -                    | -   | -            |
| YBhg Dato' Mohamed Nazim bin Abdul Razak         | -  | 178                  | -   | 178          | -  | 100                  | -   | 100          |
| Mr Choong Yee How                                | -  | -                    | -   | -            | -  | -                    | -   | -            |
| Mr Quek Kon Sean                                 | -  | -                    | -   | -            | -  | -                    | -   | -            |
| YBhg Datuk Kwek Leng San                         | -  | -                    | -   | -            | -  | -                    | -   | -            |
| Ms Lim Lean See                                  | -  | 165                  | -   | 165          | -  | 165                  | -   | 165          |
| YBhg Tan Sri A. Razak bin Ramli                  | -  | 204                  | -   | 204          | -  | 90                   | -   | 90           |
| Mr Lim Beng Choon                                | -  | 150                  | -   | 150          | -  | 150                  | -   | 150          |
| YBhg Dato' Syed Faisal Albar bin Syed A.R. Albar | -  | 105                  | -   | 105          | -  | 105                  | -   | 105          |
|  | -  | 802                  | -   | 802          | -  | 610                  | -   | 610          |
| <b>Total Directors' remuneration</b>             | <b>5,245</b>   | <b>802</b>           | <b>23</b>   | <b>6,070</b> | <b>5,245</b>   | <b>610</b>           | <b>23</b>   | <b>5,878</b> |

The movement and details of the Directors of the Company in office and interests in shares and share options are reported in the Directors' report.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 37 TAXATION

|                                       | Note | The Group      |                | The Bank       |                |
|---------------------------------------|------|----------------|----------------|----------------|----------------|
|                                       |      | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Malaysian income tax                  |      |                |                |                |                |
| – Current year                        |      | 562,426        | 534,628        | 518,699        | 519,413        |
| – (Over)/Under accrual in prior years |      | (62,414)       | 23,376         | (63,016)       | 28,206         |
| Deferred taxation                     | 16   |                |                |                |                |
| – Current year                        |      | 9,620          | (35,696)       | 9,807          | (35,740)       |
| – Under accrual in prior years        |      | 1,319          | 14,367         | 1,296          | 11,359         |
| <b>Taxation</b>                       |      | <b>510,951</b> | <b>536,675</b> | <b>466,786</b> | <b>523,238</b> |

The effective tax rate for the Group and Bank differed from the statutory rate of taxation due to:

|   | The Group      |                | The Bank       |                |
|---|----------------|----------------|----------------|----------------|
|   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Profit before taxation  | 2,613,221      | 2,392,947      | 2,057,725      | 1,973,692      |
| Tax calculated at a rate of 25% (2013: 25%)                                   | 653,305        | 598,237        | 514,431        | 493,423        |
| Tax effects of:   |                |                |                |                |
| – Income not subject to tax   | (25,585)       | (48,214)       | (20,295)       | (24,205)       |
| – Share of net income of foreign associated company and joint venture company | (94,656)       | (66,770)       | –              | –              |
| – Expenses not deductible for tax purposes                                    | 38,982         | 15,679         | 34,370         | 14,455         |
| (Over)/under accrual in prior years   | (61,095)       | 37,743         | (61,720)       | 39,565         |
| <b>Taxation</b>   | <b>510,951</b> | <b>536,675</b> | <b>466,786</b> | <b>523,238</b> |

|   | The Group      |                |
|---|----------------|----------------|
|   | 2014<br>RM'000 | 2013<br>RM'000 |
| Unused tax losses for which no deferred tax is recognised in the financial statements | 29,257         | 29,831         |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 38 EARNINGS PER SHARE

#### Basic earnings per share

Basic earnings per share from operations is calculated by dividing the net profit attributable to ordinary equity holders of the Bank after taxation by the weighted average number of ordinary shares in issue during the financial year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

|  | The Group        |                | The Bank         |                |
|--|------------------|----------------|------------------|----------------|
|  | 2014<br>RM'000   | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| Net profit attributable to equity holders                  | <b>2,102,270</b> | 1,856,272      | <b>1,590,939</b> | 1,450,454      |
| Weighted average number of ordinary shares in issue ('000) | <b>1,761,195</b> | 1,754,344      | <b>1,761,195</b> | 1,754,344      |
| Basic earnings per share (sen)                             | <b>119.4</b>     | 105.8          | <b>90.3</b>      | 82.7           |

#### Diluted earnings per share

The Bank has only one category of dilutive potential ordinary share, share options. 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 above is compared with the number of shares that would have been issued assuming the exercise of the share options.

|  | The Group        |                | The Bank         |                |
|--|------------------|----------------|------------------|----------------|
|  | 2014<br>RM'000   | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| Net profit attributable to equity holders                  | <b>2,102,270</b> | 1,856,272      | <b>1,590,939</b> | 1,450,454      |
| Weighted average number of ordinary shares in issue ('000) | <b>1,761,195</b> | 1,754,344      | <b>1,761,195</b> | 1,754,344      |
| - adjustment for ESOS                                      | <b>352</b>       | 1,805          | <b>352</b>       | 1,805          |
|  | <b>1,761,547</b> | 1,756,149      | <b>1,761,547</b> | 1,756,149      |
| Diluted earnings per share (sen)                           | <b>119.3</b>     | 105.7          | <b>90.3</b>      | 82.6           |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 39 DIVIDENDS

|   | The Group and The Bank        |                                       |                               |                                       |
|---|-------------------------------|---------------------------------------|-------------------------------|---------------------------------------|
|   | 2014                          |                                       | 2013                          |                                       |
|   | 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 2013 | 30.0                          | 396,172                               | –                             | –                                     |
| – for financial year ended 30 June 2012 | –                             | –                                     | 27.0                          | 355,251                               |
| Interim single tier dividend paid       |                               |                                       |                               |                                       |
| – for financial year ended 30 June 2014 | 15.0                          | 264,190                               | –                             | –                                     |
| Interim dividend paid                   |                               |                                       |                               |                                       |
| – for financial year ended 30 June 2013 | –                             | –                                     | 15.0                          | 197,362                               |
|   | 45.0                          | 660,362                               | 42.0                          | 552,613                               |

A final single tier dividend in respect of the financial year ended 30 June 2014 of 26.0 sen per share (2013: 30.0 sen per share less tax at 25%) will be proposed for shareholders' approval at the forthcoming Annual General Meeting. Based on the Bank's adjusted issued and paid-up share capital (excluding 81,101,700 treasury shares held pursuant to Section 67A of the Companies Act, 1965 and ESOS scheme of 36,210,678 shares) of RM1,762,596,722 comprising 1,762,596,722 shares as at 30 June 2014, the dividend amount would approximately be RM458,275,148. The proposed dividend will be reflected in the financial statements of the financial year ending 30 June 2015 when approved by shareholders.

### 40 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)

|  | 2014              |                     |                          | 2013              |                     |                          |
|--|-------------------|---------------------|--------------------------|-------------------|---------------------|--------------------------|
|  | Before tax RM'000 | Tax benefits RM'000 | Net of tax amount RM'000 | Before tax RM'000 | Tax expenses RM'000 | Net of tax amount RM'000 |
| <b>The Group</b>                         |                   |                     |                          |                   |                     |                          |
| Financial investments available-for-sale |                   |                     |                          |                   |                     |                          |
| – net fair value gain/(loss)             | 33,828            | (8,457)             | 25,371                   | (39,629)          | 9,907               | (29,722)                 |
| <b>The Bank</b>                          |                   |                     |                          |                   |                     |                          |
| Financial investments available-for-sale |                   |                     |                          |                   |                     |                          |
| – net fair value gain/(loss)             | 51,012            | (12,753)            | 38,259                   | (30,629)          | 7,657               | (22,972)                 |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 41 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incurs 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           |                |
|---|--------------------|----------------|--------------------|----------------|
|   | 2014<br>RM'000     | 2013<br>RM'000 | 2014<br>RM'000     | 2013<br>RM'000 |
| Direct credit substitutes*                              | 356,167            | 282,262        | 355,108            | 280,859        |
| Certain transaction related contingent items            | 1,706,130          | 1,629,933      | 1,609,051          | 1,559,520      |
| Short term self liquidating trade related contingencies | 765,904            | 891,468        | 737,856            | 845,800        |
| Forward asset purchases                                 | 37,432             | -              | 37,432             | -              |
| Irrevocable commitments to extend credit:               |                    |                |                    |                |
| - maturity more than one year                           | 17,251,829         | 14,108,639     | 14,568,131         | 11,415,226     |
| - maturity less than one year                           | 15,821,707         | 17,331,901     | 14,681,470         | 16,468,730     |
| Foreign exchange related contracts:^                    |                    |                |                    |                |
| - less than one year                                    | 41,760,495         | 38,342,314     | 40,980,702         | 42,204,011     |
| - one year to less than five years                      | 4,369,268          | 3,649,055      | 4,369,456          | 3,682,060      |
| - five years and above                                  | 598,871            | 603,465        | 598,871            | 603,465        |
| Interest rate related contracts:^                       |                    |                |                    |                |
| - less than one year                                    | 45,035,485         | 17,140,615     | 44,935,485         | 17,040,615     |
| - one year to less than five years                      | 49,018,223         | 42,439,167     | 47,758,223         | 41,139,167     |
| - five years and above                                  | 8,501,058          | 14,773,860     | 8,451,058          | 14,623,860     |
| Equity related contracts:^                              |                    |                |                    |                |
| - less than one year                                    | 207,936            | 54,168         | 207,936            | 54,168         |
| - one year to less than five years                      | 94,310             | -              | 94,310             | -              |
| Unutilised credit card lines                            | 7,610,596          | 8,331,904      | 7,610,596          | 8,331,904      |
|   | <b>193,135,411</b> | 159,578,751    | <b>186,995,685</b> | 158,249,385    |

^ These derivatives are revalued at gross position basis and the fair value have been reflected in Note 20 to the financial statements as derivatives assets or derivatives liabilities.

\* Included in direct credit substitutes above are the financial guarantee contracts of RM349,592,110 and RM349,035,246 at Group and Bank, respectively (30 June 2013: RM275,560,736 and RM274,157,872 at Group and Bank, respectively), of which fair value at the time of issuance is zero.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 42 CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the financial statements are as follows:

|                                   | The Group      |                | The Bank       |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Authorised and contracted for     | 22,470         | 71,781         | 18,002         | 71,241         |
| Authorised but not contracted for | 113,709        | 123,766        | 106,093        | 116,951        |
|                                   | <b>136,179</b> | 195,547        | <b>124,095</b> | 188,192        |

The capital commitments are in respect of property and equipment.

### 43 LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rented premises, 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       |                |
|---|----------------|----------------|----------------|----------------|
|   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Not later than one year                           | 7,898          | 4,502          | 4,163          | 4,502          |
| Later than one year and not later than five years | 7,848          | 10,080         | 6,206          | 10,080         |
| More than five years                              | 2,640          | 11,301         | 2,640          | 11,301         |
|   | <b>18,386</b>  | 25,883         | <b>13,009</b>  | 25,883         |

### 44 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 2014  
(continued)

### 45 FINANCIAL INSTRUMENTS

#### (a) Financial risk management objectives and policies

Overview and organisation

##### **Integrated Risk Management (“IRM”)**

The Group has implemented an integrated risk management framework with the objective to ensure the overall financial soundness and stability of the Group’s business operations. The Group’s integrated 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 integrated 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 assessment of 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.

The BRMC is assisted by the Group Integrated Risk Management and Compliance (“GIRMC”) function, which has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Bank. The core functions of the Bank’s risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine the optimum capital allocations. The Bank regularly reviews its risk management framework to reflect changes in markets, products, regulatory and emerging best market practice.

##### **Credit Risk Management**

Credit risk is the risk of financial loss due to a borrower or counterparty being unable or unwilling to deliver on its payment obligations to the Bank, which leads to a loss of revenue and the principal sum. It arises principally from lending, trade finance and treasury activities. The Bank 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 BRMC and the Board Credit Supervisory Committee (“BCSC”), 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Financial risk management objectives and policies (continued)

##### Credit Risk Management (continued)

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 BCSC. The Board delegates 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 processes to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

The Bank's exposure to credit risk is mainly from its retail, small and medium enterprise ("SME"), commercial and corporate customers. The credit assessment for retail customers is managed on a portfolio basis and the risk scoring models and lending templates are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts. The SME, commercial and corporate customers are individually assessed and assigned with a credit rating, which is based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered.

In addition, the Bank also conducts periodic stress testing of its credit portfolios to ascertain credit risk impact to capital under the relevant stress scenarios.

Internal Audit conducts independent post approval reviews on sampling basis to ensure that quality of credit appraisals and approval standards are in accordance with the credit standards and the lending policies and directives established and approved by the Bank's management.

##### Market Risk Management

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

The Bank adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. "Value at Risk" ("VaR"), set in accordance with the size of positions and risk tolerance appetites.

Portfolios held under the Bank's trading books are tracked using daily mark-to-market positions, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using VaR and other measurements.

Foreign exchange risks arising from adverse exchange rate movements, is managed by the setting of preset limits, matching of open positions against these preset limits and imposition of cut-loss mechanisms.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Financial risk management objectives and policies (continued)

##### Market Risk Management (continued)

Interest rate risk exposure is also identified, measured and controlled through limits and procedures, which includes regularly reviewing the interest rate outlook and developing strategies to protect total net interest income from changes in market interest rates. This applies to both interest rate risk exposure in the trading book and in the banking book. In managing the interest rate risk exposure in the banking book, the Bank adopts methodologies that measure exposure in both earnings at risk perspective and economic value or capital at risk perspective.

In addition, the Bank also conducts periodic stress testing of its respective portfolios 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 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.

To manage liquidity risk, the Bank adopts the BNM's New Liquidity Framework as one of the liquidity measurement methods. In addition to ensuring compliance with the New Liquidity Framework, the Bank maintains a liquidity compliance buffer to meet any unexpected cash outflows.

This is supplemented by the Bank's comprehensive liquidity risk management framework consisting of risk appetite, policies, triggers, limits and controls which are reviewed and concurred by the ALCO, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cash flow, maintenance of high quality long-term and short-term marketable debt securities as well as diversification of funding base.

The Bank has in place liquidity contingency funding plans and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. Contingency funding plans set 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.

In addition, the Bank also monitors 2 key Basel III liquidity ratios namely, the Liquidity Coverage Ratio and the Net Stable Funding Ratio in line with the observation period reporting to BNM.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Bank proactively seek to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

#### (i) Interest/Profit rate risk sensitivity analysis

The interest/profit rate sensitivity results below shows the impact on profit after tax and equity of financial assets and financial liabilities bearing floating interest/profit rates and fixed rate financial assets and financial liabilities.

|                           | The Group                         |                         | The Bank                          |                         |
|---------------------------|-----------------------------------|-------------------------|-----------------------------------|-------------------------|
|                           | Impact on profit after tax RM'000 | Impact on equity RM'000 | Impact on profit after tax RM'000 | Impact on equity RM'000 |
| <b>2014</b>               |                                   |                         |                                   |                         |
| +100 basis points ('bps') | 84,939                            | (197,591)               | 96,561                            | (159,714)               |
| -100 bps                  | (84,939)                          | 197,591                 | (96,561)                          | 159,714                 |
| <b>2013</b>               |                                   |                         |                                   |                         |
| +100 basis points ('bps') | 65,601                            | 10,240                  | 84,058                            | 11,511                  |
| -100 bps                  | (65,601)                          | (10,240)                | (84,058)                          | (11,511)                |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Market risk (continued)

##### (ii) Foreign currency risk sensitivity analysis

The Group and the Bank take on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows.

The table below sets out the principal structure of foreign exchange exposures of the Group and the Bank:

|                              | The Group        |                  |
|------------------------------|------------------|------------------|
|                              | 2014<br>RM'000   | 2013<br>RM'000   |
| United States Dollar ("USD") | (93,878)         | (76,249)         |
| Euro ("EUR")                 | 30,235           | (1,688)          |
| Great Britain Pound ("GBP")  | 10,076           | (9,555)          |
| Singapore Dollar ("SGD")     | 7,336            | (70,129)         |
| Australian Dollar ("AUD")    | (130,577)        | 18,393           |
| Others                       | (8,892)          | 25,249           |
|                              | <b>(185,700)</b> | <b>(113,979)</b> |

|                              | The Bank         |                  |
|------------------------------|------------------|------------------|
|                              | 2014<br>RM'000   | 2013<br>RM'000   |
| United States Dollar ("USD") | (78,602)         | (66,618)         |
| Euro ("EUR")                 | 29,736           | (2,444)          |
| Great Britain Pound ("GBP")  | 9,893            | (9,627)          |
| Singapore Dollar ("SGD")     | 1,430            | (73,155)         |
| Australian Dollar ("AUD")    | (130,875)        | 18,488           |
| Others                       | (10,418)         | 23,228           |
|                              | <b>(178,836)</b> | <b>(110,128)</b> |

**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**45 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 exchange rates to the profit after tax are as follows:

|                              | The Group      |                |
|------------------------------|----------------|----------------|
|                              | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>-1%</b>                   |                |                |
| United States Dollar ("USD") | 2,260          | 1,807          |
| Euro ("EUR")                 | (993)          | 52             |
| Great Britain Pound ("GBP")  | (413)          | 345            |
| Singapore Dollar ("SGD")     | (141)          | 1,315          |
| Australian Dollar ("AUD")    | 2,963          | (403)          |
| Others                       | 11             | (214)          |
|                              | <b>3,687</b>   | <b>2,902</b>   |
| <b>+1%</b>                   |                |                |
| United States Dollar ("USD") | (2,260)        | (1,807)        |
| Euro ("EUR")                 | 993            | (52)           |
| Great Britain Pound ("GBP")  | 413            | (345)          |
| Singapore Dollar ("SGD")     | 141            | (1,315)        |
| Australian Dollar ("AUD")    | (2,963)        | 403            |
| Others                       | (11)           | 214            |
|                              | <b>(3,687)</b> | <b>(2,902)</b> |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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 exchange rates to the profit after tax are as follows: (continued)

|                              | The Bank       |                |
|------------------------------|----------------|----------------|
|                              | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>-1%</b>                   |                |                |
| United States Dollar ("USD") | 1,893          | 1,579          |
| Euro ("EUR")                 | (977)          | 76             |
| Great Britain Pound ("GBP")  | (406)          | 348            |
| Singapore Dollar ("SGD")     | (28)           | 1,371          |
| Australian Dollar ("AUD")    | 2,969          | (405)          |
| Others                       | 24             | (203)          |
|                              | <b>3,475</b>   | <b>2,766</b>   |
| <b>-1%</b>                   |                |                |
| United States Dollar ("USD") | (1,893)        | (1,579)        |
| Euro ("EUR")                 | 977            | (76)           |
| Great Britain Pound ("GBP")  | 406            | (348)          |
| Singapore Dollar ("SGD")     | 28             | (1,371)        |
| Australian Dollar ("AUD")    | (2,969)        | 405            |
| Others                       | (24)           | 203            |
|                              | <b>(3,475)</b> | <b>(2,766)</b> |



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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                  |                             |                           |                           |                   |                  |   |                           |                 |
|---|----------------------------|-----------------------------|---------------------------|---------------------------|-------------------|------------------|---|---------------------------|-----------------|
|   | 2014                       |                             |                           |                           |                   |                  | Non-interest/<br>profit rate<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000 |
|   | Non-trading book           |                             |                           |                           |                   |                  |   |                           |                 |
| Up to<br>1 month<br>RM'000  | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                   |                  |   |                           |                 |
| <b>Financial assets</b>   |                            |                             |                           |                           |                   |                  |   |                           |                 |
| Cash and short-term funds   | 13,108,113                 | -                           | -                         | -                         | -                 | 1,604,676        | -   | 14,712,789                |                 |
| Deposits and placements<br>with banks and other<br>financial institutions | -                          | 1,846,133                   | 2,178,765                 | -                         | -                 | 15,378           | -   | 4,040,276                 |                 |
| Securities purchased<br>under resale agreements                           | 2,185,744                  | 522,676                     | -                         | -                         | -                 | 8,601            | -   | 2,717,021                 |                 |
| Financial assets<br>held-for-trading                                      | -                          | -                           | -                         | -                         | -                 | -                | 11,314,476  | 11,314,476                |                 |
| Financial investments<br>available-for-sale                               | 3,039,206                  | 916,462                     | 1,452,633                 | 9,966,965                 | 772,954           | 528,989          | -   | 16,677,209                |                 |
| Financial investments<br>held-to-maturity                                 | 26,760                     | -                           | 200,241                   | 8,429,287                 | 119,956           | 140,324          | -   | 8,916,568                 |                 |
| Loans, advances and<br>financing  |                            |                             |                           |                           |                   |                  |   |                           |                 |
| - performing  | 82,627,855                 | 29,077                      | 382,213                   | 8,114,935                 | 11,048,341        | -                | -   | 102,202,421               |                 |
| - impaired <sup>^</sup>   | 112,288                    | 3,605                       | 17,447                    | 85,218                    | 158,097           | -                | -   | 376,655                   |                 |
| Other assets  | -                          | -                           | -                         | -                         | -                 | 423,738          | -   | 423,738                   |                 |
| Derivative financial<br>instruments                                       |                            |                             |                           |                           |                   |                  |   |                           |                 |
| - trading derivatives   | -                          | -                           | -                         | -                         | -                 | -                | 687,441   | 687,441                   |                 |
| Statutory deposits<br>with Central Banks                                  | -                          | -                           | -                         | -                         | 18,745            | 3,131,897        | -   | 3,150,642                 |                 |
| <b>Total financial assets</b>   | <b>101,099,966</b>         | <b>3,317,953</b>            | <b>4,231,299</b>          | <b>26,596,405</b>         | <b>12,118,093</b> | <b>5,853,603</b> | <b>12,001,917</b>                                   | <b>165,219,236</b>        |                 |

<sup>^</sup> 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 2014  
(continued)

### 45 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Market risk (continued)

##### Interest/Profit rate risk (continued)

|   | The Group                  |                             |                           |                           |                   |   |                |                        |                 |
|---|----------------------------|-----------------------------|---------------------------|---------------------------|-------------------|---|----------------|------------------------|-----------------|
|   | 2014                       |                             |                           |                           |                   |   |                | Trading book<br>RM'000 | Total<br>RM'000 |
|   | Non-trading book           |                             |                           |                           |                   | Non-interest/<br>profit rate<br>sensitive<br>RM'000 |                |                        |                 |
| Up to<br>1 month<br>RM'000  | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                   |   |                |                        |                 |
| <b>Financial liabilities</b>  |                            |                             |                           |                           |                   |   |                |                        |                 |
| Deposits from customers   | 49,184,508                 | 25,225,311                  | 32,605,994                | 3,459,780                 | 459,007           | 19,317,737  | -              | 130,252,337            |                 |
| Deposits and placements<br>of banks and other<br>financial institutions | 4,063,670                  | 2,221,709                   | 676,068                   | -                         | -                 | 149,848   | -              | 7,111,295              |                 |
| Obligations on securities sold<br>under repurchase<br>agreements        | 3,038,939                  | 1,022,257                   | 50,733                    | -                         | -                 | 4,959   | -              | 4,116,888              |                 |
| Bills and acceptances payable   | 3,278                      | 23,668                      | 22,006                    | -                         | -                 | 309,780   | -              | 358,732                |                 |
| Other liabilities   | -                          | -                           | 84,160                    | -                         | -                 | 3,760,580   | -              | 3,844,740              |                 |
| Derivative financial<br>instruments                                     |                            |                             |                           |                           |                   |   |                |                        |                 |
| - trading derivatives   | -                          | -                           | -                         | -                         | -                 | -   | 790,415        | 790,415                |                 |
| Senior bonds  | -                          | -                           | -                         | 1,936,207                 | -                 | -   | -              | 1,936,207              |                 |
| Tier 2 subordinated bonds   | -                          | -                           | -                         | 4,868,353                 | -                 | -   | -              | 4,868,353              |                 |
| Non-innovative Tier 1<br>stapled securities                             | -                          | -                           | -                         | 1,410,252                 | -                 | -   | -              | 1,410,252              |                 |
| Innovative Tier 1 capital<br>securities                                 | -                          | -                           | -                         | -                         | 541,767           | -   | -              | 541,767                |                 |
| <b>Total financial liabilities</b>                                      | <b>56,290,395</b>          | <b>28,492,945</b>           | <b>33,438,961</b>         | <b>11,674,592</b>         | <b>1,000,774</b>  | <b>23,542,904</b>                                   | <b>790,415</b> | <b>155,230,986</b>     |                 |
| <b>Net interest sensitivity gap</b>                                     | <b>44,809,571</b>          | <b>(25,174,992)</b>         | <b>(29,207,662)</b>       | <b>14,921,813</b>         | <b>11,117,319</b> |   |                |                        |                 |
| Financial guarantees  | -                          | -                           | -                         | -                         | -                 | 771,246   |                |                        |                 |
| Credit related commitments<br>and contingencies                         | -                          | -                           | -                         | -                         | -                 | 40,684,132  |                |                        |                 |
| <b>Net interest sensitivity gap</b>                                     | <b>-</b>                   | <b>-</b>                    | <b>-</b>                  | <b>-</b>                  | <b>-</b>          | <b>41,455,378</b>                                   |                |                        |                 |

**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**45 FINANCIAL INSTRUMENTS (CONTINUED)****(b) Market risk (continued)****Interest/Profit rate risk (continued)**

|   | The Group                  |                             |                           |                           |                   |                  |   |                           |                 |
|---|----------------------------|-----------------------------|---------------------------|---------------------------|-------------------|------------------|---|---------------------------|-----------------|
|   | 2013                       |                             |                           |                           |                   |                  | Non-interest/<br>profit rate<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000 |
|   | Non-trading book           |                             |                           |                           |                   |                  |   |                           |                 |
| Up to<br>1 month<br>RM'000  | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                   |                  |   |                           |                 |
| <b>Financial assets</b>   |                            |                             |                           |                           |                   |                  |   |                           |                 |
| Cash and short-term funds   | 16,575,059                 | -                           | -                         | -                         | -                 | 1,472,389        | -   | 18,047,448                |                 |
| Deposits and placements<br>with banks and other<br>financial institutions | -                          | 5,189,314                   | 722,349                   | -                         | -                 | 16,707           | -   | 5,928,370                 |                 |
| Securities purchased under<br>resale agreements                           | -                          | 1,007,780                   | -                         | -                         | -                 | 17,473           | -   | 1,025,253                 |                 |
| Financial assets held-for-trading   | -                          | -                           | -                         | -                         | -                 | -                | 15,195,782  | 15,195,782                |                 |
| Financial investments<br>available-for-sale                               | 1,680,405                  | 561,304                     | 960,629                   | 9,794,141                 | 306,084           | 524,499          | -   | 13,827,062                |                 |
| Financial investments<br>held-to-maturity                                 | 587,442                    | 30,022                      | 4,983                     | 3,438,123                 | -                 | 100,442          | -   | 4,161,012                 |                 |
| Loans, advances and financing   |                            |                             |                           |                           |                   |                  |   |                           |                 |
| - performing  | 73,958,336                 | 871,778                     | 629,646                   | 8,121,278                 | 11,506,445        | -                | -   | 95,087,483                |                 |
| - impaired <sup>^</sup>   | 142,870                    | 800                         | 18,198                    | 74,717                    | 106,893           | -                | -   | 343,478                   |                 |
| Other assets  | -                          | -                           | -                         | -                         | -                 | 686,400          | -   | 686,400                   |                 |
| Derivative financial instruments  |                            |                             |                           |                           |                   |                  |   |                           |                 |
| - trading derivatives   | -                          | -                           | -                         | -                         | -                 | -                | 871,167   | 871,167                   |                 |
| - hedging derivatives   | -                          | -                           | -                         | 3,486                     | 2,491             | -                | -   | 5,977                     |                 |
| Statutory deposits with<br>Central Banks                                  | -                          | -                           | -                         | -                         | 11,848            | 3,421,061        | -   | 3,432,909                 |                 |
| <b>Total financial assets</b>   | <b>92,944,112</b>          | <b>7,660,998</b>            | <b>2,335,805</b>          | <b>21,431,745</b>         | <b>11,933,761</b> | <b>6,238,971</b> | <b>16,066,949</b>                                   | <b>158,612,341</b>        |                 |

<sup>^</sup> 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 2014  
(continued)

### 45 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Market risk (continued)

##### Interest/Profit rate risk (continued)

|   | The Group                  |                             |                           |                           |                  |                   |   |                           |                 |
|---|----------------------------|-----------------------------|---------------------------|---------------------------|------------------|-------------------|---|---------------------------|-----------------|
|   | 2013                       |                             |                           |                           |                  |                   | Non-interest/<br>profit rate<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000 |
|   | Non-trading book           |                             |                           |                           |                  |                   |   |                           |                 |
| Up to<br>1 month<br>RM'000  | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                  |                   |   |                           |                 |
| <b>Financial liabilities</b>  |                            |                             |                           |                           |                  |                   |   |                           |                 |
| Deposits from customers   | 46,885,032                 | 21,548,843                  | 33,347,144                | 3,904,041                 | 110,000          | 17,842,010        | -   | 123,637,070               |                 |
| Deposits and placements<br>of banks and other<br>financial institutions | 6,829,922                  | 4,651,862                   | 77,586                    | -                         | -                | 7,777             | -   | 11,567,147                |                 |
| Obligations on securities<br>sold under repurchase<br>agreements        | -                          | 1,731,312                   | -                         | -                         | -                | 17,432            | -   | 1,748,744                 |                 |
| Bills and acceptances payable   | 39,176                     | 225,736                     | 28,614                    | -                         | -                | 507,154           | -   | 800,680                   |                 |
| Other liabilities   | -                          | -                           | 87,287                    | 84,827                    | -                | 2,630,901         | -   | 2,803,015                 |                 |
| Derivative financial<br>instruments                                     |                            |                             |                           |                           |                  |                   |   |                           |                 |
| - trading derivatives   | -                          | -                           | -                         | -                         | -                | -                 | 947,083   | 947,083                   |                 |
| - hedging derivatives   | -                          | -                           | 578                       | 6,526                     | -                | -                 | -   | 7,104                     |                 |
| Senior bonds  | -                          | -                           | -                         | 1,902,171                 | -                | -                 | -   | 1,902,171                 |                 |
| Tier 2 subordinated bonds   | -                          | -                           | -                         | 2,883,579                 | 1,499,024        | -                 | -   | 4,382,603                 |                 |
| Non-innovative Tier 1<br>stapled securities                             | -                          | -                           | -                         | 1,408,992                 | -                | -                 | -   | 1,408,992                 |                 |
| Innovative Tier 1 capital<br>securities                                 | -                          | -                           | -                         | -                         | 556,042          | -                 | -   | 556,042                   |                 |
| <b>Total financial liabilities</b>                                      | <b>53,754,130</b>          | <b>28,157,753</b>           | <b>33,541,209</b>         | <b>10,190,136</b>         | <b>2,165,066</b> | <b>21,005,274</b> | <b>947,083</b>                                      | <b>149,760,651</b>        |                 |
| <b>Net interest sensitivity gap</b>                                     | <b>39,189,982</b>          | <b>(20,496,755)</b>         | <b>(31,205,404)</b>       | <b>11,241,609</b>         | <b>9,768,695</b> |                   |   |                           |                 |
| Financial guarantees  | -                          | -                           | -                         | -                         | -                | 808,390           |   |                           |                 |
| Credit related commitments<br>and contingencies                         | -                          | -                           | -                         | -                         | -                | 39,772,444        |   |                           |                 |
| <b>Net interest sensitivity gap</b>                                     | <b>-</b>                   | <b>-</b>                    | <b>-</b>                  | <b>-</b>                  | <b>-</b>         | <b>40,580,834</b> |   |                           |                 |

**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**45 FINANCIAL INSTRUMENTS (CONTINUED)****(b) Market risk (continued)****Interest/Profit rate risk (continued)**

|   | The Bank                   |                             |                           |                           |                  |   |                   |                        |                 |
|---|----------------------------|-----------------------------|---------------------------|---------------------------|------------------|---|-------------------|------------------------|-----------------|
|   | 2014                       |                             |                           |                           |                  |   |                   | Trading book<br>RM'000 | Total<br>RM'000 |
|   | Non-trading book           |                             |                           |                           |                  | Non-interest/<br>profit rate<br>sensitive<br>RM'000 |                   |                        |                 |
| Up to<br>1 month<br>RM'000  | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                  |   |                   |                        |                 |
| <b>Financial assets</b>   |                            |                             |                           |                           |                  |   |                   |                        |                 |
| Cash and short-term funds   | 12,220,299                 | -                           | -                         | -                         | -                | 1,409,476   | -                 | 13,629,775             |                 |
| Deposits and placements<br>with banks and other<br>financial institutions | -                          | 1,826,841                   | 2,178,765                 | -                         | -                | 15,377  | -                 | 4,020,983              |                 |
| Securities purchased under<br>resale agreements                           | 2,185,744                  | 522,676                     | -                         | -                         | -                | 8,601   | -                 | 2,717,021              |                 |
| Financial assets<br>held-for-trading                                      | -                          | -                           | -                         | -                         | -                | -   | 10,132,834        | 10,132,834             |                 |
| Financial investments<br>available-for-sale                               | 2,919,839                  | 860,181                     | 1,145,882                 | 7,527,173                 | 772,954          | 506,348   | -                 | 13,732,377             |                 |
| Financial investments<br>held-to-maturity                                 | 20,001                     | -                           | 260,388                   | 7,300,752                 | 119,956          | 127,193   | -                 | 7,828,290              |                 |
| Loans, advances and<br>financing  |                            |                             |                           |                           |                  |   |                   |                        |                 |
| - performing  | 72,622,914                 | 7,129                       | 249,677                   | 6,665,640                 | 8,018,859        | -   | -                 | 87,564,219             |                 |
| - impaired <sup>^</sup>   | 98,875                     | 2,173                       | 14,937                    | 72,268                    | 120,977          | -   | -                 | 309,230                |                 |
| Other assets  | -                          | -                           | -                         | -                         | -                | 374,836   | -                 | 374,836                |                 |
| Derivative financial<br>instruments                                       |                            |                             |                           |                           |                  |   |                   |                        |                 |
| - trading derivatives   | -                          | -                           | -                         | -                         | -                | -   | 670,325           | 670,325                |                 |
| Amount due from subsidiaries  | -                          | -                           | -                         | -                         | -                | 11,437  | -                 | 11,437                 |                 |
| Statutory deposits with<br>Central Banks                                  | -                          | -                           | -                         | -                         | -                | 2,591,500   | -                 | 2,591,500              |                 |
| <b>Total financial assets</b>   | <b>90,067,672</b>          | <b>3,219,000</b>            | <b>3,849,649</b>          | <b>21,565,833</b>         | <b>9,032,746</b> | <b>5,044,768</b>                                    | <b>10,803,159</b> | <b>143,582,827</b>     |                 |

<sup>^</sup> 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 2014  
(continued)

### 45 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Market risk (continued)

##### Interest/Profit rate risk (continued)

|   | The Bank                   |                             |                           |                           |                  |   |                |                        |                 |
|---|----------------------------|-----------------------------|---------------------------|---------------------------|------------------|---|----------------|------------------------|-----------------|
|   | 2014                       |                             |                           |                           |                  |   |                | Trading book<br>RM'000 | Total<br>RM'000 |
|   | Non-trading book           |                             |                           |                           |                  | Non-interest/<br>profit rate<br>sensitive<br>RM'000 |                |                        |                 |
| Up to<br>1 month<br>RM'000  | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                  |   |                |                        |                 |
| <b>Financial liabilities</b>  |                            |                             |                           |                           |                  |   |                |                        |                 |
| Deposits from customers   | 42,585,031                 | 20,745,179                  | 30,430,291                | 2,982,662                 | 411,136          | 16,944,536  | -              | 114,098,835            |                 |
| Deposits and placements<br>of banks and other<br>financial institutions | 3,293,197                  | 1,557,012                   | 389,068                   | -                         | -                | 148,107   | -              | 5,387,384              |                 |
| Obligations on securities<br>sold under repurchase<br>agreements        | 3,038,939                  | 1,022,257                   | 50,733                    | -                         | -                | 4,959   | -              | 4,116,888              |                 |
| Bills and acceptances payable   | 3,106                      | 20,849                      | 20,273                    | -                         | -                | 283,671   | -              | 327,899                |                 |
| Other liabilities   | -                          | -                           | 84,160                    | -                         | -                | 2,646,053   | -              | 2,730,213              |                 |
| Derivative financial<br>instruments                                     |                            |                             |                           |                           |                  |   |                |                        |                 |
| - trading derivatives   | -                          | -                           | -                         | -                         | -                | -   | 760,406        | 760,406                |                 |
| Senior bonds  | -                          | -                           | -                         | 1,936,207                 | -                | -   | -              | 1,936,207              |                 |
| Tier 2 subordinated bonds   | -                          | -                           | -                         | 4,468,275                 | -                | -   | -              | 4,468,275              |                 |
| Non-innovative Tier 1<br>stapled securities                             | -                          | -                           | -                         | 1,410,252                 | -                | -   | -              | 1,410,252              |                 |
| Innovative Tier 1 capital<br>securities                                 | -                          | -                           | -                         | -                         | 541,767          | -   | -              | 541,767                |                 |
| <b>Total financial liabilities</b>                                      | <b>48,920,273</b>          | <b>23,345,297</b>           | <b>30,974,525</b>         | <b>10,797,396</b>         | <b>952,903</b>   | <b>20,027,326</b>                                   | <b>760,406</b> | <b>135,778,126</b>     |                 |
| <b>Net interest sensitivity gap</b>                                     | <b>41,147,399</b>          | <b>(20,126,297)</b>         | <b>(27,124,876)</b>       | <b>10,768,437</b>         | <b>8,079,843</b> |   |                |                        |                 |
| Financial guarantees  | -                          | -                           | -                         | -                         | -                | 759,592   |                |                        |                 |
| Credit related commitments<br>and contingencies                         | -                          | -                           | -                         | -                         | -                | 36,860,197  |                |                        |                 |
| <b>Net interest sensitivity gap</b>                                     | <b>-</b>                   | <b>-</b>                    | <b>-</b>                  | <b>-</b>                  | <b>-</b>         | <b>37,619,789</b>                                   |                |                        |                 |

**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**45 FINANCIAL INSTRUMENTS (CONTINUED)****(b) Market risk (continued)****Interest/Profit rate risk (continued)**

|   | The Bank                   |                             |                           |                           |                  |                  |   |                           |                 |
|---|----------------------------|-----------------------------|---------------------------|---------------------------|------------------|------------------|---|---------------------------|-----------------|
|   | 2013                       |                             |                           |                           |                  |                  | Non-interest/<br>profit rate<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000 |
|   | Non-trading book           |                             |                           |                           |                  |                  |   |                           |                 |
| Up to<br>1 month<br>RM'000  | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                  |                  |   |                           |                 |
| <b>Financial assets</b>   |                            |                             |                           |                           |                  |                  |   |                           |                 |
| Cash and short-term funds   | 15,409,370                 | -                           | -                         | -                         | -                | 1,309,888        | -   | 16,719,258                |                 |
| Deposits and placements<br>with banks and other<br>financial institutions | -                          | 5,989,314                   | 722,349                   | -                         | -                | 17,393           | -   | 6,729,056                 |                 |
| Securities purchased under<br>resale agreements                           | -                          | 1,007,780                   | -                         | -                         | -                | 17,473           | -   | 1,025,253                 |                 |
| Financial assets<br>held-for-trading                                      | -                          | -                           | -                         | -                         | -                | -                | 12,106,928  | 12,106,928                |                 |
| Financial investments<br>available-for-sale                               | 1,634,862                  | 493,929                     | 691,209                   | 8,008,592                 | 306,084          | 500,773          | -   | 11,635,449                |                 |
| Financial investments<br>held-to-maturity                                 | 587,442                    | -                           | 294,963                   | 3,143,262                 | -                | 90,138           | -   | 4,115,805                 |                 |
| Loans, advances and<br>financing  |                            |                             |                           |                           |                  |                  |   |                           |                 |
| - performing  | 65,934,580                 | 572,213                     | 261,568                   | 6,390,671                 | 8,369,875        | -                | -   | 81,528,907                |                 |
| - impaired <sup>^</sup>   | 139,851                    | 659                         | 17,235                    | 62,190                    | 86,892           | -                | -   | 306,827                   |                 |
| Other assets  | -                          | -                           | -                         | -                         | -                | 595,227          | -   | 595,227                   |                 |
| Derivative financial<br>instruments                                       |                            |                             |                           |                           |                  |                  |   |                           |                 |
| - trading derivatives   | -                          | -                           | -                         | -                         | -                | -                | 939,409   | 939,409                   |                 |
| Amount due from subsidiaries  | -                          | -                           | -                         | -                         | -                | 616,487          | -   | 616,487                   |                 |
| Statutory deposits with<br>Central Banks                                  | -                          | -                           | -                         | -                         | -                | 2,917,000        | -   | 2,917,000                 |                 |
| <b>Total financial assets</b>   | <b>83,706,105</b>          | <b>8,063,895</b>            | <b>1,987,324</b>          | <b>17,604,715</b>         | <b>8,762,851</b> | <b>6,064,379</b> | <b>13,046,337</b>                                   | <b>139,235,606</b>        |                 |

<sup>^</sup> 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 2014  
(continued)

### 45 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Market risk (continued)

##### Interest/Profit rate risk (continued)

|   | The Bank                   |                             |                           |                           |                  |                   |   |                        |                 |
|---|----------------------------|-----------------------------|---------------------------|---------------------------|------------------|-------------------|---|------------------------|-----------------|
|   | 2013                       |                             |                           |                           |                  |                   |   | Trading book<br>RM'000 | Total<br>RM'000 |
|   | Non-trading book           |                             |                           |                           |                  |                   | Non-interest/<br>profit rate<br>sensitive<br>RM'000 |                        |                 |
| Up to<br>1 month<br>RM'000  | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                  |                   |   |                        |                 |
| <b>Financial liabilities</b>  |                            |                             |                           |                           |                  |                   |   |                        |                 |
| Deposits from customers   | 39,595,870                 | 19,369,062                  | 30,056,468                | 3,754,845                 | 110,000          | 16,282,386        | -   | 109,168,631            |                 |
| Deposits and placements<br>of banks and other<br>financial institutions | 5,921,676                  | 4,174,329                   | 63,234                    | -                         | -                | 6,875             | -   | 10,166,114             |                 |
| Obligations on securities<br>sold under repurchase<br>agreements        | -                          | 1,731,312                   | -                         | -                         | -                | 17,432            | -   | 1,748,744              |                 |
| Bills and acceptances payable   | 39,059                     | 224,448                     | 26,723                    | -                         | -                | 366,662           | -   | 656,892                |                 |
| Other liabilities   | -                          | -                           | 87,287                    | 84,827                    | -                | 2,193,294         | -   | 2,365,408              |                 |
| Derivative financial<br>instruments                                     |                            |                             |                           |                           |                  |                   |   |                        |                 |
| - trading derivatives   | -                          | -                           | -                         | -                         | -                | -                 | 1,008,980   | 1,008,980              |                 |
| - hedging derivatives   | -                          | -                           | -                         | 2,269                     | -                | -                 | -   | 2,269                  |                 |
| Senior bonds  | -                          | -                           | -                         | 1,902,171                 | -                | -                 | -   | 1,902,171              |                 |
| Tier 2 subordinated bonds   | -                          | -                           | -                         | 2,883,577                 | 1,499,024        | -                 | -   | 4,382,601              |                 |
| Non-innovative Tier 1<br>stapled securities                             | -                          | -                           | -                         | 1,408,992                 | -                | -                 | -   | 1,408,992              |                 |
| Innovative Tier 1 capital<br>securities                                 | -                          | -                           | -                         | -                         | 556,042          | -                 | -   | 556,042                |                 |
| <b>Total financial liabilities</b>                                      | <b>45,556,605</b>          | <b>25,499,151</b>           | <b>30,233,712</b>         | <b>10,036,681</b>         | <b>2,165,066</b> | <b>18,866,649</b> | <b>1,008,980</b>                                    | <b>133,366,844</b>     |                 |
| <b>Net interest sensitivity gap</b>                                     | <b>38,149,500</b>          | <b>(17,435,256)</b>         | <b>(28,246,388)</b>       | <b>7,568,034</b>          | <b>6,597,785</b> |                   |   |                        |                 |
| Financial guarantees  | -                          | -                           | -                         | -                         | -                | 761,319           |   |                        |                 |
| Credit related commitments<br>and contingencies                         | -                          | -                           | -                         | -                         | -                | 36,215,860        |   |                        |                 |
| <b>Net interest sensitivity gap</b>                                     | <b>-</b>                   | <b>-</b>                    | <b>-</b>                  | <b>-</b>                  | <b>-</b>         | <b>36,977,179</b> |   |                        |                 |



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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 Bank Negara Malaysia'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 2014 based on the remaining contractual maturity:

|   | The Group                 |                                |                            |                            |                             |                          |                                   |                    |
|---|---------------------------|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------|--------------------|
|   | 2014                      |                                |                            |                            |                             |                          |                                   | Total<br>RM'000    |
|   | Up to<br>1 week<br>RM'000 | 1 week to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 6<br>months<br>RM'000 | 6 to 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | No specific<br>maturity<br>RM'000 |                    |
| <b>Assets</b>   |                           |                                |                            |                            |                             |                          |                                   |                    |
| Cash and short-term funds   | 8,099,425                 | 6,613,364                      | -                          | -                          | -                           | -                        | -                                 | 14,712,789         |
| Deposits and placements<br>with banks and other<br>financial institutions | -                         | -                              | 1,854,185                  | 2,186,091                  | -                           | -                        | -                                 | 4,040,276          |
| Securities purchased under<br>resale agreements                           | 330,766                   | 1,861,122                      | 525,133                    | -                          | -                           | -                        | -                                 | 2,717,021          |
| Financial assets<br>held-for-trading                                      | 1,131,472                 | 1,610,768                      | 4,760,981                  | 2,842,521                  | 210,900                     | 753,951                  | 3,883                             | 11,314,476         |
| Financial investments<br>available-for-sale                               | 2,164,454                 | 877,577                        | 922,662                    | 444,348                    | 1,015,867                   | 10,837,534               | 414,767                           | 16,677,209         |
| Financial investments<br>held-to-maturity                                 | 8,171                     | 20,343                         | -                          | -                          | 202,557                     | 8,685,497                | -                                 | 8,916,568          |
| Loans, advances and<br>financing  | 9,219,861                 | 9,009,580                      | 4,260,701                  | 1,587,252                  | 2,680,392                   | 75,821,290               | -                                 | 102,579,076        |
| Other assets  | 43,835                    | 3,488                          | 5,454                      | 7,407                      | 1,717                       | 14,723                   | 420,613                           | 497,237            |
| Derivative financial<br>instruments                                       | 60,526                    | 49,532                         | 83,757                     | 30,112                     | 60,037                      | 403,477                  | -                                 | 687,441            |
| Statutory deposits with<br>Central Banks                                  | -                         | -                              | -                          | -                          | -                           | -                        | 3,150,642                         | 3,150,642          |
| Investment in associated<br>companies                                     | -                         | -                              | -                          | -                          | -                           | -                        | 2,063,300                         | 2,063,300          |
| Investment in joint venture   | -                         | -                              | -                          | -                          | -                           | -                        | 90,080                            | 90,080             |
| Property and equipment  | -                         | -                              | -                          | -                          | -                           | -                        | 725,585                           | 725,585            |
| Intangible assets   | -                         | -                              | -                          | -                          | -                           | -                        | 347,791                           | 347,791            |
| Goodwill  | -                         | -                              | -                          | -                          | -                           | -                        | 1,831,312                         | 1,831,312          |
| <b>Total assets</b>   | <b>21,058,510</b>         | <b>20,045,774</b>              | <b>12,412,873</b>          | <b>7,097,731</b>           | <b>4,171,470</b>            | <b>96,516,472</b>        | <b>9,047,973</b>                  | <b>170,350,803</b> |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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 2014 based on the remaining contractual maturity: (continued)

|   | The Group                 |                                |                            |                            |                             |                          |                                   |                    |
|---|---------------------------|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------|--------------------|
|   | 2014                      |                                |                            |                            |                             |                          |                                   | Total<br>RM'000    |
|   | Up to<br>1 week<br>RM'000 | 1 week to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 6<br>months<br>RM'000 | 6 to 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | No specific<br>maturity<br>RM'000 |                    |
| <b>Liabilities</b>  |                           |                                |                            |                            |                             |                          |                                   |                    |
| Deposits from customers   | 47,585,319                | 20,704,847                     | 25,308,965                 | 15,022,784                 | 17,670,231                  | 3,960,191                | -                                 | 130,252,337        |
| Deposits and placements<br>of banks and other<br>financial institutions | 1,929,400                 | 2,282,272                      | 2,222,812                  | 527,854                    | 148,957                     | -                        | -                                 | 7,111,295          |
| Obligations on securities<br>sold under repurchase<br>agreements        | 609,567                   | 2,434,004                      | 1,022,584                  | 50,733                     | -                           | -                        | -                                 | 4,116,888          |
| Bills and acceptances payable   | 137                       | 3,142                          | 23,668                     | 20,530                     | 1,476                       | -                        | 309,779                           | 358,732            |
| Other liabilities   | 3,943,805                 | -                              | -                          | 84,160                     | 124,217                     | -                        | 98,855                            | 4,251,037          |
| Derivative financial<br>instruments                                     | 43,042                    | 38,218                         | 54,181                     | 56,293                     | 126,715                     | 471,966                  | -                                 | 790,415            |
| Senior bonds  | -                         | -                              | -                          | -                          | -                           | 1,936,207                | -                                 | 1,936,207          |
| Tier 2 subordinated bonds   | -                         | -                              | -                          | -                          | -                           | 4,868,353                | -                                 | 4,868,353          |
| Non-innovative Tier 1<br>stapled securities                             | -                         | -                              | -                          | -                          | -                           | 1,410,252                | -                                 | 1,410,252          |
| Innovative Tier 1 capital<br>securities                                 | -                         | -                              | -                          | -                          | -                           | 541,767                  | -                                 | 541,767            |
| Provision for taxation  | -                         | -                              | -                          | -                          | -                           | -                        | 49,581                            | 49,581             |
| Deferred tax liabilities  | -                         | -                              | -                          | -                          | -                           | -                        | 133,761                           | 133,761            |
| <b>Total liabilities</b>  | <b>54,111,270</b>         | <b>25,462,483</b>              | <b>28,632,210</b>          | <b>15,762,354</b>          | <b>18,071,596</b>           | <b>13,188,736</b>        | <b>591,976</b>                    | <b>155,820,625</b> |
| Total equity  | -                         | -                              | -                          | -                          | -                           | -                        | 14,530,178                        | 14,530,178         |
| <b>Total liabilities and equity</b>                                     | <b>54,111,270</b>         | <b>25,462,483</b>              | <b>28,632,210</b>          | <b>15,762,354</b>          | <b>18,071,596</b>           | <b>13,188,736</b>        | <b>15,122,154</b>                 | <b>170,350,803</b> |
| <b>Net liquidity gap</b>  | <b>(33,052,760)</b>       | <b>(5,416,709)</b>             | <b>(16,219,337)</b>        | <b>(8,664,623)</b>         | <b>(13,900,126)</b>         | <b>83,327,736</b>        |                                   |                    |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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 2013 based on the remaining contractual maturity:

|   | The Group                 |                                |                            |                            |                             |                          |                                   | Total<br>RM'000    |
|---|---------------------------|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------|--------------------|
|   | 2013                      |                                |                            |                            |                             |                          |                                   |                    |
|   | Up to<br>1 week<br>RM'000 | 1 week to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 6<br>months<br>RM'000 | 6 to 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | No specific<br>maturity<br>RM'000 |                    |
| <b>Assets</b>   |                           |                                |                            |                            |                             |                          |                                   |                    |
| Cash and short-term funds   | 9,618,098                 | 8,429,350                      | -                          | -                          | -                           | -                        | -                                 | 18,047,448         |
| Deposits and placements<br>with banks and other<br>financial institutions | -                         | -                              | 5,204,128                  | 724,242                    | -                           | -                        | -                                 | 5,928,370          |
| Securities purchased under<br>resale agreements                           | -                         | -                              | 1,025,253                  | -                          | -                           | -                        | -                                 | 1,025,253          |
| Financial assets<br>held-for-trading                                      | 717,760                   | 4,386,073                      | 5,757,057                  | 1,950,498                  | 484,567                     | 1,887,204                | 12,623                            | 15,195,782         |
| Financial investments<br>available-for-sale                               | 24,994                    | 1,655,594                      | 564,595                    | 34,202                     | 940,543                     | 10,195,047               | 412,087                           | 13,827,062         |
| Financial investments<br>held-to-maturity                                 | 317                       | 595,927                        | 30,579                     | -                          | 6,430                       | 3,527,759                | -                                 | 4,161,012          |
| Loans, advances and<br>financing  | 8,906,145                 | 8,482,790                      | 5,000,324                  | 1,541,260                  | 3,384,972                   | 68,115,470               | -                                 | 95,430,961         |
| Other assets  | 408,488                   | 4,029                          | 4,481                      | 5,845                      | 1,001                       | 9,489                    | 455,267                           | 888,600            |
| Derivative financial<br>instruments                                       | 62,927                    | 74,517                         | 73,507                     | 69,808                     | 53,302                      | 543,083                  | -                                 | 877,144            |
| Statutory deposits with<br>Central Banks                                  | -                         | -                              | -                          | -                          | -                           | -                        | 3,432,909                         | 3,432,909          |
| Investment in associated<br>companies                                     | -                         | -                              | -                          | -                          | -                           | -                        | 1,752,949                         | 1,752,949          |
| Investment in joint venture   | -                         | -                              | -                          | -                          | -                           | -                        | 79,945                            | 79,945             |
| Property and equipment  | -                         | -                              | -                          | -                          | -                           | -                        | 737,535                           | 737,535            |
| Intangible assets   | -                         | -                              | -                          | -                          | -                           | -                        | 369,415                           | 369,415            |
| Goodwill  | -                         | -                              | -                          | -                          | -                           | -                        | 1,831,312                         | 1,831,312          |
| <b>Total assets</b>   | <b>19,738,729</b>         | <b>23,628,280</b>              | <b>17,659,924</b>          | <b>4,325,855</b>           | <b>4,870,815</b>            | <b>84,278,052</b>        | <b>9,084,042</b>                  | <b>163,585,697</b> |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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 2013 based on the remaining contractual maturity: (continued)

|   | The Group                 |                                |                            |                            |                             |                          |                                   |                    |
|---|---------------------------|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------|--------------------|
|   | 2013                      |                                |                            |                            |                             |                          |                                   | Total<br>RM'000    |
|   | Up to<br>1 week<br>RM'000 | 1 week to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 6<br>months<br>RM'000 | 6 to 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | No specific<br>maturity<br>RM'000 |                    |
| <b>Liabilities</b>  |                           |                                |                            |                            |                             |                          |                                   |                    |
| Deposits from customers   | 48,366,358                | 18,931,493                     | 20,760,989                 | 13,011,396                 | 19,152,329                  | 3,414,505                | -                                 | 123,637,070        |
| Deposits and placements<br>of banks and other<br>financial institutions | 2,934,132                 | 3,900,979                      | 4,654,412                  | 77,624                     | -                           | -                        | -                                 | 11,567,147         |
| Obligations on securities<br>sold under repurchase<br>agreements        | -                         | -                              | 1,748,744                  | -                          | -                           | -                        | -                                 | 1,748,744          |
| Bills and acceptances<br>payable  | 261                       | 38,915                         | 225,736                    | 28,566                     | 47                          | -                        | 507,155                           | 800,680            |
| Other liabilities   | 2,721,699                 | -                              | -                          | -                          | 236,438                     | 84,827                   | 223,483                           | 3,266,447          |
| Derivative financial<br>instruments                                     | 81,726                    | 123,408                        | 122,698                    | 29,052                     | 28,853                      | 568,450                  | -                                 | 954,187            |
| Senior bonds  | -                         | -                              | -                          | -                          | -                           | 1,902,171                | -                                 | 1,902,171          |
| Tier 2 subordinated bonds   | -                         | -                              | -                          | -                          | -                           | 4,382,603                | -                                 | 4,382,603          |
| Non-innovative Tier 1<br>stapled securities                             | -                         | -                              | -                          | -                          | -                           | 1,408,992                | -                                 | 1,408,992          |
| Innovative Tier 1 capital<br>securities                                 | -                         | -                              | -                          | -                          | -                           | 556,042                  | -                                 | 556,042            |
| Provision for taxation  | -                         | -                              | -                          | -                          | -                           | -                        | 213,555                           | 213,555            |
| Deferred tax liabilities  | -                         | -                              | -                          | -                          | -                           | -                        | 111,435                           | 111,435            |
| <b>Total liabilities</b>  | <b>54,104,176</b>         | <b>22,994,795</b>              | <b>27,512,579</b>          | <b>13,146,638</b>          | <b>19,417,667</b>           | <b>12,317,590</b>        | <b>1,055,628</b>                  | <b>150,549,073</b> |
| Total equity  | -                         | -                              | -                          | -                          | -                           | -                        | 13,036,624                        | 13,036,624         |
| <b>Total liabilities and equity</b>                                     | <b>54,104,176</b>         | <b>22,994,795</b>              | <b>27,512,579</b>          | <b>13,146,638</b>          | <b>19,417,667</b>           | <b>12,317,590</b>        | <b>14,092,252</b>                 | <b>163,585,697</b> |
| <b>Net liquidity gap</b>  | <b>(34,365,447)</b>       | <b>633,485</b>                 | <b>(9,852,655)</b>         | <b>(8,820,783)</b>         | <b>(14,546,852)</b>         | <b>71,960,462</b>        |                                   |                    |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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 2014 based on the remaining contractual maturity:

|   | The Bank                  |                                |                            |                            |                             |                          |                                   |                    |
|---|---------------------------|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------|--------------------|
|   | 2014                      |                                |                            |                            |                             |                          |                                   | Total<br>RM'000    |
|   | Up to<br>1 week<br>RM'000 | 1 week to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 6<br>months<br>RM'000 | 6 to 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | No specific<br>maturity<br>RM'000 |                    |
| <b>Assets</b>   |                           |                                |                            |                            |                             |                          |                                   |                    |
| Cash and short-term funds   | 6,954,072                 | 6,675,703                      | -                          | -                          | -                           | -                        | -                                 | 13,629,775         |
| Deposits and placements<br>with banks and other<br>financial institutions | -                         | -                              | 1,834,892                  | 2,186,091                  | -                           | -                        | -                                 | 4,020,983          |
| Securities purchased under<br>resale agreements                           | 330,766                   | 1,861,122                      | 525,133                    | -                          | -                           | -                        | -                                 | 2,717,021          |
| Financial assets<br>held-for-trading                                      | 1,281,248                 | 1,361,140                      | 4,263,342                  | 2,155,514                  | 191,333                     | 876,374                  | 3,883                             | 10,132,834         |
| Financial investments<br>available-for-sale                               | 2,130,085                 | 792,151                        | 866,023                    | 292,219                    | 860,483                     | 8,376,696                | 414,720                           | 13,732,377         |
| Financial investments<br>held-to-maturity                                 | 49                        | 20,343                         | -                          | -                          | 262,287                     | 7,545,611                | -                                 | 7,828,290          |
| Loans, advances and<br>financing  | 9,048,395                 | 8,660,300                      | 3,681,795                  | 1,314,812                  | 2,294,781                   | 62,873,366               | -                                 | 87,873,449         |
| Other assets  | 43,083                    | 3,395                          | 5,299                      | 7,213                      | 1,701                       | 12,378                   | 361,473                           | 434,542            |
| Derivative financial<br>instruments                                       | 60,102                    | 48,843                         | 83,501                     | 29,076                     | 60,010                      | 388,793                  | -                                 | 670,325            |
| Amount due from<br>subsidiaries   | -                         | -                              | -                          | -                          | -                           | -                        | 11,437                            | 11,437             |
| Statutory deposits with<br>Central Banks                                  | -                         | -                              | -                          | -                          | -                           | -                        | 2,591,500                         | 2,591,500          |
| Subsidiary companies  | -                         | -                              | -                          | -                          | -                           | -                        | 1,352,159                         | 1,352,159          |
| Investment in associated<br>companies                                     | -                         | -                              | -                          | -                          | -                           | -                        | 946,505                           | 946,505            |
| Investment in joint venture   | -                         | -                              | -                          | -                          | -                           | -                        | 76,711                            | 76,711             |
| Property and equipment  | -                         | -                              | -                          | -                          | -                           | -                        | 697,102                           | 697,102            |
| Intangible assets   | -                         | -                              | -                          | -                          | -                           | -                        | 335,319                           | 335,319            |
| Goodwill  | -                         | -                              | -                          | -                          | -                           | -                        | 1,771,547                         | 1,771,547          |
| <b>Total assets</b>   | <b>19,847,800</b>         | <b>19,422,997</b>              | <b>11,259,985</b>          | <b>5,984,925</b>           | <b>3,670,595</b>            | <b>80,073,218</b>        | <b>8,562,356</b>                  | <b>148,821,876</b> |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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 2014 based on the remaining contractual maturity: (continued)

|   | The Bank                  |                                |                            |                            |                             |                          |                                   |                    |
|---|---------------------------|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------|--------------------|
|   | 2014                      |                                |                            |                            |                             |                          |                                   | Total<br>RM'000    |
|   | Up to<br>1 week<br>RM'000 | 1 week to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 6<br>months<br>RM'000 | 6 to 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | No specific<br>maturity<br>RM'000 |                    |
| <b>Liabilities</b>  |                           |                                |                            |                            |                             |                          |                                   |                    |
| Deposits from customers   | 40,927,807                | 18,431,712                     | 20,814,066                 | 13,950,025                 | 16,558,748                  | 3,416,477                | -                                 | 114,098,835        |
| Deposits and placements<br>of banks and other<br>financial institutions | 1,398,630                 | 2,041,903                      | 1,557,602                  | 240,292                    | 148,957                     | -                        | -                                 | 5,387,384          |
| Obligations on securities<br>sold under repurchase<br>agreements        | 609,566                   | 2,434,005                      | 1,022,584                  | 50,733                     | -                           | -                        | -                                 | 4,116,888          |
| Bills and acceptances payable   | 133                       | 2,973                          | 20,849                     | 18,797                     | 1,476                       | -                        | 283,671                           | 327,899            |
| Other liabilities   | 2,981,793                 | -                              | -                          | 84,160                     | 120,419                     | -                        | 97,810                            | 3,284,182          |
| Derivative financial<br>instruments                                     | 40,393                    | 37,179                         | 52,295                     | 55,609                     | 126,688                     | 448,242                  | -                                 | 760,406            |
| Senior bonds  | -                         | -                              | -                          | -                          | -                           | 1,936,207                | -                                 | 1,936,207          |
| Tier 2 subordinated bonds   | -                         | -                              | -                          | -                          | -                           | 4,468,275                | -                                 | 4,468,275          |
| Non-innovative Tier 1<br>stapled securities                             | -                         | -                              | -                          | -                          | -                           | 1,410,252                | -                                 | 1,410,252          |
| Innovative Tier 1 capital<br>securities                                 | -                         | -                              | -                          | -                          | -                           | 541,767                  | -                                 | 541,767            |
| Provision for taxation  | -                         | -                              | -                          | -                          | -                           | -                        | 24,364                            | 24,364             |
| Deferred tax liabilities  | -                         | -                              | -                          | -                          | -                           | -                        | 134,919                           | 134,919            |
| <b>Total liabilities</b>  | <b>45,958,322</b>         | <b>22,947,772</b>              | <b>23,467,396</b>          | <b>14,399,616</b>          | <b>16,956,288</b>           | <b>12,221,220</b>        | <b>540,764</b>                    | <b>136,491,378</b> |
| Total equity  | -                         | -                              | -                          | -                          | -                           | -                        | 12,330,498                        | 12,330,498         |
| <b>Total liabilities and equity</b>                                     | <b>45,958,322</b>         | <b>22,947,772</b>              | <b>23,467,396</b>          | <b>14,399,616</b>          | <b>16,956,288</b>           | <b>12,221,220</b>        | <b>12,871,262</b>                 | <b>148,821,876</b> |
| <b>Net liquidity gap</b>  | <b>(26,110,522)</b>       | <b>(3,524,775)</b>             | <b>(12,207,411)</b>        | <b>(8,414,691)</b>         | <b>(13,285,693)</b>         | <b>67,851,998</b>        |                                   |                    |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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 2013 based on the remaining contractual maturity:

|   | The Bank                  |                                |                            |                            |                             |                          |                                   |                    |
|---|---------------------------|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------|--------------------|
|   | 2013                      |                                |                            |                            |                             |                          |                                   | Total<br>RM'000    |
|   | Up to<br>1 week<br>RM'000 | 1 week to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 6<br>months<br>RM'000 | 6 to 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | No specific<br>maturity<br>RM'000 |                    |
| <b>Assets</b>   |                           |                                |                            |                            |                             |                          |                                   |                    |
| Cash and short-term funds   | 8,348,508                 | 8,370,750                      | -                          | -                          | -                           | -                        | -                                 | 16,719,258         |
| Deposits and placements<br>with banks and<br>other financial institutions | -                         | -                              | 6,004,814                  | 724,242                    | -                           | -                        | -                                 | 6,729,056          |
| Securities purchased under<br>resale agreements                           | -                         | -                              | 1,025,253                  | -                          | -                           | -                        | -                                 | 1,025,253          |
| Financial assets<br>held-for-trading                                      | 679,405                   | 2,809,783                      | 4,973,780                  | 1,527,253                  | 629,521                     | 1,474,562                | 12,624                            | 12,106,928         |
| Financial investments<br>available-for-sale                               | 24,994                    | 1,610,051                      | 496,459                    | 10,103                     | 687,539                     | 8,394,282                | 412,021                           | 11,635,449         |
| Financial investments<br>held-to-maturity                                 | 83                        | 595,927                        | -                          | -                          | 296,363                     | 3,223,432                | -                                 | 4,115,805          |
| Loans, advances and<br>financing  | 8,696,442                 | 8,056,000                      | 4,456,740                  | 1,119,410                  | 2,970,540                   | 56,536,602               | -                                 | 81,835,734         |
| Other assets  | 406,357                   | 2,589                          | 4,333                      | 5,667                      | 885                         | 9,489                    | 365,190                           | 794,510            |
| Derivative financial<br>instruments                                       | 62,825                    | 74,530                         | 72,798                     | 143,424                    | 53,289                      | 532,543                  | -                                 | 939,409            |
| Amount due from<br>subsidiaries   | -                         | -                              | -                          | -                          | -                           | -                        | 616,487                           | 616,487            |
| Statutory deposits with<br>Central Banks                                  | -                         | -                              | -                          | -                          | -                           | -                        | 2,917,000                         | 2,917,000          |
| Subsidiary companies  | -                         | -                              | -                          | -                          | -                           | -                        | 2,194,913                         | 2,194,913          |
| Investment in associated<br>companies                                     | -                         | -                              | -                          | -                          | -                           | -                        | 946,505                           | 946,505            |
| Investment in joint venture   | -                         | -                              | -                          | -                          | -                           | -                        | 76,711                            | 76,711             |
| Property and equipment  | -                         | -                              | -                          | -                          | -                           | -                        | 712,963                           | 712,963            |
| Intangible assets   | -                         | -                              | -                          | -                          | -                           | -                        | 362,855                           | 362,855            |
| Goodwill  | -                         | -                              | -                          | -                          | -                           | -                        | 1,771,547                         | 1,771,547          |
| <b>Total assets</b>   | <b>18,218,614</b>         | <b>21,519,630</b>              | <b>17,034,177</b>          | <b>3,530,099</b>           | <b>4,638,137</b>            | <b>70,170,910</b>        | <b>10,388,816</b>                 | <b>145,500,383</b> |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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 2013 based on the remaining contractual maturity: (continued)

|   | The Bank                  |                                |                            |                            |                             |                          |                                   |                    |
|---|---------------------------|--------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------|--------------------|
|   | 2013                      |                                |                            |                            |                             |                          |                                   | Total<br>RM'000    |
|   | Up to<br>1 week<br>RM'000 | 1 week to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 6<br>months<br>RM'000 | 6 to 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | No specific<br>maturity<br>RM'000 |                    |
| <b>Liabilities</b>  |                           |                                |                            |                            |                             |                          |                                   |                    |
| Deposits from customers   | 42,062,496                | 15,811,417                     | 18,567,893                 | 11,871,122                 | 16,982,599                  | 3,873,104                | -                                 | 109,168,631        |
| Deposits and placements<br>of banks and other<br>financial institutions | 2,259,135                 | 3,667,435                      | 4,176,310                  | 63,234                     | -                           | -                        | -                                 | 10,166,114         |
| Obligations on securities<br>sold under repurchase<br>agreements        | -                         | -                              | 1,748,744                  | -                          | -                           | -                        | -                                 | 1,748,744          |
| Bills and acceptances payable   | 252                       | 38,806                         | 224,448                    | 26,676                     | 47                          | -                        | 366,663                           | 656,892            |
| Other liabilities   | 2,372,431                 | -                              | -                          | -                          | 231,926                     | 84,827                   | 191,088                           | 2,880,272          |
| Derivative financial<br>instruments                                     | 80,856                    | 118,784                        | 122,934                    | 104,777                    | 27,233                      | 556,665                  | -                                 | 1,011,249          |
| Senior bonds  | -                         | -                              | -                          | -                          | -                           | 1,902,171                | -                                 | 1,902,171          |
| Tier 2 subordinated bonds   | -                         | -                              | -                          | -                          | -                           | 4,382,601                | -                                 | 4,382,601          |
| Non-innovative Tier 1<br>stapled securities                             | -                         | -                              | -                          | -                          | -                           | 1,408,992                | -                                 | 1,408,992          |
| Innovative Tier 1 capital<br>securities                                 | -                         | -                              | -                          | -                          | -                           | 556,042                  | -                                 | 556,042            |
| Provision for taxation  | -                         | -                              | -                          | -                          | -                           | -                        | 165,974                           | 165,974            |
| Deferred tax liabilities  | -                         | -                              | -                          | -                          | -                           | -                        | 112,284                           | 112,284            |
| <b>Total liabilities</b>  | <b>46,775,170</b>         | <b>19,636,442</b>              | <b>24,840,329</b>          | <b>12,065,809</b>          | <b>17,241,805</b>           | <b>12,764,402</b>        | <b>836,009</b>                    | <b>134,159,966</b> |
| Total equity  | -                         | -                              | -                          | -                          | -                           | -                        | 11,340,417                        | 11,340,417         |
| <b>Total liabilities and equity</b>                                     | <b>46,775,170</b>         | <b>19,636,442</b>              | <b>24,840,329</b>          | <b>12,065,809</b>          | <b>17,241,805</b>           | <b>12,764,402</b>        | <b>12,176,426</b>                 | <b>145,500,383</b> |
| <b>Net liquidity gap</b>  | <b>(28,556,556)</b>       | <b>1,883,188</b>               | <b>(7,806,152)</b>         | <b>(8,535,710)</b>         | <b>(12,603,668)</b>         | <b>57,406,508</b>        |                                   |                    |



**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 30 June 2014  
(continued)

**45 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                  |                            |                             |                           |                           |                    |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|--------------------|
|   | Up to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Total<br>RM'000    |
| <b>Financial liabilities</b>  |                            |                            |                             |                           |                           |                    |
| Deposits from customers   | 68,316,218                 | 25,499,056                 | 33,253,419                  | 4,626,050                 | 550,110                   | 132,244,853        |
| Deposits and placements<br>of banks and other<br>financial institutions | 5,522,182                  | 2,627,595                  | 728,812                     | -                         | -                         | 8,878,589          |
| Obligations on securities sold<br>under repurchase agreements           | 3,050,665                  | 1,042,350                  | 51,368                      | -                         | -                         | 4,144,383          |
| Bills and acceptances payable   | 313,526                    | 704                        | 187                         | -                         | -                         | 314,417            |
| Other liabilities   | 3,760,580                  | -                          | 84,160                      | -                         | -                         | 3,844,740          |
| Derivative financial instruments  |                            |                            |                             |                           |                           |                    |
| - Gross settled derivatives   |                            |                            |                             |                           |                           |                    |
| - Inflow  | (6,948,077)                | (2,744,774)                | (8,312,106)                 | (431,906)                 | (1,475)                   | (18,438,338)       |
| - Outflow   | 6,966,290                  | 2,742,902                  | 8,375,241                   | 406,147                   | 1,876                     | 18,492,456         |
| - Net settled derivatives   | 29,973                     | 23,899                     | 78,358                      | 253,240                   | 59,321                    | 444,791            |
| Senior bonds  | -                          | 18,207                     | 47,927                      | 2,022,714                 | -                         | 2,088,848          |
| Tier 2 subordinated bonds   | -                          | 16,835                     | 457,087                     | 5,120,916                 | -                         | 5,594,838          |
| Non-innovative Tier 1<br>stapled securities                             | -                          | -                          | 70,700                      | 1,470,894                 | -                         | 1,541,594          |
| Innovative Tier 1 capital securities                                    | -                          | 20,795                     | 20,455                      | 165,226                   | 520,682                   | 727,158            |
| <b>Total financial liabilities</b>                                      | <b>81,011,357</b>          | <b>29,247,569</b>          | <b>34,855,608</b>           | <b>13,633,281</b>         | <b>1,130,514</b>          | <b>159,878,329</b> |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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                  |                            |                             |                           |                           |                    |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|--------------------|
|   | Up to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Total<br>RM'000    |
| <b>Financial liabilities</b>  |                            |                            |                             |                           |                           |                    |
| Deposits from customers   | 63,674,174                 | 22,014,115                 | 34,560,416                  | 5,099,709                 | 116,018                   | 125,464,432        |
| Deposits and placements<br>of banks and other<br>financial institutions | 9,514,015                  | 5,544,776                  | 78,968                      | -                         | -                         | 15,137,759         |
| Obligations on securities sold<br>under repurchase agreements           | -                          | 1,739,244                  | -                           | -                         | -                         | 1,739,244          |
| Bills and acceptances payable   | 549,619                    | 207,754                    | 14,319                      | -                         | -                         | 771,692            |
| Other liabilities   | 2,630,901                  | -                          | 87,287                      | 84,827                    | -                         | 2,803,015          |
| Derivative financial instruments  |                            |                            |                             |                           |                           |                    |
| - Gross settled derivatives   |                            |                            |                             |                           |                           |                    |
| - Inflow  | (12,565,626)               | (5,026,587)                | (2,183,682)                 | (187,560)                 | (41,492)                  | (20,004,947)       |
| - Outflow   | 12,545,278                 | 4,998,523                  | 2,174,595                   | 230,962                   | 43,521                    | 19,992,879         |
| - Net settled derivatives   | 20,650                     | 13,135                     | 113,968                     | 279,385                   | 126,020                   | 553,158            |
| Senior bonds  | -                          | 17,918                     | 47,409                      | 2,055,666                 | -                         | 2,120,993          |
| Tier 2 subordinated bonds   | -                          | 28,526                     | 593,070                     | 2,910,783                 | 1,567,870                 | 5,100,249          |
| Non-innovative Tier 1<br>stapled securities                             | -                          | -                          | 70,700                      | 1,541,594                 | -                         | 1,612,294          |
| Innovative Tier 1 capital securities                                    | -                          | 20,682                     | 20,455                      | 165,339                   | 561,818                   | 768,294            |
| <b>Total financial liabilities</b>                                      | <b>76,369,011</b>          | <b>29,558,086</b>          | <b>35,577,505</b>           | <b>12,180,705</b>         | <b>2,373,755</b>          | <b>156,059,062</b> |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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                   |                            |                             |                           |                           |                    |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|--------------------|
|   | Up to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Total<br>RM'000    |
| <b>Financial liabilities</b>  |                            |                            |                             |                           |                           |                    |
| Deposits from customers   | 60,421,493                 | 21,057,787                 | 30,933,606                  | 3,255,009                 | 495,458                   | 116,163,353        |
| Deposits and placements<br>of banks and other<br>financial institutions | 3,421,324                  | 2,019,747                  | 390,379                     | -                         | -                         | 5,831,450          |
| Obligations on securities sold<br>under repurchase agreements           | 3,050,665                  | 1,042,350                  | 51,368                      | -                         | -                         | 4,144,383          |
| Bills and acceptances payable   | 287,418                    | 704                        | 187                         | -                         | -                         | 288,309            |
| Other liabilities   | 2,646,053                  | -                          | 84,160                      | -                         | -                         | 2,730,213          |
| Derivative financial instruments  |                            |                            |                             |                           |                           |                    |
| - Gross settled derivatives   |                            |                            |                             |                           |                           |                    |
| - Inflow  | (6,506,303)                | (2,647,099)                | (8,308,676)                 | (416,046)                 | (1,475)                   | (17,879,599)       |
| - Outflow   | 6,527,406                  | 2,646,587                  | 8,373,097                   | 390,528                   | 1,876                     | 17,939,494         |
| - Net settled derivatives   | 29,197                     | 23,560                     | 83,305                      | 230,134                   | 57,078                    | 423,274            |
| Senior bonds  | -                          | 18,207                     | 47,927                      | 2,022,714                 | -                         | 2,088,848          |
| Tier 2 subordinated bonds   | -                          | 16,835                     | 437,887                     | 4,644,063                 | -                         | 5,098,785          |
| Non-innovative Tier 1<br>stapled securities                             | -                          | -                          | 70,700                      | 1,470,894                 | -                         | 1,541,594          |
| Innovative Tier 1 capital securities                                    | -                          | 20,795                     | 20,455                      | 165,226                   | 520,682                   | 727,158            |
| <b>Total financial liabilities</b>                                      | <b>69,877,253</b>          | <b>24,199,473</b>          | <b>32,184,395</b>           | <b>11,762,522</b>         | <b>1,073,619</b>          | <b>139,097,262</b> |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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                   |                            |                             |                           |                           | Total<br>RM'000    |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|--------------------|
|   | Up to<br>1 month<br>RM'000 | 1 to 3<br>months<br>RM'000 | 3 to 12<br>months<br>RM'000 | 1 to 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                    |
| <b>Financial liabilities</b>  |                            |                            |                             |                           |                           |                    |
| Deposits from customers   | 55,652,153                 | 19,696,465                 | 30,632,961                  | 3,958,066                 | 116,018                   | 110,055,663        |
| Deposits and placements<br>of banks and other<br>financial institutions | 6,515,293                  | 4,261,160                  | 64,402                      | -                         | -                         | 10,840,855         |
| Obligations on securities sold<br>under repurchase agreements           | -                          | 1,739,244                  | -                           | -                         | -                         | 1,739,244          |
| Bills and acceptances payable   | 409,127                    | 207,754                    | 14,319                      | -                         | -                         | 631,200            |
| Other liabilities   | 2,193,294                  | -                          | 87,287                      | 84,827                    | -                         | 2,365,408          |
| Derivative financial instruments  |                            |                            |                             |                           |                           |                    |
| - Gross settled derivatives   |                            |                            |                             |                           |                           |                    |
| - Inflow  | (12,242,428)               | (4,994,992)                | (2,118,660)                 | (170,838)                 | (41,492)                  | (19,568,410)       |
| - Outflow   | 12,227,611                 | 4,967,668                  | 2,110,527                   | 214,733                   | 43,521                    | 19,564,060         |
| - Net settled derivatives   | 20,339                     | 13,135                     | 114,574                     | 274,266                   | 126,020                   | 548,334            |
| Senior bonds  | -                          | 17,918                     | 47,409                      | 2,055,666                 | -                         | 2,120,993          |
| Tier 2 subordinated bonds   | -                          | 28,526                     | 593,070                     | 2,910,783                 | 1,567,870                 | 5,100,249          |
| Non-innovative Tier 1<br>stapled securities                             | -                          | -                          | 70,700                      | 1,541,594                 | -                         | 1,612,294          |
| Innovative Tier 1 capital securities                                    | -                          | 20,682                     | 20,455                      | 165,339                   | 561,818                   | 768,294            |
| <b>Total financial liabilities</b>                                      | <b>64,775,389</b>          | <b>25,957,560</b>          | <b>31,637,044</b>           | <b>11,034,436</b>         | <b>2,373,755</b>          | <b>135,778,184</b> |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 FINANCIAL INSTRUMENTS (CONTINUED)

#### (c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's and Bank's commitments and contingencies:

| The Group   | Less than<br>1 year<br>RM'000 | Over<br>1 year<br>RM'000 | Total<br>RM'000   |
|---|-------------------------------|--------------------------|-------------------|
| <b>2014</b>   |                               |                          |                   |
| Direct credit substitutes                               | 167,245                       | 188,922                  | 356,167           |
| Short-term self liquidating trade related contingencies | 405,768                       | 931                      | 415,079           |
| Irrevocable commitments to extend credit                | 15,821,707                    | 17,251,829               | 33,073,536        |
| Unutilised credit card lines                            | 7,610,596                     | -                        | 7,610,596         |
| <b>Total commitments and contingencies</b>              | <b>24,005,316</b>             | <b>17,450,062</b>        | <b>41,455,378</b> |
| <b>2013</b>   |                               |                          |                   |
| Direct credit substitutes                               | 234,251                       | 48,011                   | 282,262           |
| Short-term self liquidating trade related contingencies | 526,128                       | -                        | 526,128           |
| Irrevocable commitments to extend credit                | 17,331,901                    | 14,108,639               | 31,440,540        |
| Unutilised credit card lines                            | 8,331,904                     | -                        | 8,331,904         |
| <b>Total commitments and contingencies</b>              | <b>26,424,184</b>             | <b>14,156,650</b>        | <b>40,580,834</b> |
| The Bank  | Less than<br>1 year<br>RM'000 | Over<br>1 year<br>RM'000 | Total<br>RM'000   |
| <b>2014</b>   |                               |                          |                   |
| Direct credit substitutes                               | 166,543                       | 188,565                  | 355,108           |
| Short-term self liquidating trade related contingencies | 404,484                       | -                        | 404,484           |
| Irrevocable commitments to extend credit                | 14,681,470                    | 14,568,131               | 29,249,601        |
| Unutilised credit card lines                            | 7,610,596                     | -                        | 7,610,596         |
| <b>Total commitments and contingencies</b>              | <b>22,863,093</b>             | <b>14,756,696</b>        | <b>37,619,789</b> |
| <b>2013</b>   |                               |                          |                   |
| Direct credit substitutes                               | 233,281                       | 47,578                   | 280,859           |
| Short-term self liquidating trade related contingencies | 480,460                       | -                        | 480,460           |
| Irrevocable commitments to extend credit                | 16,468,730                    | 11,415,226               | 27,883,956        |
| Unutilised credit card lines                            | 8,331,904                     | -                        | 8,331,904         |
| <b>Total commitments and contingencies</b>              | <b>25,514,375</b>             | <b>11,462,804</b>        | <b>36,977,179</b> |

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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 FINANCIAL INSTRUMENTS (CONTINUED)

#### (d) Credit risk

##### (i) Maximum exposure to credit risk

The maximum exposure to credit risk for financial assets recognised in the statements of financial position is their carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Bank:

|  | The Group          |                    |
|--|--------------------|--------------------|
|  | 2014<br>RM'000     | 2013<br>RM'000     |
| Credit risk exposure relating to:  |                    |                    |
| Short-term funds and placements with banks and other financial institutions (exclude cash in hand) | 17,813,462         | 22,915,661         |
| Securities purchased under resale agreements   | 2,717,021          | 1,025,253          |
| Financial assets and investments portfolios (exclude shares):                                      |                    |                    |
| – Financial assets held-for-trading  | 11,310,593         | 15,183,158         |
| – Financial investments available-for-sale   | 14,260,926         | 11,908,168         |
| – Financial investments held-to-maturity   | 8,864,033          | 4,108,406          |
| Loans, advances and financing  | 102,579,076        | 95,430,961         |
| Other assets   | 423,738            | 686,400            |
| Derivative assets  | 687,441            | 877,144            |
| Commitments and contingencies  | 41,455,378         | 40,580,834         |
| <b>Total maximum credit risk exposure</b>  | <b>200,111,668</b> | <b>192,715,985</b> |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 FINANCIAL INSTRUMENTS (CONTINUED)

#### (d) Credit risk (continued)

##### (i) Maximum exposure to credit risk (continued)

|  | The Bank           |                    |
|--|--------------------|--------------------|
|  | 2014<br>RM'000     | 2013<br>RM'000     |
| Credit risk exposure relating to:  |                    |                    |
| Short-term funds and placements with banks and other financial institutions (exclude cash in hand) | 16,753,928         | 22,502,436         |
| Securities purchased under resale agreements   | 2,717,021          | 1,025,253          |
| Financial assets and investments portfolios (exclude shares):                                      |                    |                    |
| – Financial assets held-for-trading  | 10,128,951         | 12,094,304         |
| – Financial investments available-for-sale   | 11,316,141         | 9,723,527          |
| – Financial investments held-to-maturity   | 7,775,755          | 4,063,199          |
| Loans, advances and financing  | 87,873,449         | 81,835,734         |
| Other assets   | 374,836            | 595,227            |
| Amount due from subsidiaries   | 11,437             | 616,487            |
| Derivative assets  | 670,325            | 939,409            |
| Commitments and contingencies  | 37,619,789         | 36,977,179         |
| <b>Total maximum credit risk exposure</b>  | <b>175,241,632</b> | <b>170,372,755</b> |

##### (ii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

- Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
- Land and buildings
- Aircrafts, vessels and automobiles
- Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
- Endowment life policies with cash surrender value
- Other tangible business assets, such as inventory and equipment

The Group 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 89.14% (2013: 87.51%) and 88.33% (2013: 86.54%) 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 2014  
(continued)

### 45 FINANCIAL INSTRUMENTS (CONTINUED)

#### (d) Credit risk (continued)

##### (iii) Credit quality

The Group and the Bank assess credit quality of loans and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgment.

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 international 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          |                |
|--|--------------------|----------------|-------------------|----------------|
|  | 2014<br>RM'000     | 2013<br>RM'000 | 2014<br>RM'000    | 2013<br>RM'000 |
| Neither past due nor impaired  | <b>94,100,736</b>  | 85,515,005     | <b>81,105,628</b> | 73,827,182     |
| Past due but not impaired  | <b>8,836,178</b>   | 10,334,509     | <b>7,094,598</b>  | 8,326,658      |
| Individually impaired  | <b>1,231,735</b>   | 1,359,443      | <b>1,025,115</b>  | 1,154,173      |
| Gross loans, advances and financing                                      | <b>104,168,649</b> | 97,208,957     | <b>89,225,341</b> | 83,308,013     |
| Fair value changes arising from fair value hedges                        | -                  | (7,450)        | -                 | (674)          |
| Unamortised fair value changes arising from terminated fair value hedges | <b>(1,516)</b>     | 15,035         | <b>3,431</b>      | 10,524         |
| Less: Allowance for impaired loans, advances and financing               |                    |                |                   |                |
| - Individual assessment allowance  | <b>(511,453)</b>   | (526,018)      | <b>(433,037)</b>  | (450,107)      |
| - Collective assessment allowance  | <b>(1,076,604)</b> | (1,259,563)    | <b>(922,286)</b>  | (1,032,022)    |
| Net loans, advances and financing  | <b>102,579,076</b> | 95,430,961     | <b>87,873,449</b> | 81,835,734     |



**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**45 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          |                |
|---|-------------------|----------------|-------------------|----------------|
|   | 2014<br>RM'000    | 2013<br>RM'000 | 2014<br>RM'000    | 2013<br>RM'000 |
| <b>Consumer loans/financing</b>         |                   |                |                   |                |
| <u>Risk Grade</u>                       |                   |                |                   |                |
| Good                                    | 63,113,664        | 55,825,107     | 53,286,160        | 46,711,245     |
| Weakest                                 | 619,854           | 585,284        | 550,115           | 515,776        |
|   | <b>63,733,518</b> | 56,410,391     | <b>53,836,275</b> | 47,227,021     |
| <b>Corporates loans/financing</b>       |                   |                |                   |                |
| <u>Risk Grade</u> <u>Credit Quality</u> |                   |                |                   |                |
| A                      Exceptional      | 892,667           | 472,917        | 529,386           | 165,050        |
| B+                    Superior          | 3,300,839         | 3,184,551      | 2,628,570         | 2,886,593      |
| B                      Excellent        | 5,777,197         | 5,957,259      | 5,247,651         | 5,504,611      |
| B-                     Strong           | 4,881,363         | 4,888,015      | 4,435,516         | 4,428,646      |
| C+                    Good              | 4,871,072         | 4,838,214      | 4,502,723         | 4,463,618      |
| C                      Satisfactory     | 6,207,560         | 4,765,395      | 5,710,539         | 4,548,746      |
| C-                     Fair             | 3,189,640         | 3,603,788      | 3,026,622         | 3,295,069      |
| D+                    Adequate          | 784,535           | 705,416        | 744,555           | 656,604        |
| D                      Marginal         | 159,531           | 347,411        | 157,096           | 339,925        |
| Un-graded                               | 302,814           | 341,648        | 286,695           | 311,299        |
|   | <b>30,367,218</b> | 29,104,614     | <b>27,269,353</b> | 26,600,161     |
| Total neither past due<br>nor impaired  | <b>94,100,736</b> | 85,515,005     | <b>81,105,628</b> | 73,827,182     |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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         |                |
|----------------------------------|------------------|----------------|------------------|----------------|
|                                  | 2014<br>RM'000   | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| Past due less than 30 days       | <b>6,118,113</b> | 7,149,476      | <b>4,917,730</b> | 5,741,334      |
| Past due 30 to less than 60 days | <b>1,953,269</b> | 2,268,750      | <b>1,554,672</b> | 1,830,556      |
| Past due 60 to less than 90 days | <b>764,796</b>   | 916,283        | <b>622,196</b>   | 754,768        |
| Past due but not impaired        | <b>8,836,178</b> | 10,334,509     | <b>7,094,598</b> | 8,326,658      |

##### (iii) Loans, advances and financing that are determined to be impaired as at 30 June 2014 and 30 June 2013 are as follows:

|  | The Group        |                | The Bank         |                |
|--|------------------|----------------|------------------|----------------|
|  | 2014<br>RM'000   | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| Gross amount of impaired loans                   | <b>1,231,735</b> | 1,359,443      | <b>1,025,115</b> | 1,154,173      |
| Less: Individual assessment impairment allowance | <b>(511,453)</b> | (526,018)      | <b>(433,037)</b> | (450,107)      |
| Less: Collective assessment impairment allowance | <b>(343,625)</b> | (458,603)      | <b>(282,847)</b> | (365,891)      |
| Total net amount impaired loans                  | <b>376,657</b>   | 374,822        | <b>309,231</b>   | 338,175        |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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 2014, based on Moody's ratings or its equivalent are as follows:

| 2014<br>The Group                        | Short-term<br>funds and<br>deposits and<br>placements<br>with banks<br>and other<br>financial<br>institutions* | Securities<br>purchased<br>under<br>resale<br>agreements <sup>^</sup> | Financial<br>assets<br>held-for-<br>trading <sup>#</sup> | Financial<br>investments<br>available-<br>for-sale <sup>#</sup> | Financial<br>investments<br>held-to-<br>maturity <sup>#</sup> | Other<br>assets | Derivative<br>assets |
|--|--|---|--|---|---|-----------------|----------------------|
|  | RM'000   | RM'000  | RM'000   | RM'000  | RM'000  | RM'000          | RM'000               |
| <b>Neither past due<br/>nor impaired</b> |  |   |  |   |   |                 |                      |
| AAA to AA3                               | 1,163,264  | -   | 216,128  | 4,826,265   | 188,611   | -               | 133,767              |
| A1 to A3                                 | 6,514,539  | -   | 379,899  | 2,701,245   | -   | -               | 333,556              |
| Baa1 to Baa3                             | 326,743  | -   | -  | 213,756   | -   | -               | 36,184               |
| P1 to P3                                 | 66,129   | -   | 10,983   | -   | -   | -               | -                    |
| Non-rated                                | 9,742,787  | 2,717,021   | 10,703,583   | 6,519,660   | 8,675,422   | 423,738         | 183,934              |
|  | <b>17,813,462</b>  | <b>2,717,021</b>  | <b>11,310,593</b>  | <b>14,260,926</b>   | <b>8,864,033</b>  | <b>423,738</b>  | <b>687,441</b>       |

The amount of short-term funds and deposits and placements with banks and other financial institutions, 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 of placements with BNM.

<sup>^</sup> Comprises of securities purchased under resale agreements with local financial institutions.

<sup>#</sup> Securities with no ratings consists of government securities.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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 2013, based on Moody's ratings or its equivalent are as follows:

| 2013<br>The Group                        | Short-term<br>funds and<br>deposits and<br>placements<br>with banks<br>and other<br>financial<br>institutions* | Securities<br>purchased<br>under<br>resale<br>agreements^ | Financial<br>assets<br>held-for-<br>trading# | Financial<br>investments<br>available-<br>for-sale# | Financial<br>investments<br>held-to-<br>maturity# | Other<br>assets | Derivative<br>assets |
|--|--|---|--|---|---|-----------------|----------------------|
|  | RM'000   | RM'000  | RM'000                                       | RM'000  | RM'000  | RM'000          | RM'000               |
| <b>Neither past due<br/>nor impaired</b> |  |   |  |   |   |                 |                      |
| AAA to AA3                               | 1,228,711  | -   | 634,422                                      | 3,753,462   | 179,874   | -               | 164,187              |
| A1 to A3                                 | 4,628,473  | -   | 120,125                                      | 2,394,133   | -   | -               | 494,454              |
| Baa1 to Baa3                             | 9,769  | -   | 23,095                                       | 431,046   | -   | -               | 35,818               |
| P1 to P3                                 | -  | -   | 10,937                                       | -   | -   | -               | -                    |
| Non-rated                                | 17,048,708   | 1,025,253   | 14,394,579                                   | 5,329,527   | 3,928,532   | 686,400         | 182,685              |
|  | 22,915,661   | 1,025,253   | 15,183,158                                   | 11,908,168  | 4,108,406   | 686,400         | 877,144              |

The amount of short-term funds and deposits and placements with banks and other financial institutions, 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 of placements with BNM.

^ Comprises of securities purchased under resale agreements with local financial institutions.

# Securities with no ratings consists of government securities.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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 2014, based on Moody's ratings or its equivalent are as follows:

| 2014<br>The Bank                 | Short-term<br>funds and<br>deposits and<br>placements<br>with banks<br>and other<br>financial<br>institutions* | Securities<br>purchased<br>under<br>resale<br>agreements^ | Financial<br>assets<br>held-for-<br>trading# | Financial<br>investments<br>available-<br>for-sale# | Financial<br>investments<br>held-to-<br>maturity# | Other<br>assets | Amount<br>due from<br>subsidiaries | Derivative<br>assets |
|----------------------------------|--|---|--|---|---|-----------------|------------------------------------|----------------------|
|                                  | RM'000   | RM'000  | RM'000                                       | RM'000  | RM'000  | RM'000          | RM'000                             | RM'000               |
| Neither past due<br>nor impaired |  |   |  |   |   |                 |                                    |                      |
| AAA to AA3                       | 1,162,406  | -   | 216,128                                      | 4,255,497   | 81,064  | -               | -                                  | 129,462              |
| A1 to A3                         | 6,371,128  | -   | 379,899                                      | 2,607,428   | -   | -               | -                                  | 322,464              |
| Baa1 to Baa3                     | 326,467  | -   | -  | 213,756   | -   | -               | -                                  | 36,184               |
| P1 to P3                         | -  | -   | 10,983                                       | -   | -   | -               | -                                  | -                    |
| Non-rated                        | 8,893,927  | 2,717,021   | 9,521,941                                    | 4,239,460   | 7,694,691   | 374,836         | 11,437                             | 182,215              |
|                                  | <b>16,753,928</b>  | <b>2,717,021</b>  | <b>10,128,951</b>                            | <b>11,316,141</b>                                   | <b>7,775,755</b>                                  | <b>374,836</b>  | <b>11,437</b>                      | <b>670,325</b>       |

The amount of short-term funds and deposits and placements with banks and other financial institutions, 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 of placements with BNM.

^ Comprises of securities purchased under resale agreements with local financial institutions.

# Securities with no ratings consists of government securities.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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 2013, based on Moody's ratings or its equivalent are as follows:

| 2013                                 | Short-term funds and deposits and placements with banks and other financial institutions* | Securities purchased under resale agreements <sup>^</sup> | Financial assets held-for-trading <sup>#</sup> | Financial investments available-for-sale <sup>#</sup> | Financial investments held-to-maturity <sup>#</sup> | Other assets | Amount due from subsidiaries | Derivative assets |
|--------------------------------------|---|---|--|---|---|--------------|------------------------------|-------------------|
| The Bank                             | RM'000  | RM'000  | RM'000   | RM'000  | RM'000  | RM'000       | RM'000                       | RM'000            |
| <b>Neither past due nor impaired</b> |   |   |  |   |   |              |                              |                   |
| AAA to AA3                           | 1,079,024   | -   | 463,192  | 3,297,336   | 35,655  | -            | -                            | 161,492           |
| A1 to A3                             | 4,597,684   | -   | 97,331   | 2,303,850   | -   | -            | -                            | 487,328           |
| Baa1 to Baa3                         | 725   | -   | 23,095   | 431,046   | -   | -            | -                            | 35,818            |
| P1 to P3                             | -   | -   | 10,937   | -   | -   | -            | -                            | -                 |
| Non-rated                            | 16,825,003  | 1,025,253   | 11,499,749                                     | 3,691,295   | 4,027,544   | 595,227      | 616,487                      | 254,771           |
|                                      | 22,502,436  | 1,025,253   | 12,094,304                                     | 9,723,527   | 4,063,199   | 595,227      | 616,487                      | 939,409           |

The amount of short-term funds and deposits and placements with banks and other financial institutions, 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 of placements with BNM.

<sup>^</sup> Comprises of securities purchased under resale agreements with local financial institutions.

<sup>#</sup> Securities with no ratings consists of government securities.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 FINANCIAL INSTRUMENTS (CONTINUED)

#### (d) Credit risk (continued)

##### (iv) Collateral and other credit enhancements obtained

|            | The Group         |                | The Bank          |                |
|------------|-------------------|----------------|-------------------|----------------|
|            | 2014<br>RM'000    | 2013<br>RM'000 | 2014<br>RM'000    | 2013<br>RM'000 |
| Properties | <b>79,852,505</b> | 73,339,375     | <b>67,444,612</b> | 61,936,813     |

Repossessed properties 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 occupy the premises repossessed for its business use.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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   |  |   |   |                                      |                     |                          |                                    |  |   |
|--|---|--|---|---|--------------------------------------|---------------------|--------------------------|------------------------------------|--|---|
|  | 2014  |  |   |   |                                      |                     |                          |                                    |  |   |
| 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, loan endorsements and other contingent items RM'000 |
| Agriculture  | -   | -  | 85,774  | -   | 2,621,329                            | -                   | -                        | 2,707,103                          | 861,764  | 3,370   |
| Mining and quarrying   | -   | -  | -   | -   | 417,630                              | -                   | -                        | 417,630                            | 160,837  | 93  |
| Manufacturing  | -   | -  | 53,463  | -   | 8,517,950                            | -                   | -                        | 8,571,413                          | 5,726,186  | 160,628   |
| Electricity, gas and water   | -   | 20,034                                   | 1,235,769                                       | -   | 244,501                              | -                   | -                        | 1,500,304                          | 99,216   | 15,097  |
| Construction   | -   | 25,026                                   | 646,392   | -   | 1,855,121                            | -                   | -                        | 2,526,539                          | 1,332,313  | 10,152  |
| Wholesale and retail   | -   | -  | -   | -   | 9,393,081                            | -                   | -                        | 9,393,081                          | 5,419,058  | 221,979   |
| Transport, storage and communications  | -   | -  | 263,686   | -   | 1,632,185                            | -                   | -                        | 1,895,871                          | 577,140  | 14,082  |
| Finance, insurance, real estate and business services                              | -   | 9,614,795                                | 6,579,724                                       | 166,923                                       | 10,139,448                           | 404,356             | 687,441                  | 36,160,040                         | 4,163,916  | 305,637   |
| Government and government agencies   | 9,246,109   | 2,717,021                                | 5,342,454                                       | 8,697,110                                     | -                                    | 15,145              | -                        | 27,668,577                         | -  | 645   |
| Education, health and others   | -   | -  | -   | -   | 901,260                              | -                   | -                        | 901,260                            | 558,456  | 34,078  |
| Household  | -   | -  | -   | -   | 65,442,891                           | -                   | -                        | 65,442,891                         | 21,386,602   | 5,485   |
| Others   | -   | -  | 53,664  | -   | 1,413,680                            | 4,237               | -                        | 1,471,581                          | 400,644  | -   |
|  | 17,813,462  | 2,717,021                                | 14,260,926                                      | 8,864,033                                     | 102,579,076                          | 423,738             | 687,441                  | 158,656,290                        | 40,684,132   | 771,246   |



**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**45 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  |   |  |   |   |                                      |                     |                          |                                    |  |   |
|---|--|---|--|---|---|--------------------------------------|---------------------|--------------------------|------------------------------------|--|---|
|   | 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, loan endorsements and other contingent items RM'000 |
| Agriculture   | -  | -   | -  | 71,186  | -   | 2,423,985                            | -                   | -                        | 2,495,171                          | 1,046,250  | 4,058   |
| Mining and quarrying                                  | -  | -   | -  | -   | -   | 278,258                              | -                   | -                        | 278,258                            | 63,712   | 703   |
| Manufacturing   | -  | -   | 5,006                                    | 110,837   | -   | 8,721,595                            | -                   | -                        | 8,837,438                          | 6,211,574  | 214,797   |
| Electricity, gas and water                            | -  | -   | 70,595                                   | 910,197   | -   | 194,592                              | -                   | -                        | 1,175,384                          | 91,812   | 14,857  |
| Construction  | -  | -   | 35,443                                   | 181,769   | -   | 1,674,448                            | -                   | -                        | 1,891,660                          | 1,478,798  | 16,152  |
| Wholesale and retail                                  | -  | -   | -  | -   | -   | 8,812,149                            | -                   | -                        | 8,812,149                          | 5,926,243  | 286,905   |
| Transport, storage and communications                 | -  | -   | 21,313                                   | 5,081   | -   | 1,534,920                            | -                   | -                        | 1,561,314                          | 848,799  | 56,783  |
| Finance, insurance, real estate and business services | 6,635,051  | -   | 13,269,817                               | 6,419,486                                       | 107,966                                       | 9,479,953                            | 670,805             | 877,144                  | 37,460,222                         | 4,202,001  | 54,556  |
| Government and government agencies                    | 16,280,610   | 1,025,253   | 1,754,956                                | 4,178,078                                       | 4,000,440                                     | -                                    | 15,595              | -                        | 27,254,932                         | -  | -   |
| Education, health and others                          | -  | -   | -  | -   | -   | 626,851                              | -                   | -                        | 626,851                            | 267,376  | 151,944   |
| Household   | -  | -   | -  | -   | -   | 59,946,617                           | -                   | -                        | 59,946,617                         | 19,434,420   | 7,465   |
| Others  | -  | -   | 26,028                                   | 31,534  | -   | 1,737,593                            | -                   | -                        | 1,795,155                          | 201,459  | 170   |
|   | 22,915,661   | 1,025,253   | 15,183,158                               | 11,908,168                                      | 4,108,406                                     | 95,430,961                           | 686,400             | 877,144                  | 152,135,151                        | 39,772,444   | 808,390   |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 45 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   |   |  |   |   |                                      |                     |                                     |                          |                                    |  |  |
|---|--|---|--|---|---|--------------------------------------|---------------------|-------------------------------------|--------------------------|------------------------------------|--|--|
|   | 2014   |   |  |   |   |                                      |                     |                                     |                          |                                    |  |  |
|   | 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 risk credit exposures RM'000 | Undrawn loan commitments and other facilities RM'000 | Guarantees, endorsements and other contingent items RM'000 |
| Agriculture   | -  | -   | -  | 85,774  | -   | 2,123,408                            | -                   | -                                   | -                        | 2,209,182                          | 769,355  | 3,370  |
| Mining and quarrying                                  | -  | -   | -  | -   | -   | 412,901                              | -                   | -                                   | -                        | 412,901                            | 159,905  | 93   |
| Manufacturing   | -  | -   | -  | 27,096  | -   | 7,616,791                            | -                   | -                                   | -                        | 7,643,887                          | 5,388,907  | 160,126  |
| Electricity, gas and water                            | -  | -   | 20,034                                   | 995,325   | -   | 137,729                              | -                   | -                                   | -                        | 1,153,088                          | 95,607   | 15,097   |
| Construction  | -  | -   | 25,026                                   | 506,516   | -   | 1,633,435                            | -                   | -                                   | -                        | 2,164,977                          | 1,243,422  | 9,952  |
| Wholesale and retail                                  | -  | -   | -  | -   | -   | 8,963,055                            | -                   | -                                   | -                        | 8,963,055                          | 5,111,617  | 221,913  |
| Transport, storage and communications                 | -  | -   | -  | 258,616   | -   | 1,196,075                            | -                   | -                                   | -                        | 1,454,691                          | 525,796  | 14,082   |
| Finance, insurance, real estate and business services | 8,369,845  | -   | 9,267,293                                | 6,187,493                                       | 702,997                                       | 9,095,204                            | 359,767             | 11,437                              | 670,325                  | 34,664,361                         | 3,536,740  | 295,108  |
| Government and government agencies                    | 8,384,083  | 2,717,021   | 816,598                                  | 3,224,528                                       | 7,072,758                                     | -                                    | 15,069              | -                                   | -                        | 22,230,057                         | -  | 645  |
| Education, health and others                          | -  | -   | -  | -   | -   | 664,849                              | -                   | -                                   | -                        | 664,849                            | 192,002  | 33,721   |
| Household   | -  | -   | -  | -   | -   | 54,809,607                           | -                   | -                                   | -                        | 54,809,607                         | 19,481,430   | 5,485  |
| Others  | -  | -   | -  | 30,793  | -   | 1,220,395                            | -                   | -                                   | -                        | 1,251,188                          | 355,416  | -  |
|   | 16,753,928   | 2,717,021   | 10,128,951                               | 11,316,141                                      | 7,775,755                                     | 87,873,449                           | 374,836             | 11,437                              | 670,325                  | 137,621,843                        | 36,860,197   | 759,592  |

**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**45 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   |   |  |   |   |                                      |                     |                                     |                          |                                    |  |  |
|---|--|---|--|---|---|--------------------------------------|---------------------|-------------------------------------|--------------------------|------------------------------------|--|--|
|   | 2013   |   |  |   |   |                                      |                     |                                     |                          |                                    |  |  |
|   | 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   | -  | -   | -  | 71,186  | -   | 1,993,761                            | -                   | -                                   | -                        | 2,064,947                          | 931,107  | 4,058  |
| Mining and quarrying                                  | -  | -   | -  | -   | -   | 272,209                              | -                   | -                                   | -                        | 272,209                            | 61,009   | 703  |
| Manufacturing   | -  | -   | 5,006                                    | 84,350  | -   | 8,019,597                            | -                   | -                                   | -                        | 8,108,953                          | 5,881,612  | 214,797  |
| Electricity, gas and water                            | -  | -   | 25,156                                   | 709,161   | -   | 141,790                              | -                   | -                                   | -                        | 876,107                            | 88,187   | 14,857   |
| Construction  | -  | -   | 35,443                                   | 96,813  | -   | 1,554,214                            | -                   | -                                   | -                        | 1,686,470                          | 1,345,706  | 15,341   |
| Wholesale and retail                                  | -  | -   | -  | -   | -   | 8,300,483                            | -                   | -                                   | -                        | 8,300,483                          | 5,732,121  | 252,913  |
| Transport, storage and communications                 | -  | -   | 10,635                                   | 5,081   | -   | 1,367,508                            | -                   | -                                   | -                        | 1,383,224                          | 694,974  | 56,723   |
| Finance, insurance, real estate and business services | 7,143,635  | -   | 10,715,667                               | 6,033,877                                       | 979,372                                       | 8,381,281                            | 579,632             | 616,487                             | 939,409                  | 35,389,360                         | 3,672,835  | 42,705   |
| Government and government agencies                    | 1,358,801  | 1,025,253   | 1,282,464                                | 2,697,620                                       | 3,083,827                                     | -                                    | 15,595              | -                                   | -                        | 23,463,560                         | -  | -  |
| Education, health and others                          | -  | -   | -  | -   | -   | 492,448                              | -                   | -                                   | -                        | 492,448                            | 203,260  | 151,587  |
| Household   | -  | -   | -  | -   | -   | 49,687,239                           | -                   | -                                   | -                        | 49,687,239                         | 17,477,550   | 7,465  |
| Others  | -  | -   | 19,933                                   | 25,439  | -   | 1,625,204                            | -                   | -                                   | -                        | 1,670,576                          | 127,499  | 170  |
|   | 22,502,436   | 1,025,253   | 12,094,304                               | 9,723,527                                       | 4,063,199                                     | 81,835,734                           | 595,227             | 616,487                             | 939,409                  | 133,395,576                        | 36,215,860   | 761,319  |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 46 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. 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 use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

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 2014  
(continued)

**46 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          |                   |                   |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | 2014<br>Fair value |                   |                   | Total<br>RM'000   |
|  | Level 1<br>RM'000  | Level 2<br>RM'000 | Level 3<br>RM'000 |                   |
| <b>Recurring fair value measurements</b> |                    |                   |                   |                   |
| <b>Financial Assets</b>                  |                    |                   |                   |                   |
| Financial assets held-for-trading        |                    |                   |                   |                   |
| – Money market instrument                | –                  | 10,737,861        | –                 | 10,737,861        |
| – Quoted Securities                      | 247,058            | –                 | –                 | 247,058           |
| – Unquoted Securities                    | –                  | 329,557           | –                 | 329,557           |
| Financial investments available-for-sale |                    |                   |                   |                   |
| – Money market instrument                | –                  | 6,108,193         | –                 | 6,108,193         |
| – Quoted Securities                      | 6,000,978          | –                 | –                 | 6,000,978         |
| – Unquoted Securities                    | –                  | 4,200,722         | 367,316           | 4,568,038         |
| Derivative financial instruments         | 1,417              | 686,024           | –                 | 687,441           |
|  | <b>6,249,453</b>   | <b>22,062,357</b> | <b>367,316</b>    | <b>28,679,126</b> |
| <b>Financial Liability</b>               |                    |                   |                   |                   |
| Derivative financial instruments         | 13,745             | 776,670           | –                 | 790,415           |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 46 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         |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
| <b>2013</b>                              |                   |                   |                   |                 |
| <b>Fair value</b>                        |                   |                   |                   |                 |
| <b>Recurring fair value measurements</b> |                   |                   |                   |                 |
| <b>Financial Assets</b>                  |                   |                   |                   |                 |
| Financial assets held-for-trading        |                   |                   |                   |                 |
| – Money market instrument                | –                 | 14,370,194        | –                 | 14,370,194      |
| – Quoted Securities                      | 241,701           | –                 | –                 | 241,701         |
| – Unquoted Securities                    | –                 | 583,887           | –                 | 583,887         |
| Financial investments available-for-sale |                   |                   |                   |                 |
| – Money market instrument                | –                 | 4,988,193         | –                 | 4,988,193       |
| – Quoted Securities                      | 5,925,384         | –                 | –                 | 5,925,384       |
| – Unquoted Securities                    | –                 | 2,583,522         | 329,963           | 2,913,485       |
| Derivative financial instruments         | 1,536             | 875,608           | –                 | 877,144         |
|  | 6,168,621         | 23,401,404        | 329,963           | 29,899,988      |
| <b>Financial Liability</b>               |                   |                   |                   |                 |
| Derivative financial instruments         | 3,790             | 950,397           | –                 | 954,187         |

The Group recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2013: RM Nil).

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 30 June 2014  
(continued)

**46 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           |                   |                   |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | 2014<br>Fair value |                   |                   |                   |
|  | Level 1<br>RM'000  | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000   |
| <b>Recurring fair value measurements</b> |                    |                   |                   |                   |
| <b>Financial Assets</b>                  |                    |                   |                   |                   |
| Financial assets held-for-trading        |                    |                   |                   |                   |
| – Money market instrument                | –                  | 9,556,219         | –                 | 9,556,219         |
| – Quoted Securities                      | 247,058            | –                 | –                 | 247,058           |
| – Unquoted Securities                    | –                  | 329,557           | –                 | 329,557           |
| Financial investments available-for-sale |                    |                   |                   |                   |
| – Money market instrument                | –                  | 3,920,500         | –                 | 3,920,500         |
| – Quoted Securities                      | 5,907,161          | –                 | –                 | 5,907,161         |
| – Unquoted Securities                    | –                  | 3,537,447         | 367,269           | 3,904,716         |
| Derivative financial instruments         | 1,417              | 668,908           | –                 | 670,325           |
|  | <b>6,155,636</b>   | <b>18,012,631</b> | <b>367,269</b>    | <b>24,535,536</b> |
| <b>Financial Liability</b>               |                    |                   |                   |                   |
| Derivative financial instruments         | 13,745             | 746,661           | –                 | 760,406           |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 46 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          |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | 2013              |                   |                   |                 |
|  | Fair value        |                   |                   | Total<br>RM'000 |
|  | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 |                 |
| <b>Recurring fair value measurements</b> |                   |                   |                   |                 |
| <b>Financial Assets</b>                  |                   |                   |                   |                 |
| Financial assets held-for-trading        |                   |                   |                   |                 |
| – Money market instrument                | –                 | 11,475,365        | –                 | 11,475,365      |
| – Quoted Securities                      | 218,906           | –                 | –                 | 218,906         |
| – Unquoted Securities                    | –                 | 412,657           | –                 | 412,657         |
| Financial investments available-for-sale |                   |                   |                   |                 |
| – Money market instrument                | –                 | 3,416,859         | –                 | 3,416,859       |
| – Quoted Securities                      | 5,828,193         | –                 | –                 | 5,828,193       |
| – Unquoted Securities                    | –                 | 2,060,501         | 329,896           | 2,390,397       |
| Derivative financial instruments         | 1,536             | 937,873           | –                 | 939,409         |
|  | 6,048,635         | 18,303,255        | 329,896           | 24,681,786      |
| <b>Financial Liability</b>               |                   |                   |                   |                 |
| Derivative financial instruments         | 3,790             | 1,007,459         | –                 | 1,011,249       |

The Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2013: RM Nil).



**NOTES TO THE FINANCIAL STATEMENTS**for the financial year ended 30 June 2014  
(continued)**46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(a) Determination of fair value and fair value hierarchy (continued)**

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below:

|   | Financial investments available-for-sale |                    |
|---|--|--------------------|
|   | The Group<br>RM'000                      | The Bank<br>RM'000 |
| <b>2014</b>   |  |                    |
| At 1 July   | 329,963                                  | 329,896            |
| Net fair value changes recognised in other comprehensive income                             | 37,353                                   | 37,373             |
| At 30 June  | 367,316                                  | 367,269            |
| Total gain recognised in other comprehensive income relating to assets held on 30 June 2014 | 37,353                                   | 37,373             |
| <b>2013</b>   |  |                    |
| At 1 July   | 310,985                                  | 310,916            |
| Net fair value changes recognised in other comprehensive income                             | 18,978                                   | 18,980             |
| At 30 June  | 329,963                                  | 329,896            |
| Total gain recognised in other comprehensive income relating to assets held on 30 June 2013 | 18,978                                   | 18,980             |

**Quantitative information about fair value measurements using significant unobservable inputs (Level 3)**

| Description                                     | Fair value assets   |                    | Valuation technique(s) | Unobservable input  | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---------------------|--------------------|------------------------|---------------------|---|
|   | The Group<br>RM'000 | The Bank<br>RM'000 |                        |                     |   |
| <b>Financial investments available-for-sale</b> |                     |                    |                        |                     |   |
| Unquoted shares                                 | 367,316             | 367,269            | Net tangible assets    | Net tangible assets | Higher net tangible assets results in higher fair value                               |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 46 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:

|  | 2014                      |                      | 2013                      |                      |
|--|---------------------------|----------------------|---------------------------|----------------------|
|  | Carrying Amount<br>RM'000 | Fair Value<br>RM'000 | Carrying Amount<br>RM'000 | Fair Value<br>RM'000 |
| <b>The Group</b>                         |                           |                      |                           |                      |
| <b>Financial Assets</b>                  |                           |                      |                           |                      |
| Financial investments held-to-maturity   |                           |                      |                           |                      |
| – Money market                           | 8,797,282                 | 8,712,927            | 4,005,250                 | 3,981,075            |
| – Unquoted securities                    | 119,286                   | 116,069              | 155,762                   | 153,429              |
| Loans, advances and financing            | 102,579,076               | 102,964,206          | 95,430,961                | 95,783,438           |
|  | <b>111,495,644</b>        | <b>111,793,202</b>   | <b>99,591,973</b>         | <b>99,917,942</b>    |
| <b>Financial Liabilities</b>             |                           |                      |                           |                      |
| Deposits from customers                  | 130,252,337               | 130,571,147          | 123,637,070               | 124,040,216          |
| Senior bonds                             | 1,936,207                 | 1,991,332            | 1,902,171                 | 1,945,292            |
| Tier 2 subordinated bonds                | 4,868,353                 | 4,838,605            | 4,382,603                 | 4,331,970            |
| Non-innovative Tier 1 stapled securities | 1,410,252                 | 1,430,658            | 1,408,992                 | 1,449,858            |
| Innovative Tier 1 capital securities     | 541,767                   | 589,894              | 556,042                   | 613,534              |
|  | <b>139,008,916</b>        | <b>139,421,636</b>   | <b>131,886,878</b>        | <b>132,380,870</b>   |
| <b>The Bank</b>                          |                           |                      |                           |                      |
| <b>Financial Assets</b>                  |                           |                      |                           |                      |
| Financial investments held-to-maturity   |                           |                      |                           |                      |
| – Money market                           | 7,775,755                 | 7,699,606            | 4,063,199                 | 4,042,996            |
| – Unquoted securities                    | 52,535                    | 50,062               | 52,606                    | 51,261               |
| Loans, advances and financing            | 87,873,449                | 87,936,497           | 81,835,734                | 81,830,426           |
|  | <b>95,701,739</b>         | <b>95,686,165</b>    | <b>85,951,539</b>         | <b>85,924,683</b>    |
| <b>Financial Liabilities</b>             |                           |                      |                           |                      |
| Deposits from customers                  | 114,098,835               | 114,386,876          | 109,168,631               | 109,552,800          |
| Senior bonds                             | 1,936,207                 | 1,991,332            | 1,902,171                 | 1,945,292            |
| Tier 2 subordinated bonds                | 4,468,275                 | 4,438,525            | 4,382,601                 | 4,331,968            |
| Non-innovative Tier 1 stapled securities | 1,410,252                 | 1,430,658            | 1,408,992                 | 1,449,858            |
| Innovative Tier 1 capital securities     | 541,767                   | 589,894              | 556,042                   | 613,534              |
|  | <b>122,455,336</b>        | <b>122,837,285</b>   | <b>117,418,437</b>        | <b>117,893,452</b>   |

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 30 June 2014  
(continued)

**46 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 2014 but for which fair value is disclosed:

|  | The Group                    |                   |                                 |                   |
|--|------------------------------|-------------------|---------------------------------|-------------------|
|  | Carrying<br>Amount<br>RM'000 | 2014              |                                 |                   |
|  |                              | Level 1<br>RM'000 | Fair Value<br>Level 2<br>RM'000 | Level 3<br>RM'000 |
| <b>Financial Assets</b>                  |                              |                   |                                 |                   |
| Financial investments held-to-maturity   |                              |                   |                                 |                   |
| – Money market                           | 8,797,282                    | –                 | 8,712,927                       | –                 |
| – Unquoted securities                    | 119,286                      | –                 | 115,581                         | 488               |
| Loans, advances and financing            | 102,579,076                  | –                 | 102,964,206                     | –                 |
|  | <b>111,495,644</b>           | <b>–</b>          | <b>111,792,714</b>              | <b>488</b>        |
| <b>Financial Liabilities</b>             |                              |                   |                                 |                   |
| Deposits from customers                  | 130,252,337                  | –                 | 130,571,147                     | –                 |
| Senior bonds                             | 1,936,207                    | –                 | 1,991,332                       | –                 |
| Tier 2 subordinated bonds                | 4,868,353                    | –                 | 4,838,605                       | –                 |
| Non-innovative Tier 1 stapled securities | 1,410,252                    | –                 | 1,430,658                       | –                 |
| Innovative Tier 1 capital securities     | 541,767                      | –                 | 589,894                         | –                 |
|  | <b>139,008,916</b>           | <b>–</b>          | <b>139,421,636</b>              | <b>–</b>          |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 46 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 2014 but for which fair value is disclosed: (continued)

|  | The Bank                  |                   |                                 |                   |
|--|---------------------------|-------------------|---------------------------------|-------------------|
|  | Carrying Amount<br>RM'000 | 2014              |                                 |                   |
|  |                           | Level 1<br>RM'000 | Fair Value<br>Level 2<br>RM'000 | Level 3<br>RM'000 |
| <b>Financial Assets</b>                  |                           |                   |                                 |                   |
| Financial investments held-to-maturity   |                           |                   |                                 |                   |
| – Money market                           | 7,775,755                 | –                 | 7,699,606                       | –                 |
| – Unquoted securities                    | 52,535                    | –                 | 49,574                          | 488               |
| Loans, advances and financing            | 87,873,449                | –                 | 87,936,497                      | –                 |
|  | <b>95,701,739</b>         | <b>–</b>          | <b>95,685,677</b>               | <b>488</b>        |
| <b>Financial Liabilities</b>             |                           |                   |                                 |                   |
| Deposits from customers                  | 114,098,835               | –                 | 114,386,876                     | –                 |
| Senior bonds                             | 1,936,207                 | –                 | 1,991,332                       | –                 |
| Tier 2 subordinated bonds                | 4,468,275                 | –                 | 4,438,525                       | –                 |
| Non-innovative Tier 1 stapled securities | 1,410,252                 | –                 | 1,430,658                       | –                 |
| Innovative Tier 1 capital securities     | 541,767                   | –                 | 589,894                         | –                 |
|  | <b>122,455,336</b>        | <b>–</b>          | <b>122,837,285</b>              | <b>–</b>          |

The fair value of financial instruments not carried at fair value are not required to be disclosed retrospectively.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

(continued)

### 46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### (c) Fair value methodologies and assumptions (continued)

##### 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.

##### Subordinated obligations, senior bonds, stapled securities and capital securities

The fair value of subordinated obligations, senior bonds, stapled securities and capital securities are based on quoted market prices where available.

##### Other financial assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

##### Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

##### Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive or pay to terminate the contracts at the statements of financial position date.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 47 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  |  |   |   |  |   |
|-------------------------------|--|---|---|--|---|---|--|---|---|--|---|
|                               | Gross amount of recognised financial assets in the statements of financial position RM'000 | Gross amount offset in the statement of financial position RM'000 | Net amount presented in the statements of financial position RM'000 | Values of financial instruments RM'000 | Cash collateral received/pledged RM'000 | Net amount presented in the statements of financial position RM'000 | Gross amount of recognised financial assets in the statements of financial position RM'000 | Gross amount offset in the statement of financial position RM'000 | Net amount presented in the statements of financial position RM'000 | Values of financial instruments RM'000 | Cash collateral received/pledged RM'000 |
| <b>30 June 2014</b>           |  |   |   |  |   |   |  |   |   |  |   |
| <b>Financial assets</b>       |  |   |   |  |   |   |  |   |   |  |   |
| Derivatives                   | 778,876  | (91,435)  | 687,441   | (440,412)                              | (23,047)                                | 223,982   | 761,760  | (91,435)  | 670,325   | (441,343)                              | (23,047)                                |
| Reverse repurchase agreements | 3,526,967  | (809,946)   | 2,717,021   | (2,717,021)                            | -                                       | -   | 3,526,967  | (809,946)   | 2,717,021   | (2,717,021)                            | -                                       |
| Total                         | 4,305,843  | (901,381)   | 3,404,462   | (3,157,433)                            | (23,047)                                | 223,982   | 4,288,727  | (901,381)   | 3,387,346   | (3,158,364)                            | (23,047)                                |
| <b>Financial liabilities</b>  |  |   |   |  |   |   |  |   |   |  |   |
| Derivatives                   | 881,850  | (91,435)  | 790,415   | (440,412)                              | (192,646)                               | 157,357   | 851,841  | (91,435)  | 760,406   | (441,343)                              | (192,646)                               |
| Repurchase agreements         | 4,926,834  | (809,946)   | 4,116,888   | (4,104,520)                            | (11,610)                                | 758   | 4,926,834  | (809,946)   | 4,116,888   | (4,104,520)                            | (11,610)                                |
| Total                         | 5,808,684  | (901,381)   | 4,907,303   | (4,544,932)                            | (204,256)                               | 158,115   | 5,778,675  | (901,381)   | 4,877,294   | (4,545,863)                            | (204,256)                               |
| <b>30 June 2013</b>           |  |   |   |  |   |   |  |   |   |  |   |
| <b>Financial assets</b>       |  |   |   |  |   |   |  |   |   |  |   |
| Derivatives                   | 877,144  | -   | 877,144   | (636,159)                              | (4,757)                                 | 236,228   | 939,409  | -   | 939,409   | (630,802)                              | (4,757)                                 |
| Reverse repurchase agreements | 1,025,253  | -   | 1,025,253   | (1,025,253)                            | -                                       | -   | 1,025,253  | -   | 1,025,253   | (1,025,253)                            | -                                       |
| Total                         | 1,902,397  | -   | 1,902,397   | (1,661,412)                            | (4,757)                                 | 236,228   | 1,964,662  | -   | 1,964,662   | (1,656,055)                            | (4,757)                                 |
| <b>Financial liabilities</b>  |  |   |   |  |   |   |  |   |   |  |   |
| Derivatives                   | 954,187  | -   | 954,187   | (636,159)                              | (44,399)                                | 273,629   | 1,011,249  | -   | 1,011,249   | (630,802)                              | (44,399)                                |
| Repurchase agreements         | 1,748,744  | -   | 1,748,744   | (1,748,316)                            | (128)                                   | 300   | 1,748,744  | -   | 1,748,744   | (1,748,316)                            | (128)                                   |
| Total                         | 2,702,931  | -   | 2,702,931   | (2,384,475)                            | (44,527)                                | 273,929   | 2,759,993  | -   | 2,759,993   | (2,379,118)                            | (44,527)                                |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 48 CAPITAL ADEQUACY

The Group's and the Bank's regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier I (CET I) capital ratio and Tier I capital ratio are 4.00% (2013: 3.50%) and 5.50% (2013: 4.50%) respectively for year 2014. The minimum regulatory capital adequacy requirement remains at 8.00% (2013: 8.00%) for total capital ratio.

The risk-weighted assets ("RWA") of 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.

#### 30 June 2014 – Basel III

(a) The capital adequacy ratios of the Group and the Bank are as follows:

|  | The Group      |         | The Bank       |         |
|--|----------------|---------|----------------|---------|
|  | 2014           | 2013    | 2014           | 2013    |
| <b>Before deducting proposed dividends</b> |                |         |                |         |
| CET I capital ratio                        | <b>10.903%</b> | 10.627% | <b>10.172%</b> | 10.156% |
| Tier I capital ratio                       | <b>12.306%</b> | 12.319% | <b>11.777%</b> | 12.062% |
| Total capital ratio                        | <b>15.072%</b> | 15.179% | <b>14.657%</b> | 13.592% |
| <b>After deducting proposed dividends</b>  |                |         |                |         |
| CET I capital ratio                        | <b>10.480%</b> | 10.236% | <b>9.689%</b>  | 9.715%  |
| Tier I capital ratio                       | <b>11.883%</b> | 11.927% | <b>11.294%</b> | 11.621% |
| Total capital ratio                        | <b>14.649%</b> | 14.787% | <b>14.173%</b> | 13.150% |

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 48 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          |                |
|---|-------------------|----------------|-------------------|----------------|
|   | 2014<br>RM'000    | 2013<br>RM'000 | 2014<br>RM'000    | 2013<br>RM'000 |
| <b>CET I capital</b>  |                   |                |                   |                |
| Paid-up share capital   | 1,879,909         | 1,879,909      | 1,879,909         | 1,879,909      |
| Share premium   | 2,832,383         | 2,832,383      | 2,832,383         | 2,832,383      |
| Retained profits  | 7,189,104         | 6,197,372      | 5,375,070         | 4,835,280      |
| Other reserves  | 3,171,817         | 2,699,050      | 2,773,797         | 2,360,778      |
| Less: Treasury shares   | (645,579)         | (661,809)      | (645,579)         | (661,809)      |
| Less: Other intangible assets   | (347,791)         | (369,415)      | (335,319)         | (362,855)      |
| Less: Goodwill  | (1,831,312)       | (1,831,312)    | (1,771,547)       | (1,771,547)    |
| Less: Investment in subsidiary companies/<br>associated company/joint venture | (430,676)         | -              | (475,075)         | -              |
| <b>Total CET I capital</b>  | <b>11,817,855</b> | 10,746,178     | <b>9,633,639</b>  | 9,112,139      |
| <b>Additional Tier I capital</b>  |                   |                |                   |                |
| Non-innovative Tier I stapled securities                                      | 1,120,000         | 1,260,000      | 1,120,000         | 1,260,000      |
| Innovative Tier I capital securities  | 400,000           | 450,000        | 400,000           | 450,000        |
| <b>Total additional Tier I capital</b>  | <b>1,520,000</b>  | 1,710,000      | <b>1,520,000</b>  | 1,710,000      |
| <b>Total Tier I capital</b>   | <b>13,337,855</b> | 12,456,178     | <b>11,153,639</b> | 10,822,139     |
| <b>Tier II capital</b>  |                   |                |                   |                |
| Collective assessment allowance <sup>^</sup>                                  | 732,980           | 800,960        | 639,439           | 666,131        |
| Subordinated bonds  | 3,988,000         | 3,924,000      | 3,988,000         | 3,924,000      |
| <b>Tier II capital before regulatory adjustments</b>                          | <b>4,720,980</b>  | 4,724,960      | <b>4,627,439</b>  | 4,590,131      |
| Less: Regulatory adjustments  |                   |                |                   |                |
| Investment in subsidiary companies  | -                 | -              | (1,081,727)       | (2,194,913)    |
| Investment in associated company  | (1,650,640)       | (1,752,949)    | (757,204)         | (946,505)      |
| Investment in joint venture   | (72,064)          | (79,945)       | (61,369)          | (76,711)       |
| <b>Total Tier II capital</b>  | <b>2,998,276</b>  | 2,892,066      | <b>2,727,139</b>  | 1,372,002      |
| <b>Total capital</b>  | <b>16,336,131</b> | 15,348,244     | <b>13,880,778</b> | 12,194,141     |

<sup>^</sup> Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 48 CAPITAL ADEQUACY (CONTINUED)

(c) The breakdown of RWA by each major risk category is as follows:

|                  | The Group          |                    | The Bank          |                   |
|------------------|--------------------|--------------------|-------------------|-------------------|
|                  | 2014<br>RM'000     | 2013<br>RM'000     | 2014<br>RM'000    | 2013<br>RM'000    |
| Credit risk      | 96,729,672         | 91,059,541         | 84,227,557        | 80,746,066        |
| Market risk      | 4,126,372          | 3,429,463          | 3,912,418         | 3,322,591         |
| Operational risk | 7,532,731          | 6,628,544          | 6,563,115         | 5,649,356         |
| <b>Total RWA</b> | <b>108,388,775</b> | <b>101,117,548</b> | <b>94,703,090</b> | <b>89,718,013</b> |

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

|  | Hong Leong Islamic Bank Berhad |         |
|--|--------------------------------|---------|
|  | 2014                           | 2013    |
| <b>Before deducting proposed dividends</b> |                                |         |
| CET I capital ratio                        | 11.829%                        | 11.070% |
| Tier I capital ratio                       | 11.829%                        | 11.070% |
| Total capital ratio                        | 15.587%                        | 14.153% |
| <b>After deducting proposed dividends</b>  |                                |         |
| CET I capital ratio                        | 11.392%                        | 10.720% |
| Tier I capital ratio                       | 11.392%                        | 10.720% |
| Total capital ratio                        | 15.150%                        | 13.804% |

### 49 SEGMENT REPORTING

#### (i) 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 customers. 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.

Others and inter-segment elimination refers to head office, other subsidiaries and inter-segment elimination.

Certain comparative figures have been reclassified to conform with current year's presentation.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 49 SEGMENT REPORTING (CONTINUED)

#### (i) Business segment reporting (continued)

| The Group  | Personal<br>Financial<br>Services<br>RM'000 | Business &<br>Corporate<br>Banking<br>RM'000 | Global<br>Markets<br>RM'000 | Overseas/<br>International<br>Operations<br>RM'000 | Others and<br>Inter-<br>Segment<br>Elimination<br>RM'000 | Total<br>RM'000 |
|--|---|--|-----------------------------|--|--|-----------------|
| <b>2014</b>  |   |  |                             |  |  |                 |
| Revenue  |   |  |                             |  |  |                 |
| – external   | 2,385,398                                   | 531,314                                      | 1,274,900                   | 185,320  | (337,873)  | 4,039,059       |
| – inter-segment  | 14,763                                      | 451,346                                      | (804,081)                   | –  | 337,972  | –               |
| Segment revenue  | 2,400,161                                   | 982,660                                      | 470,819                     | 185,320  | 99   | 4,039,059       |
| Overhead expenses  | (1,236,130)                                 | (239,902)                                    | (105,877)                   | (169,148)  | (41,156)   | (1,792,213)     |
| of which:  |   |  |                             |  |  |                 |
| Depreciation of property<br>and equipment  | 85,217                                      | 3,597  | 13,666                      | 7,564  | 149  | 110,193         |
| Amortisation of intangible assets  | 52,554                                      | 16,238                                       | 25,723                      | 2,987  | –  | 97,502          |
| (Allowance for)/write-back of<br>allowance for impairment losses<br>on loans, advances and financing | (83,743)                                    | 17,604                                       | –                           | 14,074   | –  | (52,065)        |
| Write-back of/(allowance for)<br>impairment losses   | –   | 35,391                                       | 6,178                       | 523  | (2,277)  | 39,815          |
| Share of results of associated<br>company  | –   | –  | –                           | 368,490  | –  | 368,490         |
| Share of results in joint venture  | –   | –  | –                           | 10,135   | –  | 10,135          |
| Segment results  | 1,080,288                                   | 795,753                                      | 371,120                     | 409,394  | (43,334)   | 2,613,221       |
| Taxation   |   |  |                             |  |  | (510,951)       |
| Net profit for the financial year  |   |  |                             |  |  | 2,102,270       |
| Segment assets   | 70,102,501                                  | 30,110,260                                   | 53,685,303                  | 8,198,762  | –  | 162,096,826     |
| Unallocated assets   |   |  |                             |  |  | 8,253,977       |
| <b>Total assets</b>  |   |  |                             |  |  | 170,350,803     |
| Segment liabilities  | 70,380,921                                  | 36,954,364                                   | 32,443,624                  | 7,440,322  | –  | 147,219,231     |
| Unallocated liabilities  |   |  |                             |  |  | 8,601,394       |
| <b>Total liabilities</b>   |   |  |                             |  |  | 155,820,625     |
| <b>Other significant segment items</b>   |   |  |                             |  |  |                 |
| Capital expenditure  | 121,986                                     | 21,438                                       | 29,853                      | 16,923   | –  | 190,200         |

Inter-segment transfer is based on internally computed cost of funds.

**Note:**

1. Total segment revenue comprises of 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 2014  
(continued)**49 SEGMENT REPORTING (CONTINUED)****(i) Business segment reporting (continued)**

| The Group  | Personal<br>Financial<br>Services<br>RM'000 | Business &<br>Corporate<br>Banking<br>RM'000 | Global<br>Markets<br>RM'000 | Overseas/<br>International<br>Operations<br>RM'000 | Others and<br>Inter-<br>Segment<br>Elimination<br>RM'000 | Total<br>RM'000    |
|--|---|--|-----------------------------|--|--|--------------------|
| <b>2013</b>  |   |  |                             |  |  |                    |
| Revenue  |   |  |                             |  |  |                    |
| - external   | 2,446,090                                   | 457,063                                      | 1,266,566                   | 193,254  | (356,178)  | 4,006,795          |
| - inter-segment  | (46,336)                                    | 455,623                                      | (799,076)                   | -  | 389,789  | -                  |
| Segment revenue  | 2,399,754                                   | 912,686                                      | 467,490                     | 193,254  | 33,611   | 4,006,795          |
| Overhead expenses  |   |  |                             |  |  |                    |
| of which:  | (1,193,582)                                 | (342,675)                                    | (101,225)                   | (138,322)  | (71,221)   | (1,847,025)        |
| Depreciation of property<br>and equipment  | 73,768                                      | 2,832  | 21,996                      | 7,108  | 108  | 105,812            |
| Amortisation of intangible assets  | 60,221                                      | 18,886                                       | 18,960                      | 1,176  | -  | 99,243             |
| (Allowance for)/write-back of<br>allowance for impairment losses<br>on loans, advances and financing | (67,783)                                    | 31,740                                       | -                           | (5,477)  | 144  | (41,376)           |
| (Allowance for)/write-back of<br>impairment losses   | -   | 14,520                                       | (9,649)                     | 328  | 2,275  | 7,474              |
| Share of results of associated<br>company  | -   | -  | -                           | 264,005  | -  | 264,005            |
| Share of results in joint venture  | -   | -  | -                           | 3,074  | -  | 3,074              |
| Segment results  | 1,138,389                                   | 616,271                                      | 356,616                     | 316,862  | (35,191)   | 2,392,947          |
| Taxation   |   |  |                             |  |  | (536,675)          |
| Net profit for the financial year  |   |  |                             |  |  | 1,856,272          |
| Segment assets   | 64,544,433                                  | 28,900,902                                   | 55,308,541                  | 8,366,703  | -  | 157,120,579        |
| Unallocated assets   |   |  |                             |  |  | 6,465,118          |
| <b>Total assets</b>  |   |  |                             |  |  | <b>163,585,697</b> |
| Segment liabilities  | 69,801,382                                  | 34,831,070                                   | 31,426,091                  | 7,669,808  | -  | 143,728,351        |
| Unallocated liabilities  |   |  |                             |  |  | 6,820,722          |
| <b>Total liabilities</b>   |   |  |                             |  |  | <b>150,549,073</b> |
| <b>Other significant segment items</b>   |   |  |                             |  |  |                    |
| Capital expenditure  | 94,941                                      | 17,245                                       | 27,638                      | 5,614  | -  | 145,438            |

Inter-segment transfer is based on internally computed cost of funds.

**Note:**

- Total segment revenue comprises of net interest income, income from Islamic Banking Business and non-interest income.
- 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 2014  
(continued)

### 49 SEGMENT REPORTING (CONTINUED)

#### (ii) Geographical segment reporting

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<br>RM'000 | Non-current<br>assets<br>RM'000 | Capital<br>expenditure<br>RM'000 |
|---------------------|-------------------|---------------------------------|----------------------------------|
| <b>2014</b>         |                   |                                 |                                  |
| Malaysia            | 3,857,554         | 2,881,254                       | 173,277                          |
| Overseas operations | 181,505           | 2,176,814                       | 16,923                           |
|                     | 4,039,059         | 5,058,068                       | 190,200                          |
| <b>2013</b>         |                   |                                 |                                  |
| Malaysia            | 3,813,539         | 2,921,580                       | 139,824                          |
| Overseas operations | 193,256           | 1,849,576                       | 5,614                            |
|                     | 4,006,795         | 4,771,156                       | 145,438                          |

### 50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 4 July 2013, the Bank announced that Hong Leong Bank (Cambodia) PLC ("HLBCAM"), a wholly-owned subsidiary of the Bank, had been granted the license to carry out banking operations in the Kingdom of Cambodia by the National Bank of Cambodia. HLBCAM commenced operations on 8 July 2013.
- (b) On 25 July 2013, HLB proposed to establish an executive share grant scheme to provide HLB with the flexibility to reward the eligible executives and/or Directors of HLB and its subsidiaries ("HLB Group") ("HLB Eligible Executives") for their contribution to the HLB Group with awards of HLB shares without any contribution payable by the HLB Eligible Executives ("HLB Grants") ("Proposed ESGS").

The Proposed ESGS is subject to approvals being obtained from the following:

- (i) the shareholders of HLB;
- (ii) Bursa Malaysia Securities Berhad ("Bursa Securities"), for the listing of and quotation for the new HLB shares to be issued pursuant to the vesting of HLB Grants under the Proposed ESGS ("Proposed Listing of New HLB Shares"); and
- (iii) other relevant authorities/parties, if required.

Bursa Securities had, via its letter dated 10 September 2013, resolved to approve in-principle the Proposed Listing of New HLB Shares and the shareholders of HLB had, at the Annual General Meeting held on 23 October 2013, approved the Proposed ESGS. The ESGS was established on 28 February 2014.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

(continued)

### 50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

- (c) On 27 November 2013, the Bank announced that the China Banking Regulatory Commission had granted approval for the Bank to establish a representative office in Nanjing, Jiangsu Province, People's Republic of China. The representative office is known as Hong Leong Bank Berhad Nanjing Representative Office and commenced operations effective 27 November 2013.
- (d) On 27 February 2014, the Bank announced that it had fully redeemed the RM410 million 5.75% Subordinated MTNs on 27 February 2014. The RM410 million Subordinated MTNs were previously issued by EON Bank Berhad on 27 February 2009, and were vested in the Bank effective 1 July 2011.
- (e) During the financial year, Promitol Sdn Bhd had reduced its issued and paid-up capital from RM612,371,007 divided into 612,371,007 ordinary shares of RM1.00 each to RM2.00 divided into 2 ordinary shares of RM1.00 each by cancelling 612,371,005 ordinary shares of RM1.00 each and returning the RM612,371,005 to its ordinary shareholder via cash payment.
- (f) On 25 April 2014, the Bank announced that Securities Commission Malaysia had vide its letter dated 23 April 2014 approved and authorised a proposed Multi-Currency Subordinated Notes Programme of up to RM10.0 billion (or its equivalent in other currencies) in nominal value (the "Programme").

The proceeds from the Programme will be utilised for working capital, general banking and other corporate purposes, and the refinancing of any existing borrowings incurred, subordinated debt issued by the Bank and/or any existing Sub-Notes issued under the Programme.

On 23 June 2014, the Bank announced that it has successfully completed its first Ringgit issuance of Subordinated Notes ("Sub-Notes") of RM500.0 million under the Programme. The Sub-Notes are rated AA2 by RAM Rating Services Berhad and qualify as Tier 2 capital of the Bank in accordance with Bank Negara Malaysia's ("BNM") Capital Adequacy Framework (Capital Components) issued on 28 November 2012.

The Sub-Notes have a maturity date of 10 years from the issue date and are callable by the Bank on any coupon payment date falling on or after the 5th anniversary of the issue date. A semi-annual coupon of 4.80% per annum is payable on the Sub-Notes. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

- (g) Securities Commission Malaysia had on 6 May 2014 approved and authorised HLISB proposed Subordinated Sukuk Ijarah Programme of up to RM1.0 billion in nominal value.

The proceeds from the Subordinated Sukuk Ijarah Programme shall be made available to the issuer, without limitation, for working capital, general banking and other corporate purpose and/or if required, the refinancing of any existing financing obligations of the issuer and/or any existing Subordinated Sukuk Ijarah issued under the Subordinated Sukuk Ijarah Programme. For the avoidance of doubt, the utilisation of proceeds shall be for Shariah-compliant purpose only.

On 17 June 2014, HLISB had completed the first issuance of RM400 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 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit 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 extent 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 in each case to those liabilities which by their terms rank equally in right of payment with or are subordinated to the Subordinated Sukuk Ijarah and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLISB.

- (h) Pursuant to Section 168(3) of the Companies Act 1965, the Companies Commission of Malaysia had on 9 June 2014 granted its approval for HLBVN, a wholly-owned subsidiary of the Bank incorporated in 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.

### 51 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

There are no material subsequent events after the financial year that require disclosure or adjustments to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

(continued)

### 52 EQUITY COMPENSATION BENEFITS

#### Executive Share Option Scheme and Executive Share Scheme

The Bank has concurrently established and implemented an Executive Share Option Scheme and an Executive Share Scheme.

(a) Executive Share Option Scheme 2006/2016 ("ESOS 2006/2016")

The ESOS 2006/2016 of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Bank, which was approved by the shareholders of the Bank on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Bank announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the ESOS 2006/2016 at any time during the existence of the ESOS 2006/2016.

The ESOS 2006/2016 would provide an opportunity for eligible executives who had contributed to the growth and development of the Bank and its subsidiaries ("HLB Group") to participate in the equity of the Bank.

The main features of the ESOS 2006/2016 are, inter alia, as follows:

1. Eligible executives are persons as defined by the ESOS 2006/2016 Bye-Laws.
2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Bank in a general meeting. The Board, as defined by the ESOS 2006/2016 Bye-Laws, may from time to time at its discretion select and identify suitable eligible executives to be offered options.
3. The aggregate number of shares to be issued under the ESOS 2006/2016 shall not exceed 15% of the issued and paid-up ordinary share capital of the Bank for the time being.
4. The ESOS 2006/2016 shall be in force for a period of ten (10) years from 23 January 2006.
5. The option price 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 ESOS 2006/2016 Bye-Laws, and shall in no event be less than the par value of the shares of the Bank.
6. The options granted to an option holder under the ESOS 2006/2016 is exercisable by the option holder only during his employment with the HLB Group and upon meeting the vesting conditions of each of the 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 ESOS 2006/2016.
7. The exercise of the options 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 ESOS 2006/2016; or a combination of both new shares and existing shares.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 52 EQUITY COMPENSATION BENEFITS (CONTINUED)

#### Executive Share Option Scheme and Executive Share Scheme (continued)

(a) Executive Share Option Scheme 2006/2016 (“ESOS 2006/2016”) (continued)

The Bank granted the following conditional incentive share options to eligible executives of the Bank pursuant to the ESOS 2006/2016 of the Bank:

- (a) 4,500,000 share options at an exercise price of RM5.72;
- (b) 21,800,000 share options at an exercise price of RM6.05;
- (c) 12,835,000 share options at an exercise price of RM5.99;
- (d) 250,000 share options at an exercise price of RM5.75 (granted and lapsed in financial year ended 2009);
- (e) 200,000 share options at an exercise price of RM7.49;
- (f) 3,095,000 share options at an exercise price of RM9.14;
- (g) 1,000,000 share options at an exercise price of RM10.55; and
- (h) 1,151,408 share options arising from adjustment for rights issue (per terms of approved ESOS Bye-Laws).

The said share options, if vested, will be satisfied by the transfer of existing shares purchased by a trust established for the ESOS 2006/2016.

Arising from the completion of the Bank’s rights issue on 18 October 2011, there was an adjustment to the exercise price and number of option shares. The unexercised share options and the exercise price adjusted for the rights issue are listed below:-

- (a) 75,063 share options at an exercise price of RM5.44;
- (b) 13,165,125 share options at an exercise price of RM5.75;
- (c) 6,294,724 share options at an exercise price of RM5.69;
- (d) 154,884 share options at an exercise price of RM7.12;
- (e) 2,804,113 share options at an exercise price of RM8.69; and
- (f) 1,000,000 share options at an exercise price of RM10.55.

(b) Executive Share Scheme (“ESS”)

The ESS of up to ten percent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Bank comprises the Executive Share Option Scheme 2013/2023 (“ESOS 2013/2023”) and the Executive Share Grant Scheme (“ESGS”).

(i) ESOS 2013/2023

The ESOS 2013/2023 which was approved by the shareholders of the Bank on 25 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

On 18 September 2012, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the ESOS 2013/2023.

The ESOS 2013/2023 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.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 52 EQUITY COMPENSATION BENEFITS (CONTINUED)

#### Executive Share Option Scheme and Executive Share Scheme (continued)

(b) Executive Share Scheme (“ESS”) (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 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 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 a general meeting. 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 issued and paid-up ordinary share capital (excluding treasury shares) of the Bank at any one time.
4. The option price for the options to be granted under the ESOS 2013/2023 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.
5. The options granted to an option holder under the ESOS 2013/2023 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.
6. 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.
7. The exercise of the options under the ESOS 2013/2023 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 2014  
(continued)

### 52 EQUITY COMPENSATION BENEFITS (CONTINUED)

#### Executive Share Option Scheme and Executive Share Scheme (continued)

As at 30 June 2014, there were no options granted under the ESS of the Bank.

A trust has been set up for the ESOS 2006/2016 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 ESOS Scheme" 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          |                                  |                     |                                  |                     |
|---------------------------------|----------------------------------|---------------------|----------------------------------|---------------------|
|                                 | 2014                             |                     | 2013                             |                     |
|                                 | 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 | 36,211                           | 499,712             | 39,022                           | 542,406             |

The ordinary share options of the Bank granted under the ESOS are as follows:

- (a) 21,800,000 share options at an exercise price of RM6.05 (exercise price adjusted to RM5.75 for rights issue):

| 2014 Grant date | Expiry date    | As at 1-Jul-13 | Adjustment for Rights Issue | Expired | Forfeited | Exercised   | Outstanding As at 30-Jun-14 | Exercisable As at 30-Jun-14 |
|-----------------|----------------|----------------|-----------------------------|---------|-----------|-------------|-----------------------------|-----------------------------|
| 30 April 2008   | September 2013 | 632,772        | -                           | -       | -         | (632,772)   | -                           | -                           |
| 30 April 2008   | September 2014 | 1,090,082      | -                           | -       | -         | (824,926)   | 265,156                     | 265,156                     |
|                 |                | 1,722,854      | -                           | -       | -         | (1,457,698) | 265,156                     | 265,156                     |

| 2013 Grant date | Expiry date    | As at 1-Jul-12 | Adjustment for Rights Issue | Expired | Forfeited | Exercised   | Outstanding As at 30-Jun-13 | Exercisable As at 30-Jun-13 |
|-----------------|----------------|----------------|-----------------------------|---------|-----------|-------------|-----------------------------|-----------------------------|
| 30 April 2008   | October 2012   | 227,276        | -                           | -       | -         | (227,276)   | -                           | -                           |
| 30 April 2008   | September 2012 | 2,618,005      | -                           | -       | -         | (2,618,005) | -                           | -                           |
| 30 April 2008   | September 2013 | 3,947,854      | -                           | -       | -         | (3,315,082) | 632,772                     | 632,772                     |
| 30 April 2008   | September 2014 | 1,973,927      | -                           | -       | -         | (883,845)   | 1,090,082                   | -                           |
|                 |                | 8,767,062      | -                           | -       | -         | (7,044,208) | 1,722,854                   | 632,772                     |

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 2 to 6 years from grant date.

The weighted average share price at the time of exercise was RM14.09 (2013: RM13.83). The weighted average remaining contractual life for the share is 0.25 years (2013: 0.88 years).

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 52 EQUITY COMPENSATION BENEFITS (CONTINUED)

#### Executive Share Option Scheme and Executive Share Scheme (continued)

The ordinary share options of the Bank granted under the ESOS are as follows: (continued)

(b) 12,835,000 share options at an exercise price of RM5.99 (exercise price adjusted to RM5.69 for rights issue):

| 2014<br>Grant date | Expiry date    | As at    | Adjustment          | Expired | Forfeited | Exercised | Outstanding        | Exercisable        |
|--------------------|----------------|----------|---------------------|---------|-----------|-----------|--------------------|--------------------|
|                    |                | 1-Jul-13 | for<br>Rights Issue |         |           |           | As at<br>30-Jun-14 | As at<br>30-Jun-14 |
| 10 June 2008       | September 2013 | 173,630  | -                   | (42)    | -         | (173,588) | -                  | -                  |
| 10 June 2008       | September 2014 | 444,407  | -                   | -       | (11,785)  | (360,694) | 71,928             | 71,928             |
|                    |                | 618,037  | -                   | (42)    | (11,785)  | (534,282) | 71,928             | 71,928             |

| 2013<br>Grant date | Expiry date    | As at     | Adjustment          | Expired | Forfeited | Exercised   | Outstanding        | Exercisable        |
|--------------------|----------------|-----------|---------------------|---------|-----------|-------------|--------------------|--------------------|
|                    |                | 1-Jul-12  | for<br>Rights Issue |         |           |             | As at<br>30-Jun-13 | As at<br>30-Jun-13 |
| 10 June 2008       | October 2012   | 45,707    | -                   | -       | -         | (45,707)    | -                  | -                  |
| 10 June 2008       | September 2012 | 401,715   | -                   | -       | -         | (401,715)   | -                  | -                  |
| 10 June 2008       | September 2013 | 1,111,505 | -                   | -       | (28,283)  | (909,592)   | 173,630            | 173,630            |
| 10 June 2008       | September 2014 | 555,775   | -                   | -       | (111,368) | -           | 444,407            | -                  |
|                    |                | 2,114,702 | -                   | -       | (139,651) | (1,357,014) | 618,037            | 173,630            |

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 2 to 6 years from grant date.

The weighted average share price at the time of exercise was RM14.06 (2013: RM14.08). The weighted average remaining contractual life for the share is 0.25 years (2013: 0.97 years).

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 52 EQUITY COMPENSATION BENEFITS (CONTINUED)

#### Executive Share Option Scheme and Executive Share Scheme (continued)

The ordinary share options of the Bank granted under the ESOS are as follows: (continued)

(c) 200,000 share options at an exercise price of RM7.49 (exercise price adjusted to RM7.12 for rights issue):

| 2014<br>Grant date | Expiry date    | As at<br>1-Jul-13 | Adjustment<br>for<br>Rights Issue | Expired | Forfeited | Exercised | Outstanding<br>As at<br>30-Jun-14 | Exercisable<br>As at<br>30-Jun-14 |
|--------------------|----------------|-------------------|-----------------------------------|---------|-----------|-----------|-----------------------------------|-----------------------------------|
| 25 February 2010   | September 2014 | 23,570            | -                                 | -       | -         | (23,570)  | -                                 | -                                 |

| 2013<br>Grant date | Expiry date    | As at<br>1-Jul-12 | Adjustment<br>for<br>Rights Issue | Expired | Forfeited | Exercised | Outstanding<br>As at<br>30-Jun-13 | Exercisable<br>As at<br>30-Jun-13 |
|--------------------|----------------|-------------------|-----------------------------------|---------|-----------|-----------|-----------------------------------|-----------------------------------|
| 25 February 2010   | September 2013 | 47,138            | -                                 | -       | -         | (47,138)  | -                                 | -                                 |
| 25 February 2010   | September 2014 | 23,570            | -                                 | -       | -         | -         | 23,570                            | -                                 |
|                    |                | 70,708            | -                                 | -       | -         | (47,138)  | 23,570                            | -                                 |

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 month to 4 years from grant date.

The weighted average share price at the time of exercise was RM14.14 (2013: RM14.45). The weighted average remaining contractual life for the share is Nil (2013: 1.25 years).

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 52 EQUITY COMPENSATION BENEFITS (CONTINUED)

#### Executive Share Option Scheme and Executive Share Scheme (continued)

The ordinary share options of the Bank granted under the ESOS are as follows: (continued)

(d) 3,095,000 shares options at an exercise price of RM9.14 (exercise price adjusted to RM8.69 for rights issue):

| 2014<br>Grant date | Expiry date    | As at<br>1-Jul-13 | Adjustment<br>for |         |           |           | Outstanding<br>As at<br>30-Jun-14 | Exercisable<br>As at<br>30-Jun-14 |
|--------------------|----------------|-------------------|-------------------|---------|-----------|-----------|-----------------------------------|-----------------------------------|
|                    |                |                   | Rights Issue      | Expired | Forfeited | Exercised |                                   |                                   |
| 23 September 2010  | September 2013 | 173,180           | -                 | -       | -         | (173,180) | -                                 | -                                 |
| 23 September 2010  | September 2014 | 218,238           | -                 | -       | (29,042)  | (122,749) | 66,447                            | 66,447                            |
|                    |                | 391,418           | -                 | -       | (29,042)  | (295,929) | 66,447                            | 66,447                            |

| 2013<br>Grant date | Expiry date    | As at<br>1-Jul-12 | Adjustment<br>for |         |           |           | Outstanding<br>As at<br>30-Jun-13 | Exercisable<br>As at<br>30-Jun-13 |
|--------------------|----------------|-------------------|-------------------|---------|-----------|-----------|-----------------------------------|-----------------------------------|
|                    |                |                   | Rights Issue      | Expired | Forfeited | Exercised |                                   |                                   |
| 23 September 2010  | September 2012 | 274,829           | -                 | -       | (50,505)  | (224,324) | -                                 | -                                 |
| 23 September 2010  | September 2013 | 531,565           | -                 | -       | (53,030)  | (305,355) | 173,180                           | 173,180                           |
| 23 September 2010  | September 2014 | 265,799           | -                 | -       | (47,561)  | -         | 218,238                           | -                                 |
|                    |                | 1,072,193         | -                 | -       | (151,096) | (529,679) | 391,418                           | 173,180                           |

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 1.5 to 3.5 years from grant date.

The weighted average share price at the time of exercise was RM14.07 (2013: RM13.97). The weighted average remaining contractual life for the share is 0.25 years (2013: 0.81 years).

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 52 EQUITY COMPENSATION BENEFITS (CONTINUED)

#### Executive Share Option Scheme and Executive Share Scheme (continued)

The ordinary share options of the Bank granted under the ESOS are as follows: (continued)

(e) 1,000,000 shares options at an exercise price of RM10.55:

| 2014<br>Grant date | Expiry date  | As at     | Adjustment          | Expired | Forfeited | Exercised | Outstanding        | Exercisable        |
|--------------------|--------------|-----------|---------------------|---------|-----------|-----------|--------------------|--------------------|
|                    |              | 1-Jul-13  | for<br>Rights Issue |         |           |           | As at<br>30-Jun-14 | As at<br>30-Jun-14 |
| 27 October 2011    | April 2014   | 500,000   | -                   | -       | -         | (500,000) | -                  | -                  |
| 27 October 2011    | January 2015 | 500,000   | -                   | -       | -         | -         | 500,000            | -                  |
|                    |              | 1,000,000 | -                   | -       | -         | (500,000) | 500,000            | -                  |

| 2013<br>Grant date | Expiry date  | As at     | Adjustment          | Expired | Forfeited | Exercised | Outstanding        | Exercisable        |
|--------------------|--------------|-----------|---------------------|---------|-----------|-----------|--------------------|--------------------|
|                    |              | 1-Jul-12  | for<br>Rights Issue |         |           |           | As at<br>30-Jun-13 | As at<br>30-Jun-13 |
| 27 October 2011    | April 2014   | 500,000   | -                   | -       | -         | -         | 500,000            | -                  |
| 27 October 2011    | January 2015 | 500,000   | -                   | -       | -         | -         | 500,000            | -                  |
|                    |              | 1,000,000 | -                   | -       | -         | -         | 1,000,000          | -                  |

The vesting conditions for the above share options is based on service (time) based periods. The vesting period of the options range from 2 to 3 years from grant date.

The weighted average share price at the time of exercise was RM14.21 (2013: Nil). The weighted average remaining contractual life for the share is 0.59 years (2013: 1.21 years).

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

(continued)

### 53 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

The Group and the Bank review their loan portfolios to assess impairment at least on a quarterly basis. It is the policy of the Group and the Bank to 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. Whilst, management's judgement is guided by the relevant BNM guidelines, judgement is made in estimation of 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.

#### (b) Impairment of goodwill

The Group perform an impairment review on an annual basis. The goodwill impairment assessment involves a significant amount of estimation. This includes identification of independent cash-generating units ("CGUs") and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition.

In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the CGUs. Management also exercise judgement in determining both the growth rate and the discount rate used to discount future expected cash flows to the CGUs.

### 54 GENERAL INFORMATION

The Bank is a public limited liability company that is incorporated and domiciled in Malaysia. The registered office is at Level 8, Wisma Hong Leong, 18, Jalan Perak, 50450 Kuala Lumpur, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 July 2014.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 55 GOODWILL

|                       | The Group        |                | The Bank         |                |
|-----------------------|------------------|----------------|------------------|----------------|
|                       | 2014<br>RM'000   | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| <b>Cost</b>           |                  |                |                  |                |
| As at 1 July/ 30 June | <b>1,831,312</b> | 1,831,312      | <b>1,771,547</b> | 1,771,547      |

#### Allocation of goodwill to cash-generating units

Goodwill has been allocated to the following "CGUs":

|                              | The Group        |                | The Bank         |                |
|------------------------------|------------------|----------------|------------------|----------------|
|                              | 2014<br>RM'000   | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| Personal Financial Services  | <b>1,188,705</b> | 1,188,705      | <b>1,149,911</b> | 1,149,911      |
| Business & Corporate Banking | <b>479,437</b>   | 479,437        | <b>463,791</b>   | 463,791        |
| Global Markets               | <b>163,170</b>   | 163,170        | <b>157,845</b>   | 157,845        |
|                              | <b>1,831,312</b> | 1,831,312      | <b>1,771,547</b> | 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 2014, 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. This calculation uses pre-tax cash flow projections based on the budget for the financial year ending 2015, which is approved by the Board of Directors. There is a further projection of 4 years (2013: 4 years) based on the average historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the 5 year period are extrapolated using an estimated growth rate of 5% (2013: 5%) 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 in determining the recoverable amount of all the CGUs range from 11.59% to 11.67% (2013: 11.39% to 11.52%). The pre-tax discount rate reflects the specific risks relating to the CGUs.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014  
(continued)

### 56 REALISED AND UNREALISED PROFITS

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010 and the directive of Bursa Malaysia Securities Berhad.

|   | The Group        |                | The Bank         |                |
|---|------------------|----------------|------------------|----------------|
|   | 2014<br>RM'000   | 2013<br>RM'000 | 2014<br>RM'000   | 2013<br>RM'000 |
| Total retained profits of Hong Leong Bank Berhad and subsidiaries |                  |                |                  |                |
| – Realised  | 5,327,227        | 4,233,197      | 4,748,470        | 3,917,348      |
| – Unrealised  | 637,892          | 937,705        | 626,600          | 917,932        |
|   | <b>5,965,119</b> | 5,170,902      | <b>5,375,070</b> | 4,835,280      |
| Total share of retained profits from associated company           |                  |                |                  |                |
| – Realised  | 1,303,484        | 934,994        | –                | –              |
| Total share of retained profits from joint venture                |                  |                |                  |                |
| – Realised  | 13,369           | 3,234          | –                | –              |
|   | <b>7,281,972</b> | 6,109,130      | <b>5,375,070</b> | 4,835,280      |
| Less: Consolidation adjustment                                    | (92,868)         | 88,242         | –                | –              |
| <b>Total Group's retained profits</b>                             | <b>7,189,104</b> | 6,197,372      | <b>5,375,070</b> | 4,835,280      |

The Group views translation gains or losses on monetary items as realised as it is incurred in the ordinary course of business.

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

## STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Kong Khoon and Choong Yee How, 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 74 to 231 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 30 June 2014 and of the results and cash flows of the Group and the Bank for the financial year then ended on that date, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

On behalf of the Board,

**TAN KONG KHOON**

**CHOONG YEE HOW**

Kuala Lumpur  
18 September 2014

## STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

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 74 to 231 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  
18 September 2014

)  
)  
)  
) **FOONG PIK YEE**

Before me,

**TAN SEOK KETT**  
Commissioner for Oaths

## INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Bank Berhad

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong Bank Berhad on pages 74 to 231 which comprise the statements of financial position as at 30 June 2014 of the Group and of the Bank, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 56.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Bank are responsible for the preparation of financial statements 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, 1965 in Malaysia and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as of 30 June 2014 and of their financial performance and cash flows for the financial year then ended.

## INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Bank Berhad  
(continued)

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965, in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 56 on page 231 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS**  
(No. AF: 1146)  
Chartered Accountants

**ONG CHING CHUAN**  
(No. 2907/11/15 (J))  
Chartered Accountant

Kuala Lumpur  
18 September 2014

## **BASEL II PILLAR 3 DISCLOSURES**

for the financial year ended 30 June 2014

### **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 requirement as outline in the Risk-Weighted Capital Adequacy Framework (“Basel II – Disclosure requirements – Pillar 3”) issued by BNM.

With effect from 1 January 2013, the capital adequacy ratios of the Group and the Bank are computed in accordance with BNM’s Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. In line with the transitional arrangements under the BNM’s Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier I (CET I) capital ratio and Tier I capital ratio are 4.00% (2013: 3.50%) and 5.50% (2013: 4.50%) respectively for year 2014. The minimum regulatory capital adequacy requirement remains at 8.00% (2013: 8.00%) for total capital ratio.

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 accounts.

### **2. SCOPE OF APPLICATION**

The capital adequacy ratios of the Group consist of capital base and risk-weighted assets derived from consolidated balances of the Bank and its banking subsidiary Hong Leong Islamic Bank Berhad (“HLISB”). Islamic Banking business undertaken by the HLISB refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The capital adequacy ratios of the Bank and the Group are computed in accordance with BNM’s revised RWCAF–Basel II. The Bank and the Group have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk Computation.

The Group’s capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, as discussed in Note 2A to the financial statements, except where deductions from eligible capital are required under BNM’s RWCAF or where entities meet separation requirements set by BNM.

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 the 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.

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

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 2014. BNM's revised RWCAF-Basel II sets out the minimum capital adequacy ratios for the banking institutions and the methodology for calculating these ratios. As at 30 June 2014, the Group's and the Bank's CET1, Tier I capital ratio and total capital ratios were higher than BNM's minimum requirements.

The constituents of total eligible capital for the Group and the Bank as at 30 June 2014 are set out in BNM's Capital Adequacy Framework (Capital Components) - Basel III. These include shareholders' funds after regulatory-related adjustments, and eligible capital instruments issued by the Group. Refer to Note 23, Note 24 and Note 25 to the financial statements for the terms and conditions of the main features of these capital instruments.

#### Basel III

(a) The capital adequacy ratios of the Group and the Bank are as follows:

|  | The Group       |                 | The Bank        |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 30 June<br>2014 | 30 June<br>2013 | 30 June<br>2014 | 30 June<br>2013 |
| <b>Before deducting proposed dividends</b> |                 |                 |                 |                 |
| CET I capital ratio                        | 10.903%         | 10.627%         | 10.172%         | 10.156%         |
| Tier 1 capital ratio                       | 12.306%         | 12.319%         | 11.777%         | 12.062%         |
| Total capital ratio                        | 15.072%         | 15.179%         | 14.657%         | 13.592%         |
| <b>After deducting proposed dividends</b>  |                 |                 |                 |                 |
| CET I capital ratio                        | 10.480%         | 10.236%         | 9.689%          | 9.715%          |
| Tier 1 capital ratio                       | 11.883%         | 11.927%         | 11.294%         | 11.621%         |
| Total capital ratio                        | 14.649%         | 14.787%         | 14.173%         | 13.150%         |

**BASEL II PILLAR 3 DISCLOSURES**for the financial year ended 30 June 2014  
(continued)**3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)****Basel III (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                  |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 30 June<br>2014<br>RM'000 | 30 June<br>2013<br>RM'000 | 30 June<br>2014<br>RM'000 | 30 June<br>2013<br>RM'000 |
| <b>CET I capital</b>  |                           |                           |                           |                           |
| Paid-up share capital   | 1,879,909                 | 1,879,909                 | 1,879,909                 | 1,879,909                 |
| Share premium   | 2,832,383                 | 2,832,383                 | 2,832,383                 | 2,832,383                 |
| Retained profits  | 7,189,104                 | 6,197,372                 | 5,375,070                 | 4,835,280                 |
| Other reserves  | 3,171,817                 | 2,699,050                 | 2,773,797                 | 2,360,778                 |
| Less: Treasury shares   | (645,579)                 | (661,809)                 | (645,579)                 | (661,809)                 |
| Less: Other intangible assets   | (347,791)                 | (369,415)                 | (335,319)                 | (362,855)                 |
| Less: Goodwill  | (1,831,312)               | (1,831,312)               | (1,771,547)               | (1,771,547)               |
| Less: Investment in subsidiary companies/<br>associated company/joint venture | (430,676)                 | -                         | (475,075)                 | -                         |
| <b>Total CET I capital</b>  | <b>11,817,855</b>         | 10,746,178                | <b>9,633,639</b>          | 9,112,139                 |
| <b>Additional Tier I capital</b>  |                           |                           |                           |                           |
| Non-Innovative Tier 1 stapled securities                                      | 1,120,000                 | 1,260,000                 | 1,120,000                 | 1,260,000                 |
| Innovative Tier 1 capital securities  | 400,000                   | 450,000                   | 400,000                   | 450,000                   |
| <b>Total additional Tier I capital</b>  | <b>1,520,000</b>          | 1,710,000                 | <b>1,520,000</b>          | 1,710,000                 |
| <b>Total Tier I capital</b>   | <b>13,337,855</b>         | 12,456,178                | <b>11,153,639</b>         | 10,822,139                |
| <b>Tier II capital</b>  |                           |                           |                           |                           |
| Collective assessment allowance <sup>^</sup>                                  | 732,980                   | 800,960                   | 639,439                   | 666,131                   |
| Subordinated bonds  | 3,988,000                 | 3,924,000                 | 3,988,000                 | 3,924,000                 |
| <b>Tier II capital before regulatory adjustments</b>                          | <b>4,720,980</b>          | 4,724,960                 | <b>4,627,439</b>          | 4,590,131                 |
| Less: Regulatory adjustments  |                           |                           |                           |                           |
| Investment in subsidiary companies  | -                         | -                         | (1,081,727)               | (2,194,913)               |
| Investment in associated company  | (1,650,640)               | (1,752,949)               | (757,204)                 | (946,505)                 |
| Investment in jointly controlled entity                                       | (72,064)                  | (79,945)                  | (61,369)                  | (76,711)                  |
| <b>Total Tier II capital</b>  | <b>2,998,276</b>          | 2,892,066                 | <b>2,727,139</b>          | 1,372,002                 |
| <b>Total Capital</b>  | <b>16,336,131</b>         | 15,348,244                | <b>13,880,778</b>         | 12,194,141                |

<sup>^</sup> Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

#### Basel III (continued)

(c) The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

|                  | The Group                 |                           | The Bank                  |                           |
|------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                  | 30 June<br>2014<br>RM'000 | 30 June<br>2013<br>RM'000 | 30 June<br>2014<br>RM'000 | 30 June<br>2013<br>RM'000 |
| Credit risk      | 96,729,672                | 91,059,541                | 84,227,557                | 80,746,066                |
| Market risk      | 4,126,372                 | 3,429,463                 | 3,912,418                 | 3,322,591                 |
| Operational risk | 7,532,731                 | 6,628,544                 | 6,563,115                 | 5,649,356                 |
| <b>Total RWA</b> | <b>108,388,775</b>        | <b>101,117,548</b>        | <b>94,703,090</b>         | <b>89,718,013</b>         |

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

|  | Hong Leong Islamic Bank Berhad |                 |
|--|--------------------------------|-----------------|
|  | 30 June<br>2014                | 30 June<br>2013 |
| <b>Before deducting proposed dividends</b> |                                |                 |
| CET I capital ratio                        | 11.829%                        | 11.070%         |
| Tier I capital ratio                       | 11.829%                        | 11.070%         |
| Total capital ratio                        | 15.587%                        | 14.153%         |
| <b>After deducting proposed dividends</b>  |                                |                 |
| CET I capital ratio                        | 11.392%                        | 10.720%         |
| Tier I capital ratio                       | 11.392%                        | 10.720%         |
| Total capital ratio                        | 15.150%                        | 13.804%         |



## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(e) The breakdown of RWA by exposure is as follows:

| The Group<br>30 June 2014   | Gross<br>exposures<br>before CRM<br>RM'000 | Net<br>exposures<br>after CRM<br>RM'000 | Risk<br>weighted<br>assets<br>RM'000 | Minimum<br>Capital<br>requirements<br>at 8%<br>RM'000 |
|---|--|---|--------------------------------------|---|
| <b>Exposure Class</b>   |  |   |                                      |   |
| <b>Credit Risk</b>  |  |   |                                      |   |
| <b>On-Balance Sheet Exposures</b>   |  |   |                                      |   |
| Sovereigns/Central Banks  | 29,487,994                                 | 29,487,994                              | -                                    | -   |
| Public Sector Entities  | 158,355                                    | 158,355                                 | 31,671                               | 2,534   |
| Banks, Development Financial<br>Institutions ("DFIs") and Multilateral<br>Development Bank ("MDBs") | 11,450,097                                 | 11,450,097                              | 4,040,080                            | 323,206   |
| Insurance Cos, Securities Firms ("SF")<br>and Fund Managers ("FM")                                  | 13,515                                     | 13,515                                  | 11,909                               | 953   |
| Corporates  | 35,600,303                                 | 34,162,977                              | 31,062,788                           | 2,485,023   |
| Regulatory Retail   | 40,200,351                                 | 39,603,483                              | 29,819,460                           | 2,385,557   |
| Residential Mortgages   | 31,186,157                                 | 31,142,964                              | 12,705,856                           | 1,016,468   |
| Higher Risk Assets  | 376,209                                    | 376,172                                 | 564,258                              | 45,141  |
| Other Assets  | 5,621,769                                  | 5,621,769                               | 4,032,435                            | 322,595   |
| Defaulted Exposures   | 569,688                                    | 567,292                                 | 649,889                              | 51,991  |
| <b>Total On-Balance Sheet Exposures</b>   | <b>154,664,438</b>                         | <b>152,584,618</b>                      | <b>82,918,346</b>                    | <b>6,633,468</b>                                      |
| <b>Off-Balance Sheet Exposures</b>  |  |   |                                      |   |
| Over-the-counter ("OTC") Derivatives  | 3,429,162                                  | 3,429,162                               | 1,704,744                            | 136,380   |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives                     | 14,648,548                                 | 14,417,498                              | 12,032,606                           | 962,608   |
| Defaulted Exposures   | 49,605                                     | 49,319                                  | 73,976                               | 5,918   |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>18,127,315<sup>^</sup></b>              | <b>17,895,979</b>                       | <b>13,811,326</b>                    | <b>1,104,906</b>                                      |
| <b>Total On and Off-Balance Sheet Exposures</b>   | <b>172,791,753</b>                         | <b>170,480,597</b>                      | <b>96,729,672</b>                    | <b>7,738,374</b>                                      |
| Large Exposures Risk Requirements   | -  | -                                       | -                                    | -   |
| <b>Market Risk</b>  |  |   |                                      |   |
|   | <b>Long<br/>Position</b>                   | <b>Short<br/>Position</b>               |                                      |   |
| Interest Rate Risk  | 102,323,310                                | 108,141,033                             | 3,553,157                            | 284,253   |
| Foreign Currency Risk   | 493,400                                    | 538,413                                 | 538,413                              | 43,073  |
| Equity Risk   | 3,883                                      | -                                       | 10,678                               | 854   |
| Option Risk   | -  | -                                       | 24,124                               | 1,930   |
| <b>Total</b>  | <b>102,820,593</b>                         | <b>108,679,446</b>                      | <b>4,126,372</b>                     | <b>330,110</b>  |
| <b>Operational Risk</b>   |  |   | <b>7,532,731</b>                     | <b>602,618</b>  |
| <b>Total RWA and Capital Requirements</b>   |  |   | <b>108,388,775</b>                   | <b>8,671,102</b>                                      |

**Note:**

CRM - credit risk mitigation

<sup>^</sup> - The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 273.

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(e) The breakdown of RWA by exposure is as follows: (continued)

| The Group<br>30 June 2013   | Gross<br>exposures<br>before CRM<br>RM'000 | Net<br>exposures<br>after CRM<br>RM'000 | Risk<br>weighted<br>assets<br>RM'000 | Minimum<br>Capital<br>requirements<br>at 8%<br>RM'000 |
|---|--|---|--------------------------------------|---|
| <b>Exposure Class</b>   |  |   |                                      |   |
| <b>Credit Risk</b>  |  |   |                                      |   |
| <b>On-Balance Sheet Exposures</b>   |  |   |                                      |   |
| Sovereigns/Central Banks  | 28,017,447                                 | 28,017,447                              | -                                    | -   |
| Public Sector Entities  | 32,406                                     | 32,406                                  | 6,481                                | 518   |
| Banks, DFIs and MDBs  | 11,388,419                                 | 11,388,419                              | 3,897,366                            | 311,789   |
| Insurance Cos, SF and FM  | 18,827                                     | 18,827                                  | 17,247                               | 1,380   |
| Corporates  | 32,985,177                                 | 31,607,139                              | 29,453,134                           | 2,356,251   |
| Regulatory Retail   | 38,619,171                                 | 38,003,550                              | 28,611,580                           | 2,288,926   |
| Residential Mortgages   | 26,717,410                                 | 26,669,297                              | 10,676,134                           | 854,091   |
| Higher Risk Assets  | 340,485                                    | 340,485                                 | 510,727                              | 40,858  |
| Other Assets  | 5,190,175                                  | 5,190,175                               | 3,664,454                            | 293,156   |
| Defaulted Exposures   | 901,277                                    | 897,732                                 | 1,098,122                            | 87,850  |
| <b>Total On-Balance Sheet Exposures</b>   | <b>144,210,794</b>                         | <b>142,165,477</b>                      | <b>77,935,245</b>                    | <b>6,234,819</b>                                      |
| <b>Off-Balance Sheet Exposures</b>  |  |   |                                      |   |
| OTC Derivatives   | 3,800,000                                  | 3,800,000                               | 1,857,541                            | 148,603   |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 13,358,764                                 | 13,147,149                              | 11,115,019                           | 889,202   |
| Defaulted Exposures   | 102,469                                    | 101,157                                 | 151,736                              | 12,139  |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>17,261,233<sup>^</sup></b>              | <b>17,048,306</b>                       | <b>13,124,296</b>                    | <b>1,049,944</b>                                      |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>161,472,027</b>                         | <b>159,213,783</b>                      | <b>91,059,541</b>                    | <b>7,284,763</b>                                      |
| Large Exposures Risk Requirements   | -  | -                                       | -                                    | -   |
| <b>Market Risk</b>  |  |   |                                      |   |
|   | <b>Long<br/>Position</b>                   | <b>Short<br/>Position</b>               |                                      |   |
| Interest Rate Risk  | 91,766,457                                 | 74,520,356                              | 2,612,298                            | 208,984   |
| Foreign Currency Risk   | 279,917                                    | 773,918                                 | 773,918                              | 61,913  |
| Equity Risk   | 12,624                                     | -                                       | 33,722                               | 2,698   |
| Option Risk   | -  | -                                       | 9,525                                | 762   |
| <b>Total</b>  | <b>92,058,998</b>                          | <b>75,294,274</b>                       | <b>3,429,463</b>                     | <b>274,357</b>  |
| <b>Operational Risk</b>   |  |   | <b>6,628,544</b>                     | <b>530,284</b>  |
| <b>Total RWA and Capital Requirements</b>                                       |  |   | <b>101,117,548</b>                   | <b>8,089,404</b>                                      |

**Note:**

<sup>^</sup> - The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 274.

**BASEL II PILLAR 3 DISCLOSURES**for the financial year ended 30 June 2014  
(continued)**3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)**

(e) The breakdown of RWA by exposure is as follows: (continued)

| The Bank<br>30 June 2014  | Gross<br>exposures<br>before CRM<br>RM'000 | Net<br>exposures<br>after CRM<br>RM'000 | Risk<br>weighted<br>assets<br>RM'000 | Minimum<br>Capital<br>requirements<br>at 8%<br>RM'000 |
|---|--|---|--------------------------------------|---|
| <b>Exposure Class</b>   |  |   |                                      |   |
| <b>Credit Risk</b>  |  |   |                                      |   |
| <b>On-Balance Sheet Exposures</b>   |  |   |                                      |   |
| Sovereigns/Central Banks  | 24,825,520                                 | 24,825,520                              | -                                    | -   |
| Public Sector Entities  | 158,355                                    | 158,355                                 | 31,671                               | 2,534   |
| Banks, DFIs and MDBs  | 11,664,719                                 | 11,664,719                              | 4,262,670                            | 341,014   |
| Insurance Cos, SF and FM  | 11,441                                     | 11,441                                  | 9,835                                | 787   |
| Corporates  | 31,780,161                                 | 30,373,624                              | 27,822,455                           | 2,225,796   |
| Regulatory Retail   | 33,707,852                                 | 33,126,777                              | 24,878,053                           | 1,990,244   |
| Residential Mortgages   | 26,615,917                                 | 26,577,182                              | 10,785,807                           | 862,865   |
| Higher Risk Assets  | 373,186                                    | 373,151                                 | 559,726                              | 44,778  |
| Other Assets  | 4,468,771                                  | 4,468,771                               | 2,879,401                            | 230,352   |
| Defaulted Exposures   | 496,566                                    | 494,206                                 | 578,032                              | 46,243  |
| <b>Total On-Balance Sheet Exposures</b>   | <b>134,102,488</b>                         | <b>132,073,746</b>                      | <b>71,807,650</b>                    | <b>5,744,613</b>                                      |
| <b>Off-Balance Sheet Exposures</b>  |  |   |                                      |   |
| OTC Derivatives   | 3,309,440                                  | 3,309,440                               | 1,655,720                            | 132,458   |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 13,039,238                                 | 12,813,877                              | 10,692,767                           | 855,421   |
| Defaulted Exposures   | 47,878                                     | 47,613                                  | 71,420                               | 5,714   |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>16,396,556<sup>^</sup></b>              | <b>16,170,930</b>                       | <b>12,419,907</b>                    | <b>993,593</b>  |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>150,499,044</b>                         | <b>148,244,676</b>                      | <b>84,227,557</b>                    | <b>6,738,206</b>                                      |
| Large Exposures Risk Requirements   | -  | -                                       | -                                    | -   |
| <b>Market Risk</b>  |  |   |                                      |   |
|   | <b>Long<br/>Position</b>                   | <b>Short<br/>Position</b>               |                                      |   |
| Interest Rate Risk  | 95,759,998                                 | 103,259,120                             | 3,354,480                            | 268,358   |
| Foreign Currency Risk   | 484,989                                    | 523,137                                 | 523,136                              | 41,851  |
| Equity Risk   | 3,883                                      | -                                       | 10,678                               | 854   |
| Option Risk   | -  | -                                       | 24,124                               | 1,930   |
| <b>Total</b>  | <b>96,248,870</b>                          | <b>103,782,257</b>                      | <b>3,912,418</b>                     | <b>312,993</b>  |
| <b>Operational Risk</b>   |  |   | <b>6,563,115</b>                     | <b>525,049</b>  |
| <b>Total RWA and Capital Requirements</b>                                       |  |   | <b>94,703,090</b>                    | <b>7,576,248</b>                                      |

**Note:**<sup>^</sup> - The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 275.

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(e) The breakdown of RWA by exposure is as follows: (continued)

| The Bank<br>30 June 2013  | Gross<br>exposures<br>before CRM<br>RM'000 | Net<br>exposures<br>after CRM<br>RM'000 | Risk<br>weighted<br>assets<br>RM'000 | Minimum<br>Capital<br>requirements<br>at 8%<br>RM'000 |
|---|--|---|--------------------------------------|---|
| <b>Exposure Class</b>   |  |   |                                      |   |
| <b>Credit Risk</b>  |  |   |                                      |   |
| <b>On-Balance Sheet Exposures</b>   |  |   |                                      |   |
| Sovereigns/Central Banks  | 24,339,744                                 | 24,339,744                              | -                                    | -   |
| Public Sector Entities  | 32,406                                     | 32,406                                  | 6,481                                | 518   |
| Banks, DFIs and MDBs  | 12,792,545                                 | 12,792,545                              | 4,691,220                            | 375,298   |
| Insurance Cos, SF and FM  | 16,708                                     | 16,708                                  | 15,128                               | 1,210   |
| Corporates  | 29,846,133                                 | 28,474,968                              | 26,822,782                           | 2,145,823   |
| Regulatory Retail   | 31,774,202                                 | 31,173,042                              | 23,397,434                           | 1,871,795   |
| Residential Mortgages   | 22,860,509                                 | 22,817,411                              | 9,085,322                            | 726,826   |
| Higher Risk Assets  | 332,783                                    | 332,783                                 | 499,174                              | 39,934  |
| Other Assets  | 4,973,827                                  | 4,973,827                               | 3,445,906                            | 275,672   |
| Defaulted Exposures   | 729,205                                    | 725,719                                 | 878,451                              | 70,276  |
| <b>Total On-Balance Sheet Exposures</b>   | <b>127,698,062</b>                         | <b>125,679,153</b>                      | <b>68,841,898</b>                    | <b>5,507,352</b>                                      |
| <b>Off-Balance Sheet Exposures</b>  |  |   |                                      |   |
| OTC Derivatives   | 3,844,325                                  | 3,844,325                               | 1,929,806                            | 154,384   |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 11,798,815                                 | 11,588,378                              | 9,828,243                            | 786,259   |
| Defaulted Exposures   | 98,704                                     | 97,413                                  | 146,119                              | 11,690  |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>15,741,844<sup>^</sup></b>              | <b>15,530,116</b>                       | <b>11,904,168</b>                    | <b>952,333</b>  |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>143,439,906</b>                         | <b>141,209,269</b>                      | <b>80,746,066</b>                    | <b>6,459,685</b>                                      |
| Large Exposures Risk Requirements   | -  | -                                       | -                                    | -   |
| <b>Market Risk</b>  |  |   |                                      |   |
| Interest Rate Risk  | 90,734,622                                 | 77,376,307                              | 2,515,152                            | 201,212   |
| Foreign Currency Risk   | 274,041                                    | 764,192                                 | 764,192                              | 61,135  |
| Equity Risk   | 12,624                                     | -                                       | 33,722                               | 2,698   |
| Option Risk   | -  | -                                       | 9,525                                | 762   |
| <b>Total</b>  | <b>91,021,287</b>                          | <b>78,140,499</b>                       | <b>3,322,591</b>                     | <b>265,807</b>  |
| <b>Operational Risk</b>   |  |   | <b>5,649,356</b>                     | <b>451,949</b>  |
| <b>Total RWA and Capital Requirements</b>                                       |  |   | <b>89,718,013</b>                    | <b>7,177,441</b>                                      |

**Note:**

<sup>^</sup> - The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 276.

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014

(continued)

### 4. RISK MANAGEMENT

The Group has implemented an integrated risk management framework with the objective to ensure the overall financial soundness and stability of the Group's business operations. The Group's integrated 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.

As part of the integrated risk management 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 Group's integrated 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 assessment of 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 Integrated Risk Management & Compliance ("GIRMC") 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, GIRMC undertakes compliance 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 GIRMC's functions cover the oversight of the following areas:- Market and Liquidity Risk, Credit Portfolio Risk, Technology and Operations Risk, ICAAP and Integrated Stress Testing, Regulatory Compliance and Islamic Banking Risk and Compliance.

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 2014  
(continued)

### 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 Bank.

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 BRMC and the Board Credit Supervisory Committee ("BCSC"), 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 BCSC. The Board delegates 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 processes 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 and 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 credit risk impact to capital under the relevant stress scenarios.

**BASEL II PILLAR 3 DISCLOSURES**for the financial year ended 30 June 2014  
(continued)**4. RISK MANAGEMENT (CONTINUED)****(A) Credit risk (continued)****Gross credit exposure**

(i) The table below sets out the breakdown of gross credit exposures by geographical distribution as follows:

| The Group   | Malaysia<br>RM'000 | Other<br>countries<br>RM'000 | Total<br>RM'000    |
|---|--------------------|------------------------------|--------------------|
| <b>30 June 2014</b>   |                    |                              |                    |
| <b>On-Balance Sheet Exposures</b>   |                    |                              |                    |
| Financial assets held-for-trading*  | 11,048,726         | 261,867                      | 11,310,593         |
| Financial investments available-for-sale*                                       | 12,406,849         | 1,854,077                    | 14,260,926         |
| Financial investments held-to-maturity  | 8,610,387          | 253,646                      | 8,864,033          |
| Loans, advances and financing   | 99,511,652         | 3,067,424                    | 102,579,076        |
| Derivative financial instruments  | 611,978            | 75,463                       | 687,441            |
| <b>Total On-Balance Sheet Exposures</b>   | <b>132,189,592</b> | <b>5,512,477</b>             | <b>137,702,069</b> |
| <b>Off-Balance Sheet Exposures<sup>^</sup></b>                                  |                    |                              |                    |
| OTC Derivatives   | 3,266,877          | 162,285                      | 3,429,162          |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 14,531,562         | 166,591                      | 14,698,153         |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>17,798,439</b>  | <b>328,876</b>               | <b>18,127,315</b>  |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>149,988,031</b> | <b>5,841,353</b>             | <b>155,829,384</b> |
| <b>30 June 2013</b>   |                    |                              |                    |
| <b>On-Balance Sheet Exposures</b>   |                    |                              |                    |
| Financial assets held-for-trading*  | 15,001,960         | 181,198                      | 15,183,158         |
| Financial investments available-for-sale*                                       | 9,997,483          | 1,910,685                    | 11,908,168         |
| Financial investments held-to-maturity  | 4,105,865          | 2,541                        | 4,108,406          |
| Loans, advances and financing   | 92,738,059         | 2,692,902                    | 95,430,961         |
| Derivative financial instruments  | 825,825            | 51,319                       | 877,144            |
| <b>Total On-Balance Sheet Exposures</b>   | <b>122,669,192</b> | <b>4,838,645</b>             | <b>127,507,837</b> |
| <b>Off-Balance Sheet Exposures<sup>^</sup></b>                                  |                    |                              |                    |
| OTC Derivatives   | 3,689,100          | 110,900                      | 3,800,000          |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 13,329,084         | 132,149                      | 13,461,233         |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>17,018,184</b>  | <b>243,049</b>               | <b>17,261,233</b>  |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>139,687,376</b> | <b>5,081,694</b>             | <b>144,769,070</b> |

**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.

<sup>^</sup> Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 273 and page 274.

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 4. RISK MANAGEMENT (CONTINUED)

#### (A) Credit risk (continued)

##### Gross credit exposure (continued)

- (i) The table below sets out the breakdown of gross credit exposures by geographical distribution as follows:  
(continued)

| The Bank  | Malaysia<br>RM'000 | Other<br>countries<br>RM'000 | Total<br>RM'000    |
|---|--------------------|------------------------------|--------------------|
| <b>30 June 2014</b>   |                    |                              |                    |
| <b>On-Balance Sheet Exposures</b>   |                    |                              |                    |
| Financial assets held-for-trading*  | 9,867,084          | 261,867                      | 10,128,951         |
| Financial investments available-for-sale*                                       | 9,937,957          | 1,378,184                    | 11,316,141         |
| Financial investments held-to-maturity  | 7,700,241          | 75,514                       | 7,775,755          |
| Loans, advances and financing   | 85,198,515         | 2,674,934                    | 87,873,449         |
| Derivative financial instruments  | 595,065            | 75,260                       | 670,325            |
| <b>Total On-Balance Sheet Exposures</b>   | <b>113,298,862</b> | <b>4,465,759</b>             | <b>117,764,621</b> |
| <b>Off-Balance Sheet Exposures<sup>^</sup></b>                                  |                    |                              |                    |
| OTC Derivatives   | 3,147,155          | 162,285                      | 3,309,440          |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 12,920,525         | 166,591                      | 13,087,116         |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>16,067,680</b>  | <b>328,876</b>               | <b>16,396,556</b>  |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>129,366,542</b> | <b>4,794,635</b>             | <b>134,161,177</b> |
| <b>30 June 2013</b>   |                    |                              |                    |
| <b>On-Balance Sheet Exposures</b>   |                    |                              |                    |
| Financial assets held-for-trading*  | 11,913,106         | 181,198                      | 12,094,304         |
| Financial investments available-for-sale*                                       | 8,268,710          | 1,454,817                    | 9,723,527          |
| Financial investments held-to-maturity  | 4,060,658          | 2,541                        | 4,063,199          |
| Loans, advances and financing   | 79,384,099         | 2,451,635                    | 81,835,734         |
| Derivative financial instruments  | 888,101            | 51,308                       | 939,409            |
| <b>Total On-Balance Sheet Exposures</b>   | <b>104,514,674</b> | <b>4,141,499</b>             | <b>108,656,173</b> |
| <b>Off-Balance Sheet Exposures<sup>^</sup></b>                                  |                    |                              |                    |
| OTC Derivatives   | 3,733,425          | 110,900                      | 3,844,325          |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 11,765,370         | 132,149                      | 11,897,519         |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>15,498,795</b>  | <b>243,049</b>               | <b>15,741,844</b>  |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>120,013,469</b> | <b>4,384,548</b>             | <b>124,398,017</b> |

**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.

<sup>^</sup> Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 275 and page 276.



**BASEL II PILLAR 3 DISCLOSURES**

for the financial year ended 30 June 2014

(continued)

**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<br>30 June 2014                                   | Financial<br>assets<br>held-for-<br>trading*<br>RM'000 | Financial<br>investments<br>available-<br>for-sale*<br>RM'000 | Financial<br>investments<br>held-to-<br>maturity<br>RM'000 | Loans,<br>advances<br>and<br>financing<br>RM'000 | Derivative<br>financial<br>instruments<br>RM'000 | Total<br>on-balance<br>sheet<br>credit risk<br>exposures<br>RM'000 | Off-balance<br>sheet<br>exposures<br>other<br>than OTC<br>derivatives<br>or credit<br>derivatives<br>RM'000 | Total<br>on-balance<br>sheet<br>credit risk<br>exposures<br>RM'000 | Total<br>on and<br>off-balance<br>sheet<br>credit risk<br>exposures<br>RM'000 |
|---|--|---|--|--|--|--|---|--|---|
| Agriculture   | -  | 85,774  | -  | 2,621,329  | -  | 2,707,103  | 289,662   | 289,662  | 2,996,765   |
| Mining and quarrying  | -  | -   | -  | 417,630  | -  | 417,630  | 51,646  | 51,646   | 469,276   |
| Manufacturing   | -  | 53,463  | -  | 8,517,950  | -  | 8,571,413  | 2,135,154   | 2,135,154  | 10,706,567  |
| Electricity, gas<br>and water                               | 20,034   | 1,235,769   | -  | 244,501  | -  | 1,500,304  | 58,019  | 58,019   | 1,558,323   |
| Construction  | 25,026   | 646,392   | -  | 1,855,121  | -  | 2,526,539  | 451,873   | 451,873  | 2,978,412   |
| Wholesale and retail  | -  | -   | -  | 9,393,081  | -  | 9,393,081  | 2,141,165   | 2,141,165  | 11,534,246  |
| Transport, storage and<br>communications                    | -  | 263,686   | -  | 1,632,185  | -  | 1,895,871  | 213,377   | 213,377  | 2,109,248   |
| Finance, insurance,<br>real estate and<br>business services | 9,614,795  | 6,579,724   | 166,923  | 10,139,448                                       | 687,441  | 27,188,331   | 1,939,340   | 5,368,502  | 32,556,833  |
| Government and<br>government agencies                       | 1,650,738  | 5,342,454   | 8,697,110  | -  | -  | 15,690,302   | 1,110   | 1,110  | 15,691,412  |
| Education, health<br>and others                             | -  | -   | -  | 901,260  | -  | 901,260  | 271,513   | 271,513  | 1,172,773   |
| Household   | -  | -   | -  | 65,442,891                                       | -  | 65,442,891   | 7,015,845   | 7,015,845  | 72,458,736  |
| Others  | -  | 53,664  | -  | 1,413,680  | -  | 1,467,344  | 129,449   | 129,449  | 1,596,793   |
| <b>Total On and<br/>Off-Balance Sheet<br/>Exposures</b>     | <b>11,310,593</b>                                      | <b>14,260,926</b>   | <b>8,864,033</b>   | <b>102,579,076</b>                               | <b>687,441</b>                                   | <b>137,702,069</b>   | <b>14,698,153</b>   | <b>18,127,315</b>  | <b>155,829,384</b>  |

\* Excludes equity securities

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 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<br>30 June 2013                                   | Financial<br>assets<br>held-for-<br>trading*<br>RM'000 | Financial<br>investments<br>available-<br>for-sale*<br>RM'000 | Financial<br>investments<br>held-to-<br>maturity<br>RM'000 | Loans,<br>advances<br>and<br>financing<br>RM'000 | Derivative<br>financial<br>instruments<br>RM'000 | Total<br>on-balance<br>sheet<br>credit risk<br>exposures<br>RM'000 | OTC<br>derivatives<br>RM'000 | Off-balance<br>sheet<br>exposures<br>other<br>than OTC<br>derivatives<br>or credit<br>derivatives<br>RM'000 | Total<br>on-balance<br>sheet<br>credit risk<br>exposures<br>RM'000 | Total<br>on and<br>off-balance<br>sheet<br>credit risk<br>exposures<br>RM'000 |
|---|--|---|--|--|--|--|------------------------------|---|--|---|
| Agriculture   | -  | 71,186  | -  | 2,423,985  | -  | 2,495,171  | -                            | 328,588   | 328,588  | 2,823,759   |
| Mining and quarrying  | -  | -   | -  | 278,258  | -  | 278,258  | -                            | 20,262  | 20,262   | 298,520   |
| Manufacturing   | 5,006  | 110,837   | -  | 8,721,595  | -  | 8,837,438  | -                            | 2,219,469   | 2,219,469  | 11,056,907  |
| Electricity, gas<br>and water                               | 70,595   | 910,197   | -  | 194,592  | -  | 1,175,384  | -                            | 27,526  | 27,526   | 1,202,910   |
| Construction  | 35,443   | 181,769   | -  | 1,674,448  | -  | 1,891,660  | -                            | 478,867   | 478,867  | 2,370,527   |
| Wholesale and retail  | -  | -   | -  | 8,812,149  | -  | 8,812,149  | -                            | 2,212,975   | 2,212,975  | 11,025,124  |
| Transport, storage and<br>communications                    | 21,313   | 5,081   | -  | 1,534,920  | -  | 1,561,314  | -                            | 362,168   | 362,168  | 1,923,482   |
| Finance, insurance,<br>real estate and<br>business services | 13,269,817   | 6,419,486   | 107,966  | 9,479,953  | 877,144  | 30,154,366   | 3,800,000                    | 1,372,365   | 5,172,365  | 35,326,731  |
| Government and<br>government agencies                       | 1,754,956  | 4,178,078   | 4,000,440  | -  | -  | 9,933,474  | -                            | -   | -  | 9,933,474   |
| Education, health<br>and others                             | -  | -   | -  | 626,851  | -  | 626,851  | -                            | 332,461   | 332,461  | 959,312   |
| Household   | -  | -   | -  | 59,946,617                                       | -  | 59,946,617   | -                            | 5,996,952   | 5,996,952  | 65,943,569  |
| Others  | 26,028   | 31,534  | -  | 1,737,593  | -  | 1,795,155  | -                            | 109,600   | 109,600  | 1,904,755   |
| <b>Total On and<br/>Off-Balance Sheet<br/>Exposures</b>     | <b>15,183,158</b>                                      | <b>11,908,168</b>   | <b>4,108,406</b>   | <b>95,430,961</b>                                | <b>877,144</b>                                   | <b>127,507,837</b>   | <b>3,800,000</b>             | <b>13,461,233</b>   | <b>17,261,233</b>  | <b>144,769,070</b>  |

\* Excludes equity securities

**BASEL II PILLAR 3 DISCLOSURES**

for the financial year ended 30 June 2014

(continued)

**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<br>30 June 2014                                    | Financial<br>assets<br>held-for-<br>trading*<br>RM'000 | Financial<br>investments<br>available-<br>for-sale*<br>RM'000 | Financial<br>investments<br>held-to-<br>maturity<br>RM'000 | Loans,<br>advances<br>and<br>financing<br>RM'000 | Derivative<br>financial<br>instruments<br>RM'000 | Total<br>on-balance<br>sheet<br>credit risk<br>exposures<br>RM'000 | OTC<br>derivatives<br>RM'000 | Off-balance<br>sheet<br>exposures<br>than OTC<br>derivatives<br>or credit<br>derivatives<br>RM'000 | Total<br>off-balance<br>sheet<br>credit risk<br>exposures<br>RM'000 | Total<br>on and<br>off-balance<br>sheet<br>credit risk<br>exposures<br>RM'000 |
|---|--|---|--|--|--|--|------------------------------|--|---|---|
| Agriculture   | -  | 85,774  | -  | 2,123,408  | -  | 2,209,182  | -                            | 251,673  | 251,673   | 2,460,855   |
| Mining and quarrying  | -  | -   | -  | 412,901  | -  | 412,901  | -                            | 51,263   | 51,263  | 464,164   |
| Manufacturing   | -  | 27,096  | -  | 7,616,791  | -  | 7,643,887  | -                            | 1,997,771  | 1,997,771   | 9,641,658   |
| Electricity, gas<br>and water                               | 20,034   | 995,325   | -  | 137,729  | -  | 1,153,088  | -                            | 56,535   | 56,535  | 1,209,623   |
| Construction  | 25,026   | 506,516   | -  | 1,633,435  | -  | 2,164,977  | -                            | 414,504  | 414,504   | 2,579,481   |
| Wholesale and retail  | -  | -   | -  | 8,963,055  | -  | 8,963,055  | -                            | 2,015,485  | 2,015,485   | 10,978,540  |
| Transport, storage and<br>communications                    | -  | 258,616   | -  | 1,196,075  | -  | 1,454,691  | -                            | 192,270  | 192,270   | 1,646,961   |
| Finance, insurance,<br>real estate and<br>business services | 9,267,293  | 6,187,493   | 702,997  | 9,095,204  | 670,325  | 25,923,312   | 3,309,440                    | 1,638,145  | 4,947,585   | 30,870,897  |
| Government and<br>government agencies                       | 816,598  | 3,224,528   | 7,072,758  | -  | -  | 11,113,884   | -                            | 1,110  | 1,110   | 11,114,994  |
| Education, health<br>and other                              | -  | -   | -  | 664,849  | -  | 664,849  | -                            | 119,392  | 119,392   | 784,241   |
| Household   | -  | -   | -  | 54,809,607                                       | -  | 54,809,607   | -                            | 6,235,383  | 6,235,383   | 61,044,990  |
| Others  | -  | 30,793  | -  | 1,220,395  | -  | 1,251,188  | -                            | 113,585  | 113,585   | 1,364,773   |
| <b>Total On and<br/>Off-Balance Sheet<br/>Exposures</b>     | <b>10,128,951</b>                                      | <b>11,316,141</b>   | <b>7,775,755</b>   | <b>87,873,449</b>                                | <b>670,325</b>                                   | <b>117,764,621</b>   | <b>3,309,440</b>             | <b>13,087,116</b>  | <b>16,396,556</b>   | <b>134,161,177</b>  |

\* Excludes equity securities

**BASEL II PILLAR 3 DISCLOSURES**for the financial year ended 30 June 2014  
(continued)**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<br>30 June 2013                                    | Financial<br>assets<br>held-for-<br>trading*<br>RM'000 | Financial<br>investments<br>available-<br>for-sale*<br>RM'000 | Financial<br>investments<br>held-to-<br>maturity<br>RM'000 | Loans,<br>advances<br>and<br>financing<br>RM'000 | Derivative<br>financial<br>instruments<br>RM'000 | Total<br>on-balance<br>sheet<br>credit risk<br>exposures<br>RM'000 | OTC<br>derivatives<br>RM'000 | Off-balance<br>sheet<br>exposures<br>other<br>than OTC<br>derivatives<br>or credit<br>derivatives<br>RM'000 | Total<br>off-balance<br>sheet<br>credit risk<br>exposures<br>RM'000 | Total<br>on and<br>off-balance<br>sheet<br>credit risk<br>exposures<br>RM'000 |
|---|--|---|--|--|--|--|------------------------------|---|---|---|
| Agriculture   | -  | 71,186  | -  | 1,993,761  | -  | 2,064,947  | -                            | 280,822   | 280,822   | 2,345,769   |
| Mining and quarrying  | -  | -   | -  | 272,209  | -  | 272,209  | -                            | 19,106  | 19,106  | 291,315   |
| Manufacturing   | 5,006  | 84,350  | -  | 8,019,597  | -  | 8,108,953  | -                            | 2,079,454   | 2,079,454   | 10,188,407  |
| Electricity, gas<br>and water                               | 25,156   | 709,161   | -  | 141,790  | -  | 876,107  | -                            | 25,976  | 25,976  | 902,083   |
| Construction  | 35,443   | 96,813  | -  | 1,554,214  | -  | 1,686,470  | -                            | 421,172   | 421,172   | 2,107,642   |
| Wholesale and retail  | -  | -   | -  | 8,300,483  | -  | 8,300,483  | -                            | 2,096,990   | 2,096,990   | 10,397,473  |
| Transport, storage and<br>communications                    | 10,635   | 5,081   | -  | 1,367,508  | -  | 1,383,224  | -                            | 296,338   | 296,338   | 1,679,562   |
| Finance, insurance,<br>real estate and<br>business services | 10,715,667   | 6,033,877   | 979,372  | 8,381,281  | 939,409  | 27,049,606   | 3,844,325                    | 1,134,699   | 4,979,024   | 32,028,630  |
| Government and<br>government agencies                       | 1,282,464  | 2,697,620   | 3,083,827  | -  | -  | 7,063,911  | -                            | -   | -   | 7,063,911   |
| Education, health<br>and other                              | -  | -   | -  | 492,448  | -  | 492,448  | -                            | 304,735   | 304,735   | 797,183   |
| Household   | -  | -   | -  | 49,687,239                                       | -  | 49,687,239   | -                            | 5,160,243   | 5,160,243   | 54,847,482  |
| Others  | 19,933   | 25,439  | -  | 1,625,204  | -  | 1,670,576  | -                            | 77,984  | 77,984  | 1,748,560   |
| <b>Total On and<br/>Off-Balance Sheet<br/>Exposures</b>     | <b>12,094,304</b>                                      | <b>9,723,527</b>  | <b>4,063,199</b>   | <b>81,835,734</b>                                | <b>939,409</b>                                   | <b>108,656,173</b>   | <b>3,844,325</b>             | <b>11,897,519</b>   | <b>15,741,844</b>   | <b>124,398,017</b>  |

\* Excludes equity securities

**BASEL II PILLAR 3 DISCLOSURES**for the financial year ended 30 June 2014  
(continued)**4. RISK MANAGEMENT (CONTINUED)****(A) Credit risk (continued)**

Gross credit exposure (continued)

(iii) The table below sets out the breakdown of gross credit exposures by residual contractual maturity as follows:

| The Group   | Less than<br>1 year<br>RM'000 | 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Total<br>RM'000    |
|---|-------------------------------|--------------------------|---------------------------|--------------------|
| 30 June 2014  |                               |                          |                           |                    |
| On-Balance Sheet Exposures  |                               |                          |                           |                    |
| Financial assets held-for-trading*  | 10,556,642                    | 528,708                  | 225,243                   | 11,310,593         |
| Financial investments available-for-sale*                                       | 3,423,393                     | 10,054,632               | 782,901                   | 14,260,926         |
| Financial investments held-to-maturity  | 231,023                       | 8,511,320                | 121,690                   | 8,864,033          |
| Loans, advances and financing   | 26,757,786                    | 17,790,100               | 58,031,190                | 102,579,076        |
| Derivative financial instruments  | 283,964                       | 275,988                  | 127,489                   | 687,441            |
| <b>Total On-Balance Sheet Exposures</b>   | <b>41,252,808</b>             | <b>37,160,748</b>        | <b>59,288,513</b>         | <b>137,702,069</b> |
| Off-Balance Sheet Exposures <sup>^</sup>  |                               |                          |                           |                    |
| OTC Derivatives   | 937,084                       | 1,721,365                | 770,713                   | 3,429,162          |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 6,074,768                     | 8,623,385                | -                         | 14,698,153         |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>7,011,852</b>              | <b>10,344,750</b>        | <b>770,713</b>            | <b>18,127,315</b>  |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>48,264,660</b>             | <b>47,505,498</b>        | <b>60,059,226</b>         | <b>155,829,384</b> |
| 30 June 2013  |                               |                          |                           |                    |
| On-Balance Sheet Exposures  |                               |                          |                           |                    |
| Financial assets held-for-trading*  | 13,295,954                    | 1,485,289                | 401,915                   | 15,183,158         |
| Financial investments available-for-sale*                                       | 1,713,123                     | 9,886,678                | 308,367                   | 11,908,168         |
| Financial investments held-to-maturity  | 633,171                       | 3,475,235                | -                         | 4,108,406          |
| Loans, advances and financing   | 27,315,491                    | 16,108,806               | 52,006,664                | 95,430,961         |
| Derivative financial instruments  | 334,061                       | 247,406                  | 295,677                   | 877,144            |
| <b>Total On-Balance Sheet Exposures</b>   | <b>43,291,800</b>             | <b>31,203,414</b>        | <b>53,012,623</b>         | <b>127,507,837</b> |
| Off-Balance Sheet Exposures <sup>^</sup>  |                               |                          |                           |                    |
| OTC Derivatives   | 788,248                       | 1,615,025                | 1,396,727                 | 3,800,000          |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 6,407,068                     | 7,054,165                | -                         | 13,461,233         |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>7,195,316</b>              | <b>8,669,190</b>         | <b>1,396,727</b>          | <b>17,261,233</b>  |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>50,487,116</b>             | <b>39,872,604</b>        | <b>54,409,350</b>         | <b>144,769,070</b> |

\* Excludes equity securities.

<sup>^</sup> Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 273 and page 274.

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 4. RISK MANAGEMENT (CONTINUED)

#### (A) Credit risk (continued)

##### Gross credit exposure (continued)

(iii) The table below sets out the breakdown of gross credit exposures by residual contractual maturity as follows:  
(continued)

| The Bank  | Less than<br>1 year<br>RM'000 | 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Total<br>RM'000    |
|---|-------------------------------|--------------------------|---------------------------|--------------------|
| <b>30 June 2014</b>   |                               |                          |                           |                    |
| <b>On-Balance Sheet Exposures</b>   |                               |                          |                           |                    |
| Financial assets held-for-trading*  | 9,252,577                     | 688,570                  | 187,804                   | 10,128,951         |
| Financial investments available-for-sale*                                       | 2,939,447                     | 7,593,793                | 782,901                   | 11,316,141         |
| Financial investments held-to-maturity  | 282,631                       | 7,371,434                | 121,690                   | 7,775,755          |
| Loans, advances and financing   | 25,000,083                    | 14,566,867               | 48,306,499                | 87,873,449         |
| Derivative financial instruments  | 281,532                       | 261,419                  | 127,374                   | 670,325            |
| <b>Total On-Balance Sheet Exposures</b>   | <b>37,756,270</b>             | <b>30,482,083</b>        | <b>49,526,268</b>         | <b>117,764,621</b> |
| <b>Off-Balance Sheet Exposures<sup>^</sup></b>                                  |                               |                          |                           |                    |
| OTC Derivatives   | 918,902                       | 1,622,825                | 767,713                   | 3,309,440          |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 5,803,051                     | 7,284,065                | -                         | 13,087,116         |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>6,721,953</b>              | <b>8,906,890</b>         | <b>767,713</b>            | <b>16,396,556</b>  |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>44,478,223</b>             | <b>39,388,973</b>        | <b>50,293,981</b>         | <b>134,161,177</b> |
| <b>30 June 2013</b>   |                               |                          |                           |                    |
| <b>On-Balance Sheet Exposures</b>   |                               |                          |                           |                    |
| Financial assets held-for-trading*  | 10,619,742                    | 1,178,618                | 295,944                   | 12,094,304         |
| Financial investments available-for-sale *                                      | 1,329,246                     | 8,085,914                | 308,367                   | 9,723,527          |
| Financial investments held-to-maturity  | 892,290                       | 3,170,909                | -                         | 4,063,199          |
| Loans, advances and financing   | 25,299,132                    | 13,445,261               | 43,091,341                | 81,835,734         |
| Derivative financial instruments  | 406,866                       | 239,356                  | 293,187                   | 939,409            |
| <b>Total On-Balance Sheet Exposures</b>   | <b>38,547,276</b>             | <b>26,120,058</b>        | <b>43,988,839</b>         | <b>108,656,173</b> |
| <b>Off-Balance Sheet Exposures<sup>^</sup></b>                                  |                               |                          |                           |                    |
| OTC Derivatives   | 898,314                       | 1,576,313                | 1,369,698                 | 3,844,325          |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 6,189,906                     | 5,707,613                | -                         | 11,897,519         |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>7,088,220</b>              | <b>7,283,926</b>         | <b>1,369,698</b>          | <b>15,741,844</b>  |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>45,635,496</b>             | <b>33,403,984</b>        | <b>45,358,537</b>         | <b>124,398,017</b> |

\* Excludes equity securities.

<sup>^</sup> Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 275 and page 276.

**BASEL II PILLAR 3 DISCLOSURES**for the financial year ended 30 June 2014  
(continued)**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, charges for individual assessment impairment allowance during the period and write-offs during the period as follows:

| The Group   | Past due loans, advances and financing<br>RM'000 | Impaired loans, advances and financing<br>RM'000 | Individual assessment impairment allowance<br>RM'000 | Collective assessment impairment allowance<br>RM'000 | Charge/<br>(write back)<br>for individual assessment impairment allowance during the year<br>RM'000 | Write offs during the year<br>RM'000 |
|---|--|--|--|--|---|--------------------------------------|
| <b>30 June 2014</b>                                   |  |  |  |  |   |                                      |
| Agriculture   | 43,589   | 5,019  | 2,998  | 11,319   | (828)   | 2,592                                |
| Mining and quarrying                                  | 11,637   | 3,438  | 3,183  | 1,995  | -   | -                                    |
| Manufacturing   | 79,984   | 297,348  | 223,645  | 54,386   | (27,386)  | 21,522                               |
| Electricity, gas and water                            | 2,185  | 449  | -  | 968  | -   | -                                    |
| Construction  | 103,817  | 43,200   | 24,793   | 16,231   | (3,746)   | 504                                  |
| Wholesale and retail                                  | 186,540  | 120,740  | 61,466   | 55,966   | 24,199  | 3,548                                |
| Transport, storage and communications                 | 90,597   | 101,344  | 90,804   | 19,800   | 42,182  | 225                                  |
| Finance, insurance, real estate and business services | 313,098  | 100,678  | 35,441   | 57,167   | (4,811)   | 6,046                                |
| Government and government agencies                    | -  | -  | -  | -  | -   | -                                    |
| Education, health and others                          | 42,109   | 9,814  | 4,351  | 5,694  | 1,554   | -                                    |
| Household   | 7,953,774  | 477,267  | -  | 850,984  | (511)   | 6,771                                |
| Others  | 8,848  | 72,438   | 64,772   | 2,094  | 562   | 410                                  |
|   | <b>8,836,178</b>                                 | <b>1,231,735</b>                                 | <b>511,453</b>                                       | <b>1,076,604</b>                                     | <b>31,215</b>   | <b>41,618</b>                        |

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 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, charges for individual assessment impairment allowance during the period and write-offs during the period as follows: (continued)

| The Group   | Past due loans, advances and financing<br>RM'000 | Impaired loans, advances and financing<br>RM'000 | Individual assessment impairment allowance<br>RM'000 | Collective assessment impairment allowance<br>RM'000 | Charge/ (write back) for individual assessment impairment allowance during the year<br>RM'000 | Write offs during the year<br>RM'000 |
|---|--|--|--|--|---|--------------------------------------|
| <b>30 June 2013</b>                                   |  |  |  |  |   |                                      |
| Agriculture   | 28,214   | 9,706  | 6,439  | 11,853   | (5,351)   | -                                    |
| Mining and quarrying                                  | 8,865  | 3,657  | 3,183  | 2,140  | (179)   | -                                    |
| Manufacturing   | 110,850  | 390,150  | 276,142  | 73,110   | 100,875   | 55,115                               |
| Electricity, gas and water                            | 2,917  | 441  | -  | 1,326  | -   | -                                    |
| Construction  | 150,827  | 44,212   | 29,404   | 20,331   | (3,481)   | 8,290                                |
| Wholesale and retail                                  | 189,261  | 108,129  | 41,214   | 68,961   | 7,502   | 16,889                               |
| Transport, storage and communications                 | 113,394  | 56,956   | 48,622   | 26,274   | (7,518)   | -                                    |
| Finance, insurance, real estate and business services | 288,516  | 109,958  | 47,262   | 72,619   | 2,875   | 1,734                                |
| Government and government agencies                    | -  | -  | -  | -  | -   | -                                    |
| Education, health and others                          | 50,309   | 7,536  | 2,984  | 6,835  | (189)   | -                                    |
| Household   | 9,386,442  | 563,745  | 7,168  | 973,136  | (643)   | 12,622                               |
| Others  | 4,914  | 64,953   | 63,600   | 2,978  | 5,977   | -                                    |
|   | 10,334,509                                       | 1,359,443  | 526,018  | 1,259,563  | 99,868  | 94,650                               |



**BASEL II PILLAR 3 DISCLOSURES**

for the financial year ended 30 June 2014  
(continued)

**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, charges for individual assessment impairment allowance during the period and write-offs during the period as follows: (continued)

| The Bank  | Past due loans, advances and financing<br>RM'000 | Impaired loans, advances and financing<br>RM'000 | Individual assessment impairment allowance<br>RM'000 | Collective assessment impairment allowance<br>RM'000 | Charge/<br>(write back)<br>for individual assessment impairment allowance during the year<br>RM'000 | Write offs during the year<br>RM'000 |
|---|--|--|--|--|---|--------------------------------------|
| <b>30 June 2014</b>                                   |  |  |  |  |   |                                      |
| Agriculture   | 28,048   | 3,764  | 2,998  | 7,378  | (828)   | 2,592                                |
| Mining and quarrying                                  | 11,357   | 3,438  | 3,183  | 1,978  | -   | -                                    |
| Manufacturing   | 73,173   | 289,003  | 218,907  | 49,681   | (26,841)  | 21,522                               |
| Electricity, gas and water                            | 1,894  | 118  | -  | 399  | -   | -                                    |
| Construction  | 93,065   | 36,873   | 21,067   | 14,628   | (2,682)   | 504                                  |
| Wholesale and retail                                  | 174,887  | 112,043  | 57,842   | 52,345   | 22,308  | 3,548                                |
| Transport, storage and communications                 | 81,574   | 100,933  | 90,804   | 18,269   | 42,315  | 225                                  |
| Finance, insurance, real estate and business services | 282,970  | 81,903   | 33,885   | 50,078   | (5,727)   | 6,046                                |
| Government and government agencies                    | -  | -  | -  | -  | -   | -                                    |
| Education, health and others                          | 35,037   | 9,317  | 4,351  | 4,801  | 1,554   | -                                    |
| Household   | 6,309,468  | 386,241  | -  | 721,284  | (511)   | 6,771                                |
| Others  | 3,125  | 1,482  | -  | 1,445  | -   | 410                                  |
|   | <b>7,094,598</b>                                 | <b>1,025,115</b>                                 | <b>433,037</b>                                       | <b>922,286</b>                                       | <b>29,588</b>   | <b>41,618</b>                        |

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 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, charges for individual assessment impairment allowance during the period and write-offs during the period as follows: (continued)

| The Bank  | Past due loans, advances and financing<br>RM'000 | Impaired loans, advances and financing<br>RM'000 | Individual assessment impairment allowance<br>RM'000 | Collective assessment impairment allowance<br>RM'000 | Charge/ (write back) for individual assessment impairment allowance during the year<br>RM'000 | Write offs during the year<br>RM'000 |
|---|--|--|--|--|---|--------------------------------------|
| <b>30 June 2013</b>                                   |  |  |  |  |   |                                      |
| Agriculture   | 26,019   | 8,335  | 6,439  | 9,807  | (5,351)   | -                                    |
| Mining and quarrying                                  | 8,664  | 3,551  | 3,183  | 2,091  | (179)   | -                                    |
| Manufacturing   | 104,677  | 380,964  | 270,836  | 66,598   | 101,037   | 54,838                               |
| Electricity, gas and water                            | 2,522  | 84   | -  | 648  | -   | -                                    |
| Construction  | 136,065  | 37,993   | 24,597   | 17,786   | (2,693)   | 8,290                                |
| Wholesale and retail                                  | 172,356  | 99,288   | 39,418   | 64,689   | 7,672   | 11,914                               |
| Transport, storage and communications                 | 98,768   | 56,426   | 48,489   | 23,332   | (6,095)   | -                                    |
| Finance, insurance, real estate and business services | 257,668  | 91,871   | 46,583   | 61,024   | 3,150   | 1,639                                |
| Government and government agencies                    | -  | -  | -  | -  | -   | -                                    |
| Education, health and others                          | 43,590   | 6,783  | 2,984  | 5,851  | (189)   | -                                    |
| Household   | 7,471,819  | 467,208  | 7,168  | 777,608  | (643)   | 12,622                               |
| Others  | 4,510  | 1,670  | 410  | 2,588  | (342)   | -                                    |
|   | 8,326,658  | 1,154,173  | 450,107  | 1,032,022  | 96,367  | 89,303                               |

**BASEL II PILLAR 3 DISCLOSURES**

for the financial year ended 30 June 2014  
(continued)

**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:

|                     | Past due loans, advances and financing<br>RM'000 | Impaired loans, advances and financing<br>RM'000 | Individual assessment impairment allowance<br>RM'000 | Collective assessment impairment allowance<br>RM'000 |
|---------------------|--|--|--|--|
| <b>The Group</b>    |  |  |  |  |
| <b>30 June 2014</b> |  |  |  |  |
| Malaysia            | 8,806,770  | 1,218,521  | 509,706  | 1,065,937  |
| Other countries     | 29,408   | 13,214   | 1,747  | 10,667   |
|                     | <b>8,836,178</b>                                 | <b>1,231,735</b>                                 | <b>511,453</b>                                       | <b>1,076,604</b>                                     |
| <b>30 June 2013</b> |  |  |  |  |
| Malaysia            | 10,333,016                                       | 1,329,644  | 522,010  | 1,234,182  |
| Other countries     | 1,493  | 29,799   | 4,008  | 25,381   |
|                     | <b>10,334,509</b>                                | <b>1,359,443</b>                                 | <b>526,018</b>                                       | <b>1,259,563</b>                                     |
| <b>The Bank</b>     |  |  |  |  |
| <b>30 June 2014</b> |  |  |  |  |
| Malaysia            | 7,094,598  | 1,025,115  | 433,037  | 917,275  |
| Other countries     | -  | -  | -  | 5,011  |
|                     | <b>7,094,598</b>                                 | <b>1,025,115</b>                                 | <b>433,037</b>                                       | <b>922,286</b>                                       |
| <b>30 June 2013</b> |  |  |  |  |
| Malaysia            | 8,326,658  | 1,124,735  | 446,099  | 1,009,169  |
| Other countries     | -  | 29,438   | 4,008  | 22,853   |
|                     | <b>8,326,658</b>                                 | <b>1,154,173</b>                                 | <b>450,107</b>                                       | <b>1,032,022</b>                                     |

**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 allowance, refer to Note 2N (i) to the financial statements.

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 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 period as follows:

|  | The Group                 |                           | The Bank                  |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 30 June<br>2014<br>RM'000 | 30 June<br>2013<br>RM'000 | 30 June<br>2014<br>RM'000 | 30 June<br>2013<br>RM'000 |
| <b>Collective assessment allowance</b>                                 |                           |                           |                           |                           |
| At 1 July  | 1,259,563                 | 1,501,615                 | 1,032,022                 | 1,188,198                 |
| Net allowance made during<br>the financial year                        | 254,706                   | 183,884                   | 274,988                   | 221,498                   |
| Amount transferred to individual<br>assessment                         | (1,915)                   | (4,800)                   | (1,915)                   | (4,800)                   |
| Amount written off   | (367,890)                 | (402,347)                 | (325,171)                 | (357,205)                 |
| Unwinding income   | (68,545)                  | (18,751)                  | (58,362)                  | (15,657)                  |
| Exchange differences   | 685                       | (38)                      | 724                       | (12)                      |
| At 30 June   | 1,076,604                 | 1,259,563                 | 922,286                   | 1,032,022                 |
| <b>Individual assessment allowance</b>                                 |                           |                           |                           |                           |
| At 1 July  | 526,018                   | 541,978                   | 450,107                   | 463,710                   |
| Allowance made during<br>the financial year                            | 140,023                   | 190,721                   | 135,014                   | 183,030                   |
| Amount transferred from<br>collective assessment                       | 1,915                     | 4,800                     | 1,915                     | 4,800                     |
| Amount transferred to allowance<br>for impairment losses on securities | -                         | (14,211)                  | -                         | (14,211)                  |
| Amount written back in respect<br>of recoveries                        | (108,808)                 | (90,853)                  | (105,426)                 | (86,663)                  |
| Amount written off   | (41,618)                  | (94,650)                  | (41,618)                  | (89,303)                  |
| Unwinding income   | (7,112)                   | (11,524)                  | (6,994)                   | (11,301)                  |
| Exchange differences   | 1,035                     | (243)                     | 39                        | 45                        |
| At 30 June   | 511,453                   | 526,018                   | 433,037                   | 450,107                   |











**BASEL II PILLAR 3 DISCLOSURES**

for the financial year ended 30 June 2014  
(continued)

**4. RISK MANAGEMENT (CONTINUED)****(A) Credit risk (continued)**

The following tables summarise the rated exposures according to ratings by External Credit Assessment Institutions ("ECAI's") 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   |
|                                 | Rating &<br>Investment Inc | AAA to AA- | A+ to A-  | BBB+ to BB- | B+ to D | Unrated   |
| The Group                       |                            | RM'000     | RM'000    | RM'000      | RM'000  | RM'000    |
| <b>30 June 2014</b>             |                            |            |           |             |         |           |
| <b>Exposure Class</b>           |                            |            |           |             |         |           |
| <b>On and Off-Balance Sheet</b> |                            |            |           |             |         |           |
| <b>Exposures</b>                |                            |            |           |             |         |           |
| Public Sector Entities          |                            | -          | -         | -           | -       | 158,355   |
| Insurance Cos,<br>SF and FM     |                            | -          | 3,211     | -           | -       | -         |
| Corporates                      |                            | 2,878,071  | 1,416,076 | 418,976     | 590,025 | 1,017,554 |
|                                 |                            | 2,878,071  | 1,419,287 | 418,976     | 590,025 | 1,175,909 |
| <b>30 June 2013</b>             |                            |            |           |             |         |           |
| <b>Exposure Class</b>           |                            |            |           |             |         |           |
| <b>On and Off-Balance Sheet</b> |                            |            |           |             |         |           |
| <b>Exposures</b>                |                            |            |           |             |         |           |
| Public Sector Entities          |                            | -          | -         | -           | -       | 32,406    |
| Insurance Cos,<br>SF and FM     |                            | -          | 3,160     | -           | -       | -         |
| Corporates                      |                            | 2,140,179  | 740,055   | 158,809     | 495,679 | 1,105,551 |
|                                 |                            | 2,140,179  | 743,215   | 158,809     | 495,679 | 1,137,957 |

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 4. RISK MANAGEMENT (CONTINUED)

#### (A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAI's as follows: (continued)

(i) Ratings of Public Sector Entities, Insurance Cos, SF and FM and Corporates by approved ECALs (continued)

|   | 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 &<br>Investment Inc | AAA to AA- | A+ to A-  | BBB+ to BB- | B+ to D | Unrated   |
| The Bank                                  |                            | RM'000     | RM'000    | RM'000      | RM'000  | RM'000    |
| <b>30 June 2014</b>                       |                            |            |           |             |         |           |
| <b>Exposure Class</b>                     |                            |            |           |             |         |           |
| <b>On and Off-Balance Sheet Exposures</b> |                            |            |           |             |         |           |
| Public Sector Entities                    |                            | -          | -         | -           | -       | 158,355   |
| Insurance Cos,<br>SF and FM               |                            | -          | 3,211     | -           | -       | -         |
| Corporates                                |                            | 2,245,262  | 1,330,531 | 418,976     | 590,025 | 1,017,554 |
|   |                            | 2,245,262  | 1,333,742 | 418,976     | 590,025 | 1,175,909 |
| <b>30 June 2013</b>                       |                            |            |           |             |         |           |
| <b>Exposure Class</b>                     |                            |            |           |             |         |           |
| <b>On and Off-Balance Sheet Exposures</b> |                            |            |           |             |         |           |
| Public Sector Entities                    |                            | -          | -         | -           | -       | 32,406    |
| Insurance Cos,<br>SF and FM               |                            | -          | 3,160     | -           | -       | -         |
| Corporates                                |                            | 1,559,993  | 664,713   | 140,448     | 495,679 | 1,105,551 |
|   |                            | 1,559,993  | 667,873   | 140,448     | 495,679 | 1,137,957 |

**BASEL II PILLAR 3 DISCLOSURES**for the financial year ended 30 June 2014  
(continued)**4. RISK MANAGEMENT (CONTINUED)****(A) Credit risk (continued)**

The following tables summarise the rated exposures according to ratings by ECAI's as follows: (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs

|   | Moody's                    | Aaa to Aa3       | A1 to A3         | Baa1 to Baa3     | Ba1 to B3 | Caa1 to C | Unrated          |
|---|----------------------------|------------------|------------------|------------------|-----------|-----------|------------------|
|   | S & P                      | AAA to AA-       | A+ to A-         | BBB+ to BBB-     | BB+ to B- | CCC+ to D | Unrated          |
|   | Fitch                      | AAA to AA-       | A+ to A-         | BBB+ to BBB-     | BB+ to B- | CCC+ to D | Unrated          |
|   | RAM                        | AAA to AA3       | A1 to A3         | BBB1 to BBB3     | BB1 to B3 | C1 to D   | Unrated          |
|   | MARC                       | AAA to AA-       | A+ to A-         | BBB+ to BBB-     | BB+ to B- | C+ to D   | Unrated          |
|   | Rating &<br>Investment Inc | AAA to AA-       | A+ to A-         | BBB+ to BBB-     | BB+ to B- | CCC+ to C | Unrated          |
| The Group                                 |                            | RM'000           | RM'000           | RM'000           | RM'000    | RM'000    | RM'000           |
| <b>30 June 2014</b>                       |                            |                  |                  |                  |           |           |                  |
| <b>Exposure Class</b>                     |                            |                  |                  |                  |           |           |                  |
| <b>On and Off-Balance Sheet Exposures</b> |                            |                  |                  |                  |           |           |                  |
| Sovereigns/<br>Central Banks              |                            | 958,922          | 167,422          | -                | -         | -         | 760,521          |
| Banks, MDBs<br>and FDIs                   |                            | 2,474,422        | 2,936,114        | 285,782          | -         | -         | 1,200,917        |
|   |                            | <b>3,433,344</b> | <b>3,103,536</b> | <b>285,782</b>   | <b>-</b>  | <b>-</b>  | <b>1,961,438</b> |
| <b>30 June 2013</b>                       |                            |                  |                  |                  |           |           |                  |
| <b>Exposure Class</b>                     |                            |                  |                  |                  |           |           |                  |
| <b>On and Off-Balance Sheet Exposures</b> |                            |                  |                  |                  |           |           |                  |
| Sovereigns/<br>Central Banks              |                            | 463,384          | 158,813          | -                | -         | -         | 397,133          |
| Banks, MDBs<br>and FDIs                   |                            | 1,745,026        | 3,595,180        | 1,107,150        | -         | -         | 344,227          |
|   |                            | <b>2,208,410</b> | <b>3,753,993</b> | <b>1,107,150</b> | <b>-</b>  | <b>-</b>  | <b>741,360</b>   |

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 4. RISK MANAGEMENT (CONTINUED)

#### (A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAI's as follows: (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAs (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   |
|   | Rating &<br>Investment Inc | AAA to AA- | A+ to A-  | BBB+ to BBB- | BB+ to B- | CCC+ to C | Unrated   |
| The Bank                                  |                            | RM'000     | RM'000    | RM'000       | RM'000    | RM'000    | RM'000    |
| <b>30 June 2014</b>                       |                            |            |           |              |           |           |           |
| <b>Exposure Class</b>                     |                            |            |           |              |           |           |           |
| <b>On and Off-Balance Sheet Exposures</b> |                            |            |           |              |           |           |           |
| Sovereigns/                               |                            |            |           |              |           |           |           |
| Central Banks                             |                            | 953,852    | 159,150   | -            | -         | -         | 577,367   |
| Banks, MDBs and FDIs                      |                            | 2,427,255  | 2,757,982 | 216,515      | -         | -         | 1,200,917 |
|   |                            | 3,381,107  | 2,917,132 | 216,515      | -         | -         | 1,778,284 |
| <b>30 June 2013</b>                       |                            |            |           |              |           |           |           |
| <b>Exposure Class</b>                     |                            |            |           |              |           |           |           |
| <b>On and Off-Balance Sheet Exposures</b> |                            |            |           |              |           |           |           |
| Sovereigns/                               |                            |            |           |              |           |           |           |
| Central Banks                             |                            | 463,384    | 143,872   | -            | -         | -         | 233,743   |
| Banks, MDBs and FDIs                      |                            | 1,729,956  | 3,469,883 | 1,107,150    | -         | -         | 344,227   |
|   |                            | 2,193,340  | 3,613,755 | 1,107,150    | -         | -         | 577,970   |

**BASEL II PILLAR 3 DISCLOSURES**

for the financial year ended 30 June 2014  
(continued)

**4. RISK MANAGEMENT (CONTINUED)****(A) Credit risk (continued)**

The following tables summarise the rated exposures according to ratings by ECAI's 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 |
|  | Rating &<br>Investment Inc | a-1+, a-1 | a-2    | a-3    | b,c    | Unrated |
|  |                            | RM'000    | RM'000 | RM'000 | RM'000 | RM'000  |

**The Group****30 June 2014****Exposure Class****On and Off-Balance Sheet  
Exposures**

Banks, DFIs and MDBs

|         |        |   |   |   |
|---------|--------|---|---|---|
| 126,248 | 43,183 | - | - | - |
|---------|--------|---|---|---|

**30 June 2013****Exposure Class****On and Off-Balance Sheet  
Exposures**

Banks, DFIs and MDBs

|         |         |   |   |           |
|---------|---------|---|---|-----------|
| 161,554 | 199,732 | - | - | 1,341,884 |
|---------|---------|---|---|-----------|

**The Bank****30 June 2014****Exposure Class****On and Off-Balance Sheet  
Exposures**

Banks, DFIs and MDBs

|         |        |   |   |   |
|---------|--------|---|---|---|
| 126,248 | 41,497 | - | - | - |
|---------|--------|---|---|---|

**30 June 2013****Exposure Class****On and Off-Balance Sheet  
Exposures**

Banks, DFIs and MDBs

|         |         |   |   |           |
|---------|---------|---|---|-----------|
| 161,554 | 171,258 | - | - | 1,341,884 |
|---------|---------|---|---|-----------|

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 4. RISK MANAGEMENT (CONTINUED)

#### (A) Credit risk (continued)

##### Credit risk mitigation

The Group's and the Bank's credit principle is principally granting 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 ranges from cash, marketable securities, properties, machineries or equipments, inventory and receivables. In certain cases, corporate guarantees are obtained where the credit worthiness of the corporate borrower is insufficient for amount sought. There are policies and processes in place to monitor collateral concentration. For credit risk mitigation ("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<br>30 June 2014   | Exposures<br>before<br>CRM<br>RM'000 | Exposures<br>covered by<br>guarantees/<br>credit<br>derivatives<br>RM'000 | Exposures<br>covered by<br>eligible<br>financial<br>collateral<br>RM'000 |
|---|--------------------------------------|---|--|
| <b>Exposure Class</b>   |                                      |   |  |
| <b>On-Balance Sheet Exposures</b>   |                                      |   |  |
| Sovereigns/Central Banks  | 29,487,994                           | -   | -  |
| Public Sector Entities  | 158,355                              | -   | -  |
| Banks, DFIs and MDBs  | 11,450,097                           | -   | -  |
| Insurance Cos, SF and FM  | 13,515                               | -   | -  |
| Corporates  | 35,600,303                           | -   | 1,437,326  |
| Regulatory Retail   | 40,200,351                           | -   | 596,868  |
| Residential Mortgages   | 31,186,157                           | -   | 43,193   |
| Higher Risk Assets  | 376,209                              | -   | 37   |
| Other Assets  | 5,621,769                            | -   | -  |
| Defaulted Exposures   | 569,688                              | -   | 2,396  |
| <b>Total On-Balance Sheet Exposures</b>   | <b>154,664,438</b>                   | <b>-</b>  | <b>2,079,820</b>   |
| <b>Off-Balance Sheet Exposures</b>  |                                      |   |  |
| OTC Derivatives   | 3,429,162                            | -   | -  |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 14,648,548                           | -   | 231,050  |
| Defaulted Exposures   | 49,605                               | -   | 286  |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>18,127,315</b>                    | <b>-</b>  | <b>231,336</b>   |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>172,791,753</b>                   | <b>-</b>  | <b>2,311,156</b>   |

**BASEL II PILLAR 3 DISCLOSURES**for the financial year ended 30 June 2014  
(continued)**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<br>30 June 2013   | Exposures<br>before<br>CRM<br>RM'000 | Exposures<br>covered by<br>guarantees/<br>credit<br>derivatives<br>RM'000 | Exposures<br>covered by<br>eligible<br>financial<br>collateral<br>RM'000 |
|---|--------------------------------------|---|--|
| <b>Exposure Class</b>   |                                      |   |  |
| <b>On-Balance Sheet Exposures</b>   |                                      |   |  |
| Sovereigns/Central Banks  | 28,017,447                           | -   | -  |
| Public Sector Entities  | 32,406                               | -   | -  |
| Banks, DFIs and MDBs  | 11,388,419                           | -   | -  |
| Insurance Cos, SF and FM  | 18,827                               | -   | -  |
| Corporates  | 32,985,177                           | -   | 1,378,038  |
| Regulatory Retail   | 38,619,171                           | -   | 615,621  |
| Residential Mortgages   | 26,717,410                           | -   | 48,113   |
| Higher Risk Assets  | 340,485                              | -   | -  |
| Other Assets  | 5,190,175                            | -   | -  |
| Defaulted Exposures   | 901,277                              | -   | 3,545  |
| <b>Total On-Balance Sheet Exposures</b>   | <b>144,210,794</b>                   | <b>-</b>  | <b>2,045,317</b>   |
| <b>Off-Balance Sheet Exposures</b>  |                                      |   |  |
| OTC Derivatives   | 3,800,000                            | -   | -  |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 13,358,764                           | -   | 211,615  |
| Defaulted Exposures   | 102,469                              | -   | 1,312  |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>17,261,233</b>                    | <b>-</b>  | <b>212,927</b>   |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>161,472,027</b>                   | <b>-</b>  | <b>2,258,244</b>   |

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 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<br>30 June 2014  | Exposures<br>before<br>CRM<br>RM'000 | Exposures<br>covered by<br>guarantees/<br>credit<br>derivatives<br>RM'000 | Exposures<br>covered by<br>eligible<br>financial<br>collateral<br>RM'000 |
|---|--------------------------------------|---|--|
| <b>Exposure Class</b>   |                                      |   |  |
| <b>On-Balance Sheet Exposures</b>   |                                      |   |  |
| Sovereigns/Central Banks  | 24,825,520                           | -   | -  |
| Public Sector Entities  | 158,355                              | -   | -  |
| Banks, DFIs and MDBs  | 11,664,719                           | -   | -  |
| Insurance Cos, SF and FM  | 11,441                               | -   | -  |
| Corporates  | 31,780,161                           | -   | 1,406,537  |
| Regulatory Retail   | 33,707,852                           | -   | 581,075  |
| Residential Mortgages   | 26,615,917                           | -   | 38,735   |
| Higher Risk Assets  | 373,186                              | -   | 35   |
| Other Assets  | 4,468,771                            | -   | -  |
| Defaulted Exposures   | 496,566                              | -   | 2,360  |
| <b>Total On-Balance Sheet Exposures</b>   | <b>134,102,488</b>                   | <b>-</b>  | <b>2,028,742</b>   |
| <b>Off-Balance Sheet Exposures</b>  |                                      |   |  |
| OTC Derivatives   | 3,309,440                            | -   | -  |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 13,039,238                           | -   | 225,361  |
| Defaulted Exposures   | 47,878                               | -   | 265  |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>16,396,556</b>                    | <b>-</b>  | <b>225,626</b>   |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>150,499,044</b>                   | <b>-</b>  | <b>2,254,368</b>   |



**BASEL II PILLAR 3 DISCLOSURES**for the financial year ended 30 June 2014  
(continued)**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<br>30 June 2013  | Exposures<br>before<br>CRM<br>RM'000 | Exposures<br>covered by<br>guarantees/<br>credit<br>derivatives<br>RM'000 | Exposures<br>covered by<br>eligible<br>financial<br>collateral<br>RM'000 |
|---|--------------------------------------|---|--|
| <b>Exposure Class</b>   |                                      |   |  |
| <b>On-Balance Sheet Exposures</b>   |                                      |   |  |
| Sovereigns/Central Banks  | 24,339,744                           | -   | -  |
| Public Sector Entities  | 32,406                               | -   | -  |
| Banks, DFIs and MDBs  | 12,792,545                           | -   | -  |
| Insurance Cos, SF and FM  | 16,708                               | -   | -  |
| Corporates  | 29,846,133                           | -   | 1,371,165  |
| Regulatory Retail   | 31,774,202                           | -   | 601,160  |
| Residential Mortgages   | 22,860,509                           | -   | 43,098   |
| Higher Risk Assets  | 332,783                              | -   | -  |
| Other Assets  | 4,973,827                            | -   | -  |
| Defaulted Exposures   | 729,205                              | -   | 3,486  |
| <b>Total On-Balance Sheet Exposures</b>   | <b>127,698,062</b>                   | <b>-</b>  | <b>2,018,909</b>   |
| <b>Off-Balance Sheet Exposures</b>  |                                      |   |  |
| OTC Derivatives   | 3,844,325                            | -   | -  |
| Off-Balance Sheet Exposures Other Than<br>OTC Derivatives or Credit Derivatives | 11,798,815                           | -   | 210,437  |
| Defaulted Exposures   | 98,704                               | -   | 1,291  |
| <b>Total Off-Balance Sheet Exposures</b>  | <b>15,741,844</b>                    | <b>-</b>  | <b>211,728</b>   |
| <b>Total On and Off-Balance Sheet Exposures</b>                                 | <b>143,439,906</b>                   | <b>-</b>  | <b>2,230,637</b>   |

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 4. RISK MANAGEMENT (CONTINUED)

#### (A) Credit risk (continued)

##### **Off-Balance Sheet exposures and counterparty credit risk**

Credit limits are established to ensure that the Group and the Bank are not duly exposed to unnecessary credit risk with parties who are unable to meet or honour their financial obligations with the Group and the Bank.

The counterparty limits for the Group and the Bank are established by taking into consideration the tenor of the obligation, rating assignment of the country, rating assignment of the counterparty, counterparty's shareholder's funds, the Group's and the Bank's shareholder's funds.

The credit exposure limit for derivative transactions is calculated based on the standardised approach by applying a specific percentage of risk factor i.e. the potential loss of the contract value to the counterparty limit for the Group and the Bank, which in general is a fraction of the derivative contract or notional amount used to express the volume of instruments.

To mitigate the counterparty risk for the derivative transactions, the Group and the Bank practice the cash margin call exercise to cover mark-to-market exposures on outstanding derivative positions. The collateral agreement typically includes a minimum threshold amount where additional collateral is required to be called by the Group and the Bank if the mark-to market exposures exceed the agreed threshold amount.

In the normal course of business, the Group and the Bank make various commitments and incurs certain contingent liabilities with legal recourse to their customers.

##### **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.

Certain transactions related contingent items represent financial products whose crystallisations are dependent on specific events other than default payment by the customers. They include performance related contingencies and standby letter of credit.

Short term self liquidating trade-related contingencies relate to bills of exchange which have been endorsed 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 for 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 currency 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 2014  
(continued)**4. RISK MANAGEMENT (CONTINUED)****(A) Credit risk (continued)****Off-Balance Sheet exposures and 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<br>30 June 2014                                  | Principal<br>Amount<br>RM'000 | Positive Fair<br>Value of<br>Derivative<br>Contracts<br>RM'000 | Credit<br>Equivalent<br>Amount*<br>RM'000 | Risk<br>Weighted<br>Assets*<br>RM'000 |
|--|-------------------------------|--|---|---------------------------------------|
| <b>Commitments and Contingent Liabilities</b>              |                               |  |   |                                       |
| Direct credit substitutes                                  | 356,167                       | –  | 355,665                                   | 339,439                               |
| Transaction related contingent items                       | 1,706,130                     | –  | 844,561                                   | 797,636                               |
| Short term self liquidating trade<br>related contingencies | 765,904                       | –  | 153,058                                   | 147,165                               |
| Forward asset purchases                                    | 37,432                        | –  | 37,433                                    | 7,487                                 |
| Irrevocable commitments to extend credit:                  |                               |  |   |                                       |
| Over one year  | 17,251,829                    | –  | 8,623,384                                 | 6,909,095                             |
| Up to one year   | 15,821,707                    | –  | 3,161,933                                 | 2,788,803                             |
| Unutilised credit card lines                               | 7,610,596                     | –  | 1,522,119                                 | 1,116,957                             |
|  | <b>43,549,765</b>             | <b>–</b>   | <b>14,698,153</b>                         | <b>12,106,582</b>                     |
| <b>Derivative Financial Contracts</b>                      |                               |  |   |                                       |
| Foreign exchange related contracts:                        |                               |  |   |                                       |
| One year or less   | 41,760,494                    | 269,829  | 879,992                                   | 463,278                               |
| Over one year to five years                                | 4,369,268                     | 84,990   | 540,290                                   | 230,187                               |
| Over five years  | 598,871                       | 22,090   | 132,245                                   | 88,506                                |
| Interest/profit rate related contracts:                    |                               |  |   |                                       |
| One year or less   | 45,035,485                    | 12,986   | 43,466                                    | 21,844                                |
| Over one year to five years                                | 49,018,223                    | 180,430  | 1,173,530                                 | 567,398                               |
| Over five years  | 8,501,058                     | 115,967  | 638,468                                   | 319,234                               |
| Equity related contracts:                                  |                               |  |   |                                       |
| One year or less   | 207,937                       | 1,149  | 13,626                                    | 8,636                                 |
| Over one year to five years                                | 94,310                        | –  | 7,545                                     | –                                     |
|  | <b>149,585,646</b>            | <b>687,441</b>   | <b>3,429,162</b>                          | <b>1,704,744</b>                      |
|  | <b>193,135,411</b>            | <b>687,441</b>   | <b>18,127,315</b>                         | <b>13,811,326</b>                     |

\* 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 2014  
(continued)

### 4. RISK MANAGEMENT (CONTINUED)

#### (A) Credit risk (continued)

##### Off-Balance Sheet exposures and 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<br>30 June 2013                                  | Principal<br>Amount<br>RM'000 | Positive Fair<br>Value of<br>Derivative<br>Contracts<br>RM'000 | Credit<br>Equivalent<br>Amount*<br>RM'000 | Risk<br>Weighted<br>Assets*<br>RM'000 |
|--|-------------------------------|--|---|---------------------------------------|
| <b>Commitments and Contingent Liabilities</b>              |                               |  |   |                                       |
| Direct credit substitutes                                  | 282,262                       | –  | 282,262                                   | 227,999                               |
| Transaction related contingent items                       | 1,629,933                     | –  | 814,967                                   | 761,490                               |
| Short term self liquidating trade<br>related contingencies | 891,468                       | –  | 178,294                                   | 172,858                               |
| Irrevocable commitments to extend credit:                  |                               |  |   |                                       |
| Over one year  | 14,108,639                    | –  | 7,054,165                                 | 5,755,867                             |
| Up to one year   | 17,331,901                    | –  | 3,465,164                                 | 3,104,314                             |
| Unutilised credit card lines                               | 8,331,904                     | –  | 1,666,381                                 | 1,244,227                             |
|  | 42,576,107                    | –  | 13,461,233                                | 11,266,755                            |
| <b>Derivative Financial Contracts</b>                      |                               |  |   |                                       |
| Foreign exchange related contracts:                        |                               |  |   |                                       |
| One year or less   | 38,342,314                    | 308,072  | 734,169                                   | 334,058                               |
| Over one year to five years                                | 3,649,055                     | 87,034   | 491,968                                   | 203,831                               |
| Over five years  | 603,465                       | 2,424  | 115,851                                   | 72,933                                |
| Interest/profit rate related contracts:                    |                               |  |   |                                       |
| One year or less   | 17,140,615                    | 24,388   | 49,227                                    | 20,272                                |
| Over one year to five years                                | 42,439,167                    | 160,372  | 1,123,057                                 | 576,185                               |
| Over five years  | 14,773,860                    | 293,252  | 1,280,876                                 | 646,476                               |
| Equity related contracts:                                  |                               |  |   |                                       |
| One year or less   | 54,168                        | 1,602  | 4,852                                     | 3,786                                 |
|  | 117,002,644                   | 877,144  | 3,800,000                                 | 1,857,541                             |
|  | 159,578,751                   | 877,144  | 17,261,233                                | 13,124,296                            |

\* 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 2014  
(continued)**4. RISK MANAGEMENT (CONTINUED)****(A) Credit risk (continued)****Off-Balance Sheet exposures and 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<br>30 June 2014                                   | Principal<br>Amount<br>RM'000 | Positive Fair<br>Value of<br>Derivative<br>Contracts<br>RM'000 | Credit<br>Equivalent<br>Amount*<br>RM'000 | Risk<br>Weighted<br>Assets*<br>RM'000 |
|--|-------------------------------|--|---|---------------------------------------|
| <b>Commitments and Contingent Liabilities</b>              |                               |  |   |                                       |
| Direct credit substitutes                                  | 355,108                       | –  | 355,108                                   | 338,882                               |
| Transaction related contingent items                       | 1,609,051                     | –  | 804,526                                   | 757,600                               |
| Short term self liquidating trade<br>related contingencies | 737,856                       | –  | 147,571                                   | 141,683                               |
| Forward asset purchases                                    | 37,432                        | –  | 37,433                                    | 7,487                                 |
| Irrevocable commitments to extend credit:                  |                               |  |   |                                       |
| Over one year  | 14,568,131                    | –  | 7,284,065                                 | 5,825,312                             |
| Up to one year   | 14,681,470                    | –  | 2,936,294                                 | 2,576,264                             |
| Unutilised credit card lines                               | 7,610,596                     | –  | 1,522,119                                 | 1,116,959                             |
|  | <b>39,599,644</b>             | <b>–</b>   | <b>13,087,116</b>                         | <b>10,764,187</b>                     |
| <b>Derivative financial contracts</b>                      |                               |  |   |                                       |
| Foreign exchange related contracts:                        |                               |  |   |                                       |
| One year or less   | 40,980,702                    | 267,454  | 862,118                                   | 455,733                               |
| Over one year to five years                                | 4,369,456                     | 83,957   | 538,252                                   | 229,168                               |
| Over five years  | 598,871                       | 22,089   | 132,245                                   | 88,506                                |
| Interest/profit rate related contracts:                    |                               |  |   |                                       |
| One year or less   | 44,935,485                    | 12,928   | 43,158                                    | 21,782                                |
| Over one year to five years                                | 47,758,223                    | 177,463  | 1,077,028                                 | 528,501                               |
| Over five years  | 8,451,058                     | 105,284  | 635,468                                   | 317,734                               |
| Equity related contracts:                                  |                               |  |   |                                       |
| One year or less   | 207,936                       | 1,150  | 13,626                                    | 8,635                                 |
| Over one year to five years                                | 94,310                        | –  | 7,545                                     | –                                     |
|  | <b>147,396,041</b>            | <b>670,325</b>   | <b>3,309,440</b>                          | <b>1,655,720</b>                      |
|  | <b>186,995,685</b>            | <b>670,325</b>   | <b>16,396,556</b>                         | <b>12,419,907</b>                     |

\* 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 2014  
(continued)

### 4. RISK MANAGEMENT (CONTINUED)

#### (A) Credit risk (continued)

##### Off-Balance Sheet exposures and 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<br>30 June 2013                                   | Principal<br>Amount<br>RM'000 | Positive Fair<br>Value of<br>Derivative<br>Contracts<br>RM'000 | Credit<br>Equivalent<br>Amount*<br>RM'000 | Risk<br>Weighted<br>Assets*<br>RM'000 |
|--|-------------------------------|--|---|---------------------------------------|
| <b>Commitments and Contingent Liabilities</b>              |                               |  |   |                                       |
| Direct credit substitutes                                  | 280,859                       | –  | 280,859                                   | 226,596                               |
| Transaction related contingent items                       | 1,559,520                     | –  | 779,760                                   | 726,284                               |
| Short term self liquidating trade<br>related contingencies | 845,800                       | –  | 169,160                                   | 163,727                               |
| Irrevocable commitments to extend credit:                  |                               |  |   |                                       |
| Over one year  | 11,415,226                    | –  | 5,707,613                                 | 4,665,502                             |
| Up to one year   | 16,468,730                    | –  | 3,293,746                                 | 2,948,027                             |
| Unutilised credit card lines                               | 8,331,904                     | –  | 1,666,381                                 | 1,244,227                             |
|  | 38,902,039                    | –  | 11,897,519                                | 9,974,363                             |
| <b>Derivative financial contracts</b>                      |                               |  |   |                                       |
| Foreign exchange related contracts:                        |                               |  |   |                                       |
| One year or less   | 42,204,011                    | 380,878  | 844,485                                   | 451,189                               |
| Over one year to five years                                | 3,682,060                     | 87,003   | 489,525                                   | 202,048                               |
| Over five years  | 603,465                       | 2,424  | 115,851                                   | 72,933                                |
| Interest/profit rate related contracts:                    |                               |  |   |                                       |
| One year or less   | 17,040,615                    | 24,388   | 48,977                                    | 20,147                                |
| Over one year to five years                                | 41,139,167                    | 152,353  | 1,086,788                                 | 546,740                               |
| Over five years  | 14,623,860                    | 290,761  | 1,253,847                                 | 632,962                               |
| Equity related contracts:                                  |                               |  |   |                                       |
| One year or less   | 54,168                        | 1,602  | 4,852                                     | 3,786                                 |
|  | 119,347,346                   | 939,409  | 3,844,325                                 | 1,929,805                             |
|  | 158,249,385                   | 939,409  | 15,741,844                                | 11,904,168                            |

\* 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 2014  
(continued)

### 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 on an overall Group and Bank-wide basis.

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 ALCO, endorsed by the BRMC and approved by the Board.

The main market risk limits are stop loss limits, Value-at-Risk (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 RM3.6 million to RM14.5 million with an average of RM6.7 million.

The Bank performs backtesting on VaR on a hypothetical and actual basis and the results are tabled to the ALCO and the BRMC.

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, movements in interest rates for MYR, USD and other major currencies, migration in ratings and Foreign Exchange spot and volatilities.

In managing the interest rate risk exposure in the banking book, the Bank adopts methodologies that measure exposure in both earnings at risk perspective and economic value or capital at risk perspective.

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 4. RISK MANAGEMENT (CONTINUED)

#### (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.

To manage liquidity risk, the Bank adopts the BNM's New Liquidity Framework as one of the liquidity measurement methods. In addition to ensuring compliance with the New Liquidity Framework, the Bank maintains a liquidity compliance buffer to meet any unexpected cash outflows.

This is supplemented by the Bank's comprehensive liquidity risk management framework consisting of risk appetite, policies, triggers, limits and controls which are reviewed and concurred by the ALCO, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cash flow, maintenance of high quality long-term and short-term marketable debt securities as well as diversification of funding base.

The Bank has in place liquidity contingency funding plans and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. Contingency funding plans set 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.

In addition, the Bank also monitors 2 key Basel III liquidity ratios namely, the Liquidity Coverage Ratio and the Net Stable Funding Ratio in line with the observation period reporting to BNM.

#### (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) and compliance matters are effected through the Operational Risk Management and Compliance Committee (ORMCC) whilst Board oversight is effected through the BRMC.

The Banking 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 Bank is further enhancing its operational risk management (ORM) tools such as loss event reporting, risk catalogue, control self assessment and key risk indicators in order to improve its ORM.

The results of the ORM processes using the above tools are reported to both the BRMC and the ORMCC.



## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014

(continued)

### 4. RISK MANAGEMENT (CONTINUED)

#### (D) Operational risk (continued)

These tools are based on international best practices for the management of operational risks and are explained in more detail below:

- (i) Risk Catalogue (RC) records the operational risk profile of each Business/Support unit which enables them to proactively manage operational risks.
- (ii) Control Self Assessment (CSA) provides the opportunity for the Business/Support units to identify and assess the effectiveness of its current controls in mitigating operational risk.
- (iii) Key Risk Indicators (KRI) is a set of measures to allow the Bank to monitor and facilitate early detection of operational risks.
- (iv) 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 at the Banking Group are:

- (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) Processes to ensure compliance to laws, regulations, guidelines and policies.

#### (E) Financial hedges to mitigate interest rate risks

The following actions describes 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 economic hedge 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.

Further information relating to the fair value hedges are disclosed in Note 20 to the financial statements.

- (iii) The accounting policies on derivative financial instruments and hedge accounting are disclosed in Note 2 (k) to the financial statements.

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 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 investments in financial investments available-for-sale of the Group and the Bank are set out in Note 6 to the financial statements.

The following table summarises the Group's and the Bank's equity exposures in the banking book:

|  | The Group                                  |                | The Bank                                   |                |
|--|--|----------------|--|----------------|
|  | Exposures subject to risk-weighting RM'000 | Risk weights % | Exposures subject to risk-weighting RM'000 | Risk weights % |

#### 30 June 2014

Financial investments available-for-sale

|                            |         |      |         |      |
|----------------------------|---------|------|---------|------|
| Quoted equity Securities   | 47,452  | 100% | 47,452  | 100% |
| Unquoted equity securities | 367,316 | 150% | 367,269 | 150% |

#### 30 June 2013

Financial investments available-for-sale

|                            |         |      |         |      |
|----------------------------|---------|------|---------|------|
| Quoted equity Securities   | 81,595  | 100% | 81,595  | 100% |
| Unquoted equity securities | 329,963 | 150% | 329,896 | 150% |

Realised gains arising from sales and liquidations of equity exposures are as follows:

|   | The Group and The Bank RM'000 |
|---|-------------------------------|
| <b>30 June 2014</b>                               |                               |
| Net gains arising from sales of equity securities | 17,768                        |
| <b>30 June 2013</b>                               |                               |
| Net gains arising from sales of equity securities | 8,150                         |

There is 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 2014.

## **BASEL II PILLAR 3 DISCLOSURES**

for the financial year ended 30 June 2014

(continued)

### **6. INTEREST RATE RISK/RATE OF RETURN RISK (IRR/RORR) IN THE BANKING BOOK**

To evaluate the potential impact of interest/profit rate risk in the Banking Book, the Group and the Bank consider the effect on both their earnings and underlying economic value. These two view points must be assessed to determine the full scope of the Group's and the Bank's interest/profit rate risk exposure.

The earnings perspective provides the impact of interest/profit rate changes on the Group's and the Bank's reported earnings i.e. a reduction in earnings caused by changes in interest/profit rates can reduce earnings, liquidity, and capital. This perspective focuses on risk to earnings in the short term i.e. one year and will be reported through changes in the Group's and the Bank's net interest income ("NII") i.e. the difference between total interest income and total interest expense. The changes in the Group's and the Bank's NII may vary depending on timing of reprising basis, and yield curve risks, and options position.

The application of earnings perspective solely may not be sufficient as the earnings perspective only take into account short-term positions.

The economic perspective provides a measurement of the underlying value of the Group's and the Bank's current position and seeks to evaluate the sensitivity of that value to changes in interest/profit rates. This perspective will allow the Group and the Bank to evaluate the changes in economic value of assets, liabilities, and off-balance sheet instruments against the movement in interest/profit rate. The economic values of these instruments are equivalent to the instruments' present value of future cash flows.

By analysing the impact of interest/profit rate changes on the value of all future cash flows, the economic perspective can provide a more comprehensive measurement of interest/profit rate risk than the earnings perspective. 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 the instrument will be able to give an overview of the Group's and the Bank's economic value of equity ("EVE") over a longer time period.

## BASEL II PILLAR 3 DISCLOSURES

for the financial year ended 30 June 2014  
(continued)

### 6. INTEREST RATE RISK/RATE OF RETURN RISK (IRR/RORR) IN THE BANKING BOOK (CONTINUED)

The increase or decline in earnings and economic value for upward and downward rate shocks which are consistent with shocks applied in the Group's and the Bank's stress test for measuring IRR/RORR in the banking book are as follows:

|   | Impact on positions<br>100 basis points parallel shift |   |
|---|--|---|
|   | Increase/(Decline) in<br>Earnings<br>RM'000            | Increase/(Decline) in<br>Economic Value<br>RM'000 |
| <b>The Group</b>                            |  |   |
| <b>30 June 2014</b>                         |  |   |
| <b>100 bsp upward</b><br>Ringgit Malaysia   | 156,286  | (251,284)   |
| <b>100 bsp downward</b><br>Ringgit Malaysia | (164,694)  | 274,090   |
| <b>30 June 2013</b>                         |  |   |
| <b>100 bsp upward</b><br>Ringgit Malaysia   | 460,665  | (121,425)   |
| <b>100 bsp downward</b><br>Ringgit Malaysia | (459,432)  | 141,585   |
| <b>The Bank</b>                             |  |   |
| <b>30 June 2014</b>                         |  |   |
| <b>100 bsp upward</b><br>Ringgit Malaysia   | 161,432  | (109,973)   |
| <b>100 bsp downward</b><br>Ringgit Malaysia | (167,332)  | 119,345   |
| <b>30 June 2013</b>                         |  |   |
| <b>100 bsp upward</b><br>Ringgit Malaysia   | 410,506  | 56,444  |
| <b>100 bsp downward</b><br>Ringgit Malaysia | (409,430)  | (53,520)  |

# 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 29 AUGUST 2014

|   |   |                                |
|---|---|--------------------------------|
| Authorised share capital  | : | RM3,000,000,000                |
| Issued & paid-up capital  | : | RM1,879,909,100                |
| Adjusted issued & paid-up capital<br>(after deducting treasury shares<br>pursuant to Section 67A of the<br>Companies Act, 1965) | : | RM1,798,807,400                |
| Class of shares   | : | Ordinary shares of RM1.00 each |
| Voting rights   |   |                                |
| • on show of hands  | : | 1 vote                         |
| • on a poll   | : | 1 vote for each share held     |

### Distribution Schedule of Shareholders as at 29 August 2014

| Size of Holdings                        | No. of Shareholders | %      | No. of Shares* | %      |
|---|---------------------|--------|----------------|--------|
| Less than 100                           | 331                 | 3.17   | 6,498          | 0.00   |
| 100 – 1,000                             | 2,066               | 19.79  | 1,482,177      | 0.08   |
| 1,001 – 10,000                          | 6,539               | 62.64  | 21,736,477     | 1.21   |
| 10,001 – 100,000                        | 1,172               | 11.23  | 34,216,723     | 1.90   |
| 100,001 – less than 5% of issued shares | 328                 | 3.14   | 375,429,077    | 20.87  |
| 5% and above of issued shares           | 3                   | 0.03   | 1,365,936,448  | 75.94  |
|   | 10,439              | 100.00 | 1,798,807,400  | 100.00 |

\* Excluding 81,101,700 shares bought back and retained by the Bank as treasury shares.

## OTHER INFORMATION

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2014 (CONTINUED)

#### List of Thirty Largest Shareholders as at 29 August 2014

|     | Name of Shareholders  | No. of Shares | %     |
|-----|---|---------------|-------|
| 1.  | Assets Nominees (Tempatan) Sdn Bhd<br>– Hong Leong Financial Group Berhad                                 | 996,339,605   | 55.39 |
| 2.  | Citigroup Nominees (Tempatan) Sdn Bhd<br>– Employees Provident Fund Board                                 | 222,005,443   | 12.34 |
| 3.  | Hong Leong Financial Group Berhad   | 147,591,400   | 8.21  |
| 4.  | AmTrustee Berhad<br>– Exempt AN for Hong Leong Bank Berhad (ESOS)   | 38,156,501    | 2.01  |
| 5.  | Malaysia Nominees (Tempatan) Sendirian Berhad<br>– Great Eastern Life Assurance (Malaysia) Berhad (Par 1) | 27,126,300    | 1.51  |
| 6.  | Cartaban Nominees (Asing) Sdn Bhd<br>– Exempt AN for State Street Bank & Trust Company (West Clt OD67)    | 19,087,240    | 1.06  |
| 7.  | AmanahRaya Trustees Berhad<br>– Amanah Saham Malaysia   | 14,082,300    | 0.78  |
| 8.  | CIMSEC Nominees (Tempatan) Sdn Bhd<br>– CIMB for Rakaman Anggun Sdn Bhd (PB)                              | 12,246,720    | 0.68  |
| 9.  | HLIB Nominees (Tempatan) Sdn Bhd<br>– Hong Leong Fund Management Sdn Bhd for Hong Leong Equities Sdn Bhd  | 11,360,100    | 0.63  |
| 10. | HSBC Nominees (Asing) Sdn Bhd<br>– BBH And Co Boston for Vanguard Emerging Markets Stock Index Fund       | 10,340,005    | 0.58  |
| 11. | Cartaban Nominees (Tempatan) Sdn Bhd<br>– Exempt AN for Eastspring Investments Berhad                     | 9,231,900     | 0.51  |
| 12. | Citigroup Nominees (Tempatan) Sdn Bhd<br>– Employees Provident Fund Board (Nomura)                        | 8,286,940     | 0.46  |
| 13. | HSBC Nominees (Asing) Sdn Bhd<br>– Exempt AN for The Bank Of New York Mellon (Mellon Acct)                | 8,022,504     | 0.45  |
| 14. | AmanahRaya Trustees Berhad<br>– AS 1Malaysia  | 7,945,320     | 0.44  |
| 15. | Cartaban Nominees (Asing) Sdn Bhd<br>– GIC Private Limited for Government Of Singapore (C)                | 7,482,820     | 0.42  |
| 16. | HSBC Nominees (Asing) Sdn Bhd<br>– Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.)       | 7,000,812     | 0.39  |

## OTHER INFORMATION

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2014 (CONTINUED)

#### List of Thirty Largest Shareholders as at 29 August 2014 (Continued)

| Name of Shareholders   | No. of Shares        | %            |
|--|----------------------|--------------|
| 17. Kumpulan Wang Persaraan (Diperbadankan)  | 6,809,600            | 0.38         |
| 18. HLIB Nominees (Tempatan) Sdn Bhd<br>– Chew Brothers Development Corporation Sdn Bhd                              | 5,591,262            | 0.31         |
| 19. Cartaban Nominees (Asing) Sdn Bhd<br>– SSBT Fund WG12 for WGI Emerging Markets Smaller Companies Fund, LLC       | 5,136,300            | 0.29         |
| 20. HSBC Nominees (Asing) Sdn Bhd<br>– Exempt AN for JPMorgan Chase Bank, National Association (Norges Bk)           | 4,993,700            | 0.28         |
| 21. Citigroup Nominees (Tempatan) Sdn Bhd<br>– Employees Provident Fund Board (HDBS)                                 | 4,887,500            | 0.27         |
| 22. HLB Nominees (Asing) Sdn Bhd<br>– Kwek Leng Hai (Custodian)  | 4,750,000            | 0.26         |
| 23. HSBC Nominees (Asing) Sdn Bhd<br>– Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)              | 4,313,367            | 0.24         |
| 24. Citigroup Nominees (Tempatan) Sdn Bhd<br>– Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)                    | 3,660,000            | 0.20         |
| 25. Pertubuhan Keselamatan Sosial  | 3,472,864            | 0.19         |
| 26. Malaysia Nominees (Tempatan) Sendirian Berhad<br>– Great Eastern Life Assurance (Malaysia) Berhad (Par 2)        | 3,272,000            | 0.18         |
| 27. Citigroup Nominees (Tempatan) Sdn Bhd<br>– Exempt AN for AIA Bhd.  | 3,071,700            | 0.17         |
| 28. Citigroup Nominees (Tempatan) Sdn Bhd<br>– Employees Provident Fund Board (Aberdeen)                             | 3,030,000            | 0.17         |
| 29. Citigroup Nominees (Asing) Sdn Bhd<br>– Legal & General Assurance (Pensions Management) Limited (A/C 1125250001) | 2,727,540            | 0.15         |
| 30. DB (Malaysia) Nominee (Asing) Sdn Bhd<br>– SSBT Fund TRB4 for Teacher Retirement System Of Texas                 | 2,483,841            | 0.14         |
|  | <b>1,602,505,584</b> | <b>89.09</b> |

## OTHER INFORMATION

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2014 (CONTINUED)

#### Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Bank as at 29 August 2014 are as follows:-

| Shareholders                              | Direct        |       | Indirect      |                      |
|---|---------------|-------|---------------|----------------------|
|   | No. of shares | %     | No. of shares | %                    |
| Hong Leong Financial Group Berhad         | 1,143,931,005 | 63.59 | 13,995,880    | 0.78 <sup>(a)</sup>  |
| Hong Leong Company (Malaysia) Berhad      | -             | -     | 1,160,501,285 | 64.52 <sup>(a)</sup> |
| HL Holdings Sdn Bhd                       | -             | -     | 1,160,501,285 | 64.52 <sup>(b)</sup> |
| Tan Sri Quek Leng Chan                    | -             | -     | 1,160,549,285 | 64.52 <sup>(c)</sup> |
| Hong Realty (Private) Limited             | -             | -     | 1,160,501,285 | 64.52 <sup>(c)</sup> |
| Hong Leong Investment Holdings Pte Ltd    | -             | -     | 1,160,501,285 | 64.52 <sup>(c)</sup> |
| Kwek Holdings Pte Ltd                     | -             | -     | 1,160,501,285 | 64.52 <sup>(c)</sup> |
| Kwek Leng Beng                            | -             | -     | 1,160,501,285 | 64.52 <sup>(c)</sup> |
| Davos Investment Holdings Private Limited | -             | -     | 1,160,501,285 | 64.52 <sup>(c)</sup> |
| Kwek Leng Kee                             | 243,400       | 0.01  | 1,160,501,285 | 64.52 <sup>(c)</sup> |
| Quek Leng Chye                            | -             | -     | 1,160,501,285 | 64.52 <sup>(c)</sup> |
| Guoco Assets Sdn Bhd                      | -             | -     | 1,157,926,885 | 64.37 <sup>(d)</sup> |
| GuoLine Overseas Limited                  | -             | -     | 1,158,107,885 | 64.38 <sup>(e)</sup> |
| Guoco Group Limited                       | -             | -     | 1,158,107,885 | 64.38 <sup>(e)</sup> |
| GuoLine Capital Assets Limited            | -             | -     | 1,160,501,285 | 64.52 <sup>(e)</sup> |
| Employees Provident Fund Board            | 240,700,783   | 13.38 | -             | -                    |

#### Notes:

- <sup>(a)</sup> Held through subsidiaries
- <sup>(b)</sup> Held through Hong Leong Company (Malaysia) Berhad ("HLCM")
- <sup>(c)</sup> Held through HLCM and company(ies) in which the substantial shareholder has interest
- <sup>(d)</sup> Held through Hong Leong Financial Group Berhad ("HLFG")
- <sup>(e)</sup> Held through subsidiary(ies) and HLFG



## OTHER INFORMATION

### 3. DIRECTORS' INTERESTS AS AT 29 AUGUST 2014

Subsequent to the financial year end, there is no change, as at 29 August 2014, 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 64 to 67 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the changes set out below:

| Indirect Interest of                   | No. of ordinary<br>shares/<br>preference<br>shares | %     |
|--|--|-------|
| <b>YBhg Tan Sri Quek Leng Chan in:</b> |  |       |
| Narra Industries Berhad ("Narra")      | 17,387,700 <sup>(1)</sup>                          | 55.92 |
| Continental Estates Sdn Bhd            |  |       |
| – Ordinary shares                      | 30,691,583 <sup>(2)</sup>                          | 60.66 |
| – Redeemable preference shares         | 110,694,889 <sup>(2)</sup>                         | 63.48 |

**Notes:-**

<sup>(1)</sup> Pursuant to the capital reduction of the issued and paid-up share capital of Narra via cancellation of RM0.50 of the par value of every existing ordinary share of RM1.00 each in Narra and thereafter, consolidation of 2 ordinary shares of RM0.50 each into 1 ordinary share of RM1.00 each

<sup>(2)</sup> Became a related corporation

### 4. SHARE BUY-BACK SCHEDULE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

| Month          | No. of shares<br>bought back | Lowest price<br>paid<br>RM | Highest price<br>paid<br>RM | Average price<br>paid<br>RM | Total<br>consideration<br>(including<br>transaction cost)<br>RM |
|----------------|------------------------------|----------------------------|-----------------------------|-----------------------------|---|
| July 2013      | -                            | -                          | -                           | -                           | -   |
| August 2013    | -                            | -                          | -                           | -                           | -   |
| September 2013 | -                            | -                          | -                           | -                           | -   |
| October 2013   | 1,000                        | 14.320                     | 14.320                      | 14.320                      | 14,379.00   |
| November 2013  | -                            | -                          | -                           | -                           | -   |
| December 2013  | -                            | -                          | -                           | -                           | -   |
| January 2014   | -                            | -                          | -                           | -                           | -   |
| February 2014  | -                            | -                          | -                           | -                           | -   |
| March 2014     | -                            | -                          | -                           | -                           | -   |
| April 2014     | 1,000                        | 14.140                     | 14.140                      | 14.140                      | 14,199.00   |
| May 2014       | -                            | -                          | -                           | -                           | -   |
| June 2014      | -                            | -                          | -                           | -                           | -   |

## OTHER INFORMATION

### 5. LIST OF PROPERTIES HELD AS AT 30 JUNE 2014

|    | Location  | Tenure                                   | Description of property held | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|---|--|------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 1  | 1, Light Street, Georgetown<br>10200 Pulau Pinang   | Freehold                                 | Branch premises              | 20,594             | 80                  | 7,463                   | 30/12/1986          |
| 2  | 15-G-1, 15-1-1 & 15-2-1<br>Medan Kampung Relau<br>Bayan Point<br>11900 Pulau Pinang         | Freehold                                 | Branch premises              | 9,968              | 15                  | 2,527                   | 26/06/1997          |
| 3  | 42, Jalan Pending<br>93450 Kuching<br>Sarawak   | Leasehold<br>- 999 years<br>(31/12/2779) | Branch premises              | 4,425              | 32                  | 1,803                   | 27/12/1983          |
| 4  | 133, 135 & 137<br>Jalan Kampong Nyabor<br>96000 Sibul<br>Sarawak                            | Freehold                                 | Branch premises              | 4,871              | 22                  | 2,978                   | 28/12/1992          |
| 5  | Jungle land at Sungai Lisut Rejang<br>Sarawak Occupation Ticket<br>612 of 1931              | Leasehold<br>- 99 years<br>(31/12/2026)  | Jungle land                  | 1,217,938          | n/a                 | 1                       | 31/12/1938          |
| 6  | 25 & 27, Jalan Tun Ismail<br>25000 Kuantan<br>Pahang Darul Makmur                           | Freehold                                 | Branch premises              | 1,600              | 23                  | 1,469                   | 29/06/1996          |
| 7  | 69, 70 & 71<br>Jalan Dato' Bandar Tunggal<br>70000 Seremban<br>Negeri Sembilan Darul Khusus | Freehold                                 | Branch premises              | 6,000              | Pre-war             | 1,256                   | 27/12/1994          |
| 8  | 26, Lorong Rahim Kajai 14<br>Taman Tun Dr Ismail<br>60000 Kuala Lumpur                      | Freehold                                 | Branch premises              | 3,750              | 28                  | 522                     | 30/12/1986          |
| 9  | 120-122, Jalan Mersing<br>86000 Kluang<br>Johor Darul Takzim                                | Leasehold<br>- 99 years<br>(22/08/2063)  | Branch premises              | 3,355              | 48                  | 613                     | 31/05/1990          |
| 10 | 100, Jalan Gurney<br>72100 Bahau<br>Negeri Sembilan Darul Khusus                            | Freehold                                 | Branch premises              | 5,107              | 28                  | 2,297                   | 25/06/1992          |
| 11 | 12, 14 & 16, Jalan Wong Ah Fook<br>80000 Johor Bahru<br>Johor Darul Takzim                  | Freehold                                 | Branch premises              | 4,174              | 23                  | 3,637                   | 25/06/1992          |

## OTHER INFORMATION

## 5. LIST OF PROPERTIES HELD AS AT 30 JUNE 2014 (CONTINUED)

|    | Location  | Tenure                                  | Description of property held | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|---|---|------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 12 | 6, Jalan Merdeka<br>96100 Sarikei<br>Sarawak                                      | Leasehold<br>– 60 years<br>(31/12/2029) | Vacant                       | 2,240              | 45                  | 77                      | 18/10/1969          |
| 13 | 63 & 65, Jalan SS 23/15<br>47400 Petaling Jaya<br>Selangor Darul Ehsan            | Freehold                                | Branch premises              | 4,760              | 19                  | 3,824                   | 28/04/1997          |
| 14 | 24, Medan Taming 2<br>Taman Taming Jaya<br>43300 Balakong<br>Selangor Darul Ehsan | Freehold                                | Branch premises              | 3,037              | 18                  | 1,314                   | 28/04/1997          |
| 15 | 1, Jalan Takal 15/21<br>Seksyen 15<br>40000 Shah Alam<br>Selangor Darul Ehsan     | Leasehold<br>– 99 years<br>(29/06/2086) | Branch premises              | 2,625              | 27                  | 1,076                   | 26/06/1997          |
| 16 | Lots 3594 & 3595<br>Jalan Baru Pak Sabah<br>23000 Dungun<br>Terengganu Darul Iman | Leasehold<br>– 84 years<br>(02/02/2079) | Branch premises              | 3,199              | 20                  | 193                     | 26/06/1997          |
| 17 | Lot 3073 & 3074<br>Jalan Abang Galau<br>97000 Bintulu, Sarawak                    | Leasehold<br>– 60 years<br>(12/02/2056) | Branch premises              | 2,582              | 17                  | 1,097                   | 26/06/1997          |
| 18 | Lot 34, Putra Industrial Park<br>47000 Sungai Buloh<br>Selangor Darul Ehsan       | Freehold                                | Warehouse                    | 96,219             | 18                  | 2,505                   | 26/01/1995          |
| 19 | 1540, Jalan Sultan Badlishah<br>05000 Alor Setar<br>Kedah Darul Aman              | Leasehold<br>– 55 years<br>(28/02/2028) | Vacant                       | 10,619             | 39                  | 38                      | 30/06/1977          |
| 20 | 9A & 9B, Jalan Kampong Baru<br>08000 Sungai Petani<br>Kedah Darul Aman            | Freehold                                | Branch premises              | 9,320              | 21                  | 840                     | 01/01/1994          |
| 21 | 45, Jalan Burma<br>10500 Pulau Pinang   | Freehold                                | Branch premises              | 14,277             | 36                  | 2,001                   | 24/11/1978          |
| 22 | 33A-C, Lintang Angsana<br>Bandar Baru Air Hitam<br>11500 Pulau Pinang             | Leasehold<br>– 83 years<br>(08/04/2082) | Storage                      | 4,394              | 19                  | 486                     | 26/12/1995          |

## OTHER INFORMATION

### 5. LIST OF PROPERTIES HELD AS AT 30 JUNE 2014 (CONTINUED)

|    | Location   | Tenure                                  | Description of property held | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|--|---|------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 23 | 55-57, Jalan Yang Kalsom<br>30250 Ipoh<br>Perak Darul Ridzuan                                | Freehold                                | Branch premises              | 11,720             | 35                  | 1,052                   | 01/10/1984          |
| 24 | 27, Jalan Dewangsa<br>31000 Batu Gajah<br>Perak Darul Ridzuan                                | Leasehold<br>- 79 years<br>(26/02/2078) | Branch premises              | 4,694              | 19                  | 259                     | 24/11/1995          |
| 25 | 75, Jalan Sultan Idris Shah<br>30000 Ipoh<br>Perak Darul Ridzuan                             | Freehold                                | Branch premises              | 1,900              | 17                  | 582                     | 15/06/1998          |
| 26 | 80 & 82, Jalan Othman 1/14<br>46000 Petaling Jaya<br>Selangor Darul Ehsan                    | Leasehold<br>- 90 years<br>(15/06/2089) | Branch premises              | 9,062              | 24                  | 1,180                   | 01/06/1994          |
| 27 | 36, Jalan Midah 1<br>Taman Midah, Cheras<br>56000 Kuala Lumpur                               | Freehold                                | Vacant                       | 2,700              | 27                  | 198                     | 30/11/1984          |
| 28 | 19, Jalan 54, Desa Jaya<br>52100 Kepong<br>Selangor Darul Ehsan                              | Leasehold<br>- 99 years<br>(08/03/2081) | Branch premises              | 5,859              | 32                  | 341                     | 29/11/1985          |
| 29 | 55, Jalan Pasar<br>55100 Kuala Lumpur  | Freehold                                | Branch premises              | 4,313              | 34                  | 311                     | 01/04/1980          |
| 30 | Lot 111, Jalan Mega Mendung<br>Kompleks Bandar<br>Off Jalan Klang Lama<br>58200 Kuala Lumpur | Leasehold<br>- 99 years<br>(11/10/2076) | Branch premises              | 4,978              | 34                  | 448                     | 31/07/1988          |
| 31 | 161, Jalan Imbi<br>55100 Kuala Lumpur  | Freehold                                | Vacant                       | 2,454              | 18                  | 2,487                   | 14/02/1996          |
| 32 | 8A-C, Jalan Station<br>80000 Johor Bahru<br>Johor Darul Takzim                               | Freehold                                | Branch premises              | 12,854             | 21                  | 406                     | 22/10/1977          |
| 33 | 109, Main Road<br>83700 Yong Peng<br>Johor Darul Takzim                                      | Freehold                                | Branch premises              | 2,740              | 26                  | 207                     | 01/09/1988          |
| 34 | 31 & 32, Jalan Kundang<br>Taman Bukit Pasir<br>83000 Batu Pahat<br>Johor Darul Takzim        | Freehold                                | Disposed on<br>31/12/2013    | 8,932              | 22                  | 479                     | 05/03/1996          |

## OTHER INFORMATION

## 5. LIST OF PROPERTIES HELD AS AT 30 JUNE 2014 (CONTINUED)

|    | Location  | Tenure                                  | Description of property held        | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|---|---|-------------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 35 | 26 & 28, Jalan Mersing<br>80050 Johor Bahru<br>Johor Darul Takzim   | Freehold                                | Vacant                              | 7,040              | 30                  | 1,255                   | 22/05/1995          |
| 36 | 21, Jalan Tun Razak<br>27600 Raub<br>Pahang Darul Makmur  | Freehold                                | Vacant                              | 4,480              | 28                  | 410                     | 26/06/1986          |
| 37 | 1, Bentong Heights<br>28700 Bentong<br>Pahang Darul Makmur  | Freehold                                | Branch premises                     | 5,432              | 46                  | 35                      | 30/06/1977          |
| 38 | 36, Main Road Tanah Rata<br>39000 Cameron Highland<br>Pahang Darul Makmur   | Leasehold<br>- 99 years<br>(24/11/2039) | Branch premises                     | 1,728              | 74                  | 118                     | 30/08/1982          |
| 39 | W-1-0, W-2-0 & W-1-1<br>Subang Square Business Centre<br>Jalan SS15/4G<br>47500 Subang Jaya<br>Selangor Darul Ehsan | Freehold                                | Branch premises                     | 4,545              | 15                  | 1,908                   | 18/12/1999          |
| 40 | 2828-G-02 & 2828-1-02<br>Jalan Bagan Luar<br>12000 Butterworth<br>Pulau Pinang                                      | Freehold                                | Branch premises                     | 12,173             | 15                  | 3,618                   | 18/12/1999          |
| 41 | Lots 568-G-17 & 568-1-17<br>Kompleks Mutiara<br>3 1/2 Mile Jalan Ipoh<br>51200 Kuala Lumpur                         | Freehold                                | Self service terminal<br>(ATM area) | 4,945              | 15                  | 3,330                   | 23/11/1999          |
| 42 | Plot No. 20, Jalan Bidor Raya<br>35500 Bidor<br>Perak Darul Ridzuan   | Freehold                                | Branch premises                     | 3,243              | 15                  | 556                     | 23/11/1999          |
| 43 | 1, Persiaran Greentown 2<br>Greentown Business Centre<br>30450 Ipoh<br>Perak Darul Ridzuan                          | Leasehold<br>- 99 years<br>(21/11/2094) | Branch premises                     | 7,870              | 14                  | 1,723                   | 23/11/1999          |
| 44 | Lots 39 & 40<br>Kompleks Munshi Abdullah<br>75100 Melaka  | Leasehold<br>- 99 years<br>(24/02/2084) | Branch premises                     | 5,988              | 15                  | 1,402                   | 31/05/1991          |
| 45 | No. 1 & 2 Jalan Raya<br>09800 Serdang<br>Kedah Darul Aman   | Freehold                                | Branch premises                     | 5,840              | 13                  | 423                     | 20/09/2000          |

## OTHER INFORMATION

### 5. LIST OF PROPERTIES HELD AS AT 30 JUNE 2014 (CONTINUED)

|    | Location   | Tenure                                  | Description of property held | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|--|---|------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 46 | 133 & 135, Jalan Gopeng<br>31900 Kampar<br>Perak Darul Ridzuan                                 | Freehold                                | Branch premises              | 4,700              | 13                  | 320                     | 13/12/2000          |
| 47 | 65-67, Jalan Tun HS Lee<br>50000 Kuala Lumpur  | Freehold                                | Vacant                       | 2,223              | 18                  | 4,952                   | 14/10/1996          |
| 48 | 34, Jalan Yong Shook Lin<br>46200 Petaling Jaya<br>Selangor Darul Ehsan                        | Leasehold<br>- 99 years<br>(09/09/2059) | Vacant                       | 1,875              | 21                  | 473                     | 26/11/1993          |
| 49 | 64, Jalan Tun Mustapha<br>87007 Labuan   | Leasehold<br>- 99 years<br>(31/12/2775) | Branch premises              | 1,370              | 23                  | 624                     | 30/05/1991          |
| 50 | 159, Jalan Imbi<br>55100 Kuala Lumpur  | Freehold                                | Vacant                       | 1,688              | 9                   | 2,578                   | 25/11/2005          |
| 51 | 163, Jalan Imbi<br>55100 Kuala Lumpur  | Freehold                                | Vacant                       | 1,688              | 9                   | 2,637                   | 25/10/2005          |
| 52 | 114 & 116, Jalan Cerdas<br>Taman Connaught<br>56000 Kuala Lumpur                               | Leasehold<br>- 99 years<br>(16/10/2078) | Branch premises              | 12,200             | 8                   | 3,757                   | 07/06/2006          |
| 53 | Lot A08-A09<br>Jalan SS 6/5A Dataran Glomac<br>Pusat Bandar Kelana Jaya<br>47301 Petaling Jaya | Freehold                                | Branch premises              | 9,800              | 8                   | 2,760                   | 06/07/2006          |
| 54 | No. 2 Jalan Puteri 2/4<br>Bandar Puteri<br>Puchong<br>47100 Selangor Darul Ehsan               | Freehold                                | Branch premises              | 11,850             | 7                   | 5,220                   | 26/06/2007          |
| 55 | Tower A<br>PJ City Development<br>46100 Petaling Jaya, Selangor                                | Leasehold<br>- 99 years<br>(14/08/2094) | Branch premises              | 194,489            | 6                   | 79,609                  | 21/07/2008          |
| 56 | OUG<br>No. 2, Lorong 2/137C<br>Off Jalan Kelang Lama<br>58200 Kuala Lumpur                     | Leasehold<br>- 99 years<br>(year 2088)  | Branch premises              | 17,300             | 4                   | 5,330                   | 01/04/2011          |

## OTHER INFORMATION

## 5. LIST OF PROPERTIES HELD AS AT 30 JUNE 2014 (CONTINUED)

|    | Location   | Tenure                                  | Description of property held | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|--|---|------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 57 | KEP<br>Lot No. 77C & 77D<br>Lot No. 58529 Jalan Kepong<br>52100 Kuala Lumpur                             | Leasehold<br>– 99 years<br>(07/01/2101) | Branch premises              | 30,613             | 4                   | 9,199                   | 01/05/2011          |
| 58 | No. 122, Kapit By-Pass<br>96807 Kapit, Sarawak   | Leasehold<br>– 60 years<br>29/04/2045   | Branch premises              | 1,200              | 21                  | 169                     | 30/04/1985          |
| 59 | No. 12A, Block B<br>Level 2, Fraser's Hill<br>Condominium<br>49000 Bukit Fraser's<br>Pahang Darul Makmur | Leasehold<br>– 99 years<br>23/05/2082   | 1 unit<br>apartment          | 1,792              | 27                  | 141                     | 24/05/1983          |
| 60 | No. 288 Jalan Raja Laut<br>50350 Kuala Lumpur<br>Wilayah Persekutuan                                     | Freehold                                | Branch premises              | 839,574            | 21                  | 170,038                 | 31/01/2005          |
| 61 | No. 9, Jalan Cheng Lock<br>50000 Kuala Lumpur<br>Wilayah Persekutuan                                     | Freehold                                | Vacant                       | 2,199              | 41                  | 306                     | 18/09/1972          |
| 62 | No. 3, Jalan Bandar Satu<br>Pusat Bandar Puchong<br>47100 Puchong<br>Selangor Darul Ehsan                | Freehold                                | Branch premises              | 4,687              | 19                  | 1,969                   | 04/03/1997          |
| 63 | No. 32 & 34, Jalan 21/19<br>Sea Park<br>46300 Petaling Jaya<br>Selangor Darul Ehsan                      | Freehold                                | Branch premises              | 3,080              | 51                  | 2,220                   | 19/08/1997          |
| 64 | No. 1, Jalan Goh Hock Huat<br>41400 Klang<br>Selangor Darul Ehsan  | Freehold                                | Branch premises              | 2,776              | 31                  | 1,794                   | 07/09/1998          |
| 65 | No. 26 & 27, Jalan Kenari 1<br>Bandar Puchong Jaya<br>47100 Puchong<br>Selangor Darul Ehsan              | Freehold                                | Branch premises              | 3,600              | 18                  | 1,687                   | 22/01/1999          |
| 66 | No. 2, Jalan PJU 5/8<br>Dataran Sunway, Kota Damansara<br>47810 Petaling Jaya<br>Selangor Darul Ehsan    | Leasehold<br>– 99 years<br>23/11/2100   | Branch premises              | 12,892             | 10                  | 3,416                   | 02/12/2005          |

## OTHER INFORMATION

### 5. LIST OF PROPERTIES HELD AS AT 30 JUNE 2014 (CONTINUED)

|    | Location   | Tenure                                | Description of property held | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|--|---------------------------------------|------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 67 | No. J09-6 and J02-06<br>Paradise Lagoon Holiday<br>Apartment, Batu 3½ Jalan Pantai<br>70100 Port Dickson<br>Negeri Sembilan Darul Khusus | Leasehold<br>– 99 years<br>06/07/2087 | 2 units<br>apartment         | 2,088              | 18                  | 218                     | 21/04/1994          |
| 68 | No. S-3, Kompleks Negeri<br>Jalan Dr. Krishnan<br>70000 Seremban<br>Negeri Sembilan Darul Khusus   | Leasehold<br>– 99 years<br>30/01/2078 | Storage for<br>branches      | 1,680              | 30                  | 284                     | 29/06/1981          |
| 69 | Lot 4 & 5, Jalan TMR 1<br>Taman Melaka Raya<br>75000 Melaka  | Leasehold<br>– 99 years<br>20/03/2094 | Vacant                       | 3,132              | 18                  | 563                     | 17/04/1998          |
| 70 | No. 67 & 69, Jalan Merdeka<br>75000 Taman Merdeka Raya<br>Melaka   | Leasehold<br>– 99 years<br>07/07/2093 | Branch<br>premises           | 3,080              | 19                  | 708                     | 15/08/1999          |
| 71 | No. 21 & 23, Jalan Indah 15/1<br>Bukit Indah, 81200 Johor Bahru<br>Johor Darul Takzim  | Freehold                              | Branch<br>premises           | 5,090              | 12                  | 1,742                   | 27/05/2002          |
| 72 | No. 35, 37 & 39<br>Jalan Johor Satu<br>Taman Desa Cemerlang<br>81800 Ulu Tiram<br>Johor Darul Takzim                                     | Freehold                              | Branch<br>premises           | 13,965             | 11                  | 2,257                   | 02/12/2003          |
| 73 | No. 21, Jalan Permas 10/1<br>Bandar Baru Permas Jaya<br>81750 Masai<br>Johor Darul Takzim  | Freehold                              | Branch<br>premises           | 2,624              | 17                  | 1,279                   | 04/05/1999          |
| 74 | No. C05-07<br>Genting Permai Park & Resort<br>6th Mile<br>69000 Genting Highland<br>Pahang Darul Makmur                                  | Freehold                              | 1 unit<br>apartment          | 1,029              | 15                  | 193                     | 02/09/1996          |
| 75 | No. B-278 & B-280<br>Jalan Beserah<br>25300 Kuantan<br>Pahang Darul Makmur   | Freehold                              | Branch<br>premises           | 3,208              | 13                  | 1,546                   | 08/04/1999          |



## OTHER INFORMATION

## 5. LIST OF PROPERTIES HELD AS AT 30 JUNE 2014 (CONTINUED)

|    | Location  | Tenure                                | Description of property held | Gross Area (Sq-ft) | Approx. Age (Years) | Net book value (RM'000) | Date of acquisition |
|----|---|---------------------------------------|------------------------------|--------------------|---------------------|-------------------------|---------------------|
| 76 | No. 31, 33, 35 & 37<br>Jalan Usahaniaga 1<br>Taman Niagajaya<br>14000 Bukit Mertajam<br>Seberang Perai Tengah, Penang | Freehold                              | Branch premises              | 15,844             | 11                  | 1,132                   | 07/10/2003          |
| 77 | No. 26 & 27<br>Jalan Permatang Gedong<br>Taman Sejati Indah<br>08000 Sungai Petani                                    | Freehold                              | Vacant                       | 2,800              | 17                  | 694                     | 03/09/1999          |
| 78 | Lot 171, Jalan Council<br>95000 Bandar Sri Aman<br>Sarawak  | Leasehold<br>60 years<br>20/06/2050   | Branch premises              | 1,740              | 18                  | 163                     | 21/06/1990          |
| 79 | Lot No. 2013, Jalan Pisang Barat<br>93150 Kuching<br>Sarawak  | Leasehold<br>- 99 years<br>31/12/2038 | Storage                      | 1,390              | 21                  | -                       | 23/09/1992          |
| 80 | No: 3/G14, 3/G15 & 3/G16<br>Block 3, Lorong Api-Api 2<br>Api-Api Centre<br>88000 Kota Kinabalu<br>Sabah               | Leasehold<br>- 99 years<br>31/12/2086 | Branch premises              | 4,141              | 19                  | 1,929                   | 02/04/1997          |
| 81 | No. 177, Limbok Hill<br>70000 Seremban<br>Negeri Sembilan Darul Khusus  | Freehold                              | Single-storey Detached house | 6,730              | 41                  | 12                      | 16/08/1972          |
| 82 | No. 11, Jalan Emas 2<br>Taman Emas Cheras<br>43200 Cheras<br>Selangor Darul Ehsan                                     | Freehold                              | Storage                      | 5,804              | 21                  | -                       | 25/05/1993          |

# NETWORK BRANCHES

as at 30 June 2014

## FEDERAL TERRITORY KL

### KL Main Branch

Level 1, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Tel : 03-21642525  
Fax : 03-21641511

- |   |   |   |
|---|---|---|
| <p>1 No. 34, 36 &amp; 38, Jalan Petaling<br/>50000 Kuala Lumpur<br/>Tel : 03-20723211<br/>Fax : 03-20263048</p> <p>2 No. 2-0, Lorong 2/137C<br/>Off Jalan Kelang Lama<br/>58200 Kuala Lumpur<br/>Tel : 03-77820823<br/>Fax : 03-77818130</p> <p>3 26, Lorong Rahim Kajai 14<br/>Taman Tun Dr. Ismail<br/>60000 Kuala Lumpur<br/>Tel : 03-77293716<br/>Fax : 03-77286312</p> <p>4 No. 77C &amp; D, Lot 58529<br/>Jalan Kepong<br/>52100 Kuala Lumpur<br/>Tel : 03-62571022<br/>Fax : 03-62519717</p> <p>5 No. 47 &amp; 48, Jalan Chow Kit<br/>50350 Kuala Lumpur<br/>Tel : 03-40433458<br/>Fax : 03-40431914</p> <p>6 No. 31 &amp; 33, Jalan 1/116B<br/>Kuchai Entrepreneurs Park<br/>Off Jalan Kuchai Lama<br/>58200 Kuala Lumpur<br/>Tel : 03-79826033<br/>Fax : 03-79809324</p> <p>7 No. 37, Jalan Telawi 3<br/>Bangsar Baru<br/>59100 Kuala Lumpur<br/>Tel : 03-22833710<br/>Fax : 03-22843349</p> | <p>8 No. 8 &amp; 10, Jalan 3/50C<br/>Taman Setapak Indah Jaya<br/>Off Jalan Genting Kelang<br/>53300 Kuala Lumpur<br/>Tel : 03-40239046<br/>Fax : 03-40239041</p> <p>9 No. 114 &amp; 116, Jalan Cerdas<br/>Taman Connaught, Cheras<br/>56000 Kuala Lumpur<br/>Tel : 03-91021499<br/>Fax : 03-91021497</p> <p>10 No. 468-B2 (A), Block B<br/>Ground Floor<br/>Rivercity 3rd Mile, Jalan Ipoh<br/>51200 Kuala Lumpur<br/>Tel : 03-40444764<br/>Fax : 03-40444606</p> <p>11 147, Jalan Imbi<br/>55100 Kuala Lumpur<br/>Tel : 03-21411402<br/>Fax : 03-21411429</p> <p>12 180-0-7 &amp; 180-0-8<br/>Wisma Mahkota<br/>Taman Maluri, Cheras<br/>55100 Kuala Lumpur<br/>Tel : 03-92821507<br/>Fax : 03-92821549</p> <p>13 No. 50 Jalan Merlimau<br/>Off Jalan Kenanga<br/>55200 Kuala Lumpur<br/>Tel : 03-92221498<br/>Fax : 03-92221507</p> <p>14 A54 Jalan Tuanku Empat<br/>Salak South Garden<br/>Off Jln Sungai Besi<br/>57100 Kuala Lumpur<br/>Tel : 03-79829063<br/>Fax : 03-79829210</p> <p>15 55-57, Jalan Pasar<br/>55100 Kuala Lumpur<br/>Tel : 03-92235249<br/>Fax : 03-92230527</p> | <p>16 111, Jalan Mega Mendung<br/>Kompleks Bandar<br/>Off Jalan Kelang Lama<br/>58200 Kuala Lumpur<br/>Tel : 03-79814411<br/>Fax : 03-79827811</p> <p>17 26, Persiaran Ara Kiri<br/>Lucky Garden, Bangsar<br/>59100 Kuala Lumpur<br/>Tel : 03-20943914<br/>Fax : 03-20943745</p> <p>18 No. 2, Jalan Rampai Niaga 1<br/>Rampai Business Park<br/>Taman Sri Rampai<br/>53300 Kuala Lumpur<br/>Tel : 03-41432639<br/>Fax : 03-41490148</p> <p>19 No. 266 &amp; 267<br/>Jalan Bandar 12<br/>Taman Melawati<br/>53100 Kuala Lumpur<br/>Tel : 03-41068951<br/>Fax : 03-41070152</p> <p>20 No. 44 &amp; 46, Block A<br/>Plaza Sinar<br/>Jalan 8/38D<br/>Taman Sri Sinar<br/>Segambut<br/>51200 Kuala Lumpur<br/>Tel : 03-62729637<br/>Fax : 03-62729736</p> <p>21 No. 71 &amp; 73<br/>Jalan Radin Tengah, Zone J 4<br/>Bandar Baru Seri Petaling<br/>57000 Kuala Lumpur<br/>Tel : 03-90582349<br/>Fax : 03-90578041</p> <p>22 No. 50, Jalan Manis 1<br/>Taman Segar, Cheras<br/>56100 Kuala Lumpur<br/>Tel : 03-91325026<br/>Fax : 03-93121370</p> |
|---|---|---|

## NETWORK BRANCHES

as at 30 June 2014

- 23 No. 7 & 9, Jalan 2/109F  
Plaza Danau 2  
Taman Danau Desa  
Off Jalan Klang Lama  
58100 Kuala Lumpur  
Tel : 03-79873868  
Fax : 03-79877868
- 24 A-G-10 & A-01-11  
No. 21 Jalan 26/70A  
Desa Sri Hartamas  
50480 Kuala Lumpur  
Tel : 03-62012635  
Fax : 03-62014034
- 25 No. 23GM & 25GM  
Jalan Pandan Indah 4/8  
Pandan Indah  
55100 Kuala Lumpur  
Tel : 03-42972253  
Fax : 03-42972258
- 26 Islamic Main Branch  
Jalan Perak Main  
Level 1, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Tel : 03-21612171  
Fax : 03-21619730
- 27 No. 150, Jalan Tun Sambanthan  
50470 Kuala Lumpur  
Tel : 03-22747100  
Fax : 03-22749568
- 28 No. 53 & 55, Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : 03-21488077  
Fax : 03-21483488
- 29 Ground & Mezzanine Floor  
Wisma Sin Heap Lee  
No. 346, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 03-21631457  
Fax : 03-21631469
- 30 No. 1 & 3  
Jalan Pandan Jaya 3/5  
Pandan Jaya  
55100 Kuala Lumpur  
Tel : 03-92837988  
Fax : 03-92829788
- 31 No. 166-168 Jalan 2/3A  
Off KM 12 Jalan Ipoh  
68100 Batu Caves  
Kuala Lumpur  
Tel : 03-61388988  
Fax : 03-61360388
- 32 No. 38, Jalan 7/108C  
Jalan Sungai Besi  
Taman Sungai Besi  
57100 Kuala Lumpur  
Tel : 03-79800747  
Fax : 03-79803652
- 33 Islamic Branch, Jalan Raja Laut  
Ground Floor  
Menara Raja Laut  
288, Jalan Raja Laut  
50350 Kuala Lumpur  
Tel : 03-26947688  
Fax : 03-26944588
- 34 No. 15, 16 & 17  
Jalan Midah Satu  
Taman Midah, Cheras  
56000 Kuala Lumpur  
Tel : 03-91319388  
Fax : 03-91326388
- 35 No. 1-GM, Jalan Perdana 4/6  
55300, Pandan Perdana  
Kuala Lumpur  
Tel : 03-92878735  
Fax : 03-92877630
- 36 Ground Floor, Menara Raja Laut  
No. 288, Jalan Raja Laut  
50350 Kuala Lumpur  
Tel : 03-26942288  
Fax : 03-26947588
- 37 No. 10, Jalan 1/27B, Seksyen 1  
Bandar Baru Wangsa Maju  
53300 Kuala Lumpur  
Tel : 03-41422989  
Fax : 03-41437588
- 38 Ground & Mezzanine Floor  
No. 2-21A & 2-21A1  
Jalan Desa 1/1, Desa Aman Puri  
52100 Kepong  
Kuala Lumpur  
Tel : 03-62735688  
Fax : 03-62728588
- 39 19, Jalan 54, Desa Jaya  
52100 Kepong  
Kuala Lumpur  
Tel : 03-62763701  
Fax : 03-62722012
- 40 Unit E-1-2, Level Block E  
Pusat Komersial Southgate  
No. 2 Jalan Dua  
Off Jalan Chan Sow Lin  
55200 Kuala Lumpur  
Tel : 03-92210813  
Fax : 03-92210803
- 41 Ground & 1st Floor  
Unit 25-G & 25-1  
Signature Office, Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel : 03-22820462  
Fax : 03-22820143
- 42 Ground & 1st Floor  
No. 25, Jalan Wangsa Delima 13  
D'Wangsa, Wangsa Maju  
53300 Kuala Lumpur  
Tel : 03-41421069  
Fax : 03-41420941
- 43 Ground Floor  
No. 111, Jalan Dwtasik 1  
Bandar Sri Permaisuri  
56100 Kuala Lumpur  
Tel : 03-91710861  
Fax : 03-91710781
- 44 Lot No. 70, Level G2  
Publika Shopping Galleary  
Solaris Dutamas  
Jalan Dutamas 1  
50480 Kuala Lumpur  
Tel : 03-62053078  
Fax : 03-62053041
- 45 Tingkat Bawah, No. 6 & 8  
Blok 5, Jalil Link  
Jalan Jalil Jaya 6, Bukit Jalil  
57000 Kuala Lumpur  
Tel : 03-89939034  
Fax : 03-89987013

## NETWORK BRANCHES

as at 30 June 2014

- |  |   |  |
|--|---|--|
| <p>46 Ground &amp; First Floor<br/>No. 63, Jalan Medan Putra 1<br/>Medan Putra Business Centre<br/>52200 Kuala Lumpur<br/>Tel : 03-62701460<br/>Fax : 03-62701452</p>              | <p>52 No. 59A, Jalan Welman<br/>48000 Rawang<br/>Selangor Darul Ehsan<br/>Tel : 03-60910459<br/>Fax : 03-60934482</p>   | <p>60 63 &amp; 65, SS23/15<br/>Taman Sea<br/>47400 Petaling Jaya<br/>Selangor Darul Ehsan<br/>Tel : 03-78048024<br/>Fax : 03-78044049</p>                                      |
| <p>47 <b>Islamic Branch</b><br/>Ground &amp; First Floor<br/>Jalan Setiawangsa 10/55A<br/>Taman Setiawangsa<br/>54200 Kuala Lumpur<br/>Tel : 03-42511258<br/>Fax : 03-42511293</p> | <p>53 Wisma Amsteel Securities<br/>No. 1, Lintang Pekan Baru<br/>Off Jalan Meru, 41050 Klang<br/>Selangor Darul Ehsan<br/>Tel : 03-33437635<br/>Fax : 03-33437621</p>             | <p>61 12 &amp; 14, Jalan PJS 11/28A<br/>Metro Bandar Sunway<br/>Bandar Sunway<br/>46150 Petaling Jaya<br/>Selangor Darul Ehsan<br/>Tel : 03-56375395<br/>Fax : 03-56375397</p> |
| <p>48 Ground &amp; 1st Floor<br/>No. 10-G-1, Jalan 14/48A<br/>The Boulevard ShopOffice of<br/>Jalan Sentul<br/>51000 Kuala Lumpur<br/>Tel : 03-40504528<br/>Fax : 03-40507679</p>  | <p>54 No. 119 &amp; 121<br/>Jalan Sultan Abdul Samad<br/>42700 Banting<br/>Selangor Darul Ehsan<br/>Tel : 03-31876757<br/>Fax : 03-31876652</p>                                   | <p>62 No. 1 &amp; 3, Jalan Sri Sarawak 17<br/>Taman Sri Andalas<br/>41200 Klang<br/>Selangor Darul Ehsan<br/>Tel : 03-33242545<br/>Fax : 03-33242553</p>                       |
| <b>FEDERAL TERRITORY PUTRAJAYA</b>   |   |  |
| <p>49 <b>Islamic Branch</b><br/>Tingkat Bawah<br/>Lot T00-U01, No. 5<br/>Jalan P16, Precinct 16<br/>62150 Putrajaya<br/>Tel : 03-88882188<br/>Fax : 03-88887288</p>                | <p>55 No. 64, Jalan Stesen<br/>45000 Kuala Selangor<br/>Selangor Darul Ehsan<br/>Tel : 03-32895957<br/>Fax : 03-32895955</p>  | <p>63 No. 11 &amp; 13, Jalan M/J 1<br/>Taman Majlis Jaya<br/>Jalan Sungai Chua<br/>43000 Kajang<br/>Selangor Darul Ehsan<br/>Tel : 03-87376090<br/>Fax : 03-87376517</p>       |
| <p>50 80 &amp; 82, Jalan Othman (1/14)<br/>46000 Petaling Jaya<br/>Selangor Darul Ehsan<br/>Tel : 03-77814259<br/>Fax : 03-77810133</p>  | <p>56 W-1-0, W-2-0 &amp; W-1-1<br/>Subang Square Business Centre<br/>Jalan SS15/4G<br/>47500 Subang Jaya<br/>Selangor Darul Ehsan<br/>Tel : 03-56329034<br/>Fax : 03-56328764</p> | <p>64 No. 174 &amp; 174A, Jalan Besar<br/>42800 Tanjung Sepat<br/>Kuala Langat<br/>Selangor Darul Ehsan<br/>Tel : 03-31972059<br/>Fax : 03-31972257</p>                        |
| <b>SELANGOR DARUL EHSAN</b>  |   |  |
| <p>51 No. 3, Jalan Takal 15/21<br/>Seksyen 15<br/>40000 Shah Alam<br/>Selangor Darul Ehsan<br/>Tel : 03-55109021<br/>Fax : 03-55105307</p>   | <p>57 No. 91, Lorong Memanda 1<br/>Ampang Point<br/>68000 Ampang<br/>Selangor Darul Ehsan<br/>Tel : 03-42532449<br/>Fax : 03-42532505</p>   | <p>65 No. 23 &amp; 24, Jalan KIP 1<br/>Taman Perindustiran KIP<br/>52200 Selangor Darul Ehsan<br/>Tel : 03-62776310<br/>Fax : 03-62722687</p>                                  |
| <p>58 No. 2, Jalan Kinrara<br/>Taman Kinrara, Jalan Puchong<br/>47100 Puchong<br/>Selangor Darul Ehsan<br/>Tel : 03-80752994<br/>Fax : 03-80701635</p>                             | <p>59 No. 24, Medan Taming 2<br/>Taman Taming Jaya<br/>43300 Balakong<br/>Selangor Darul Ehsan<br/>Tel : 03-89615948<br/>Fax : 03-89615951</p>                                    | <p>66 No. 18 &amp; 20, Jalan 20/16A<br/>Taman Paramount<br/>46300 Petaling Jaya<br/>Selangor Darul Ehsan<br/>Tel : 03-78765115<br/>Fax : 03-78764836</p>                       |

## NETWORK BRANCHES

as at 30 June 2014

- 67 No. 15 & 16  
Jalan Menteri Besar 2  
New Sekinchan Business Centre  
45400 Sekinchan  
Selangor Darul Ehsan  
Tel : 03-32416351  
Fax : 03-32416303
- 68 No. 36, Jalan Dato Shahbuddin 30  
Taman Sentosa  
41200 Klang  
Selangor Darul Ehsan  
Tel : 03-51611602  
Fax : 03-51611919
- 69 No. 39 & 41, Jalan SJ 17  
Taman Selayang Jaya  
68100 Batu Caves  
Selangor Darul Ehsan  
Tel : 03-61206803  
Fax : 03-61206797
- 70 169, Jalan Teluk Pulai  
41100 Klang  
Selangor Darul Ehsan  
Tel : 03-33721000  
Fax : 03-33727111
- 71 1G-3G, Jalan Wawasan 2/10  
Bandar Baru Ampang  
68000 Ampang  
Selangor Darul Ehsan  
Tel : 03-42910437  
Fax : 03-42928006
- 72 No. 10, Jalan Tengku Ampuan  
Zabedah D9/D  
Seksyen 9  
40100 Shah Alam  
Selangor Darul Ehsan  
Tel : 03-58808047  
Fax : 03-58808726
- 73 No. 25-29G, Jalan SS21/60  
47400 Damansara Utama  
Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-77269822  
Fax : 03-77264037
- 74 29-1, Jalan SP 2/1  
Taman Serdang Perdana  
43300 Seri Kembangan  
Selangor Darul Ehsan  
Tel : 03-89430795  
Fax : 03-89430867
- 75 No. G-16 & G-17  
Jalan Prima SG1  
Taman Prima Sri Gombak  
68100 Batu Caves  
Selangor Darul Ehsan  
Tel : 03-61842492  
Fax : 03-61852689
- 76 No. 68, Lorong Batu Nilam 4A  
Bandar Bukit Tinggi  
41200 Klang  
Selangor Darul Ehsan  
Tel : 03-33249490  
Fax : 03-33241339
- 77 1 & 3, Jalan Seri Tanming 1F  
Taman Seri Tanming, Batu 9  
43200 Cheras  
Selangor Darul Ehsan  
Tel : 03-61003770  
Fax : 03-91003760
- 78 No. 7 & 9  
Jalan Bunga Tanjung 6A  
Taman Putra  
68000 Ampang  
Selangor Darul Ehsan  
Tel : 03-42939988  
Fax : 03-42939898
- 79 18, Ground Floor, Jalan 14/14  
46100 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-79568490  
Fax : 03-79550425
- 80 Wisma Keringat 2  
No. 17, Lorong Batu Caves  
68100 Batu Caves  
Selangor Darul Ehsan  
Tel : 03-61877402  
Fax : 03-61878042
- 81 Ground Floor  
Tower A, PJ City Development  
15A, Jalan 219, Section 51A  
Lebuhraya Persekutuan  
46100 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-78771629  
Fax : 03-78761384
- 82 No. E-01-07 & E-01-08  
Jalan Puchong Prima 5/3  
Puchong Prima  
47100 Puchong  
Selangor Darul Ehsan  
Tel : 03-80683285  
Fax : 03-80605427
- 83 No. 30, Jalan Public  
Sungai Buloh New Village  
47000 Sungai Buloh  
Selangor Darul Ehsan  
Tel : 03-61569385  
Fax : 03-61569796
- 84 Lot G-18 & G-19  
Perdana The Place  
Damansara Perdana  
47820 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-77241357  
Fax : 03-77242167
- 85 No. 64, Jalan BRP 1/2  
Bukit Rahman Putra  
47000 Sungai Buloh  
Selangor Darul Ehsan  
Tel : 03-61574042  
Fax : 03-61575610
- 86 No. 5 & 7, Jalan Besar Susur 1  
43300 Seri Kembangan  
Selangor Darul Ehsan  
Tel : 03-89483162  
Fax : 03-89485031
- 87 No. 7 & 9, Jalan Pasar Baru 2  
Seksyen 3  
Bandar Semenyih  
43500 Semenyih  
Selangor Darul Ehsan  
Tel : 03-87248639  
Fax : 03-87247743

## NETWORK BRANCHES

as at 30 June 2014

- |    |   |     |  |     |   |
|----|---|-----|--|-----|---|
| 88 | No. 48, Jalan Bandar Tiga<br>Pusat Bandar Puchong<br>47100 Puchong<br>Selangor Darul Ehsan<br>Tel : 03-58822070<br>Fax : 03-58822869  | 95  | No. 5, Jalan SL 1/4<br>Bandar Sungai Long<br>43000 Kajang<br>Selangor Darul Ehsan<br>Tel : 03-90749950<br>Fax : 03-90750902                      | 102 | No. 34, Jalan Perbahan Satu<br>Seksyen 26/2A<br>40000 Shah Alam<br>Selangor Darul Ehsan<br>Tel : 03-51918888<br>Fax : 03-51916298                 |
| 89 | No. 16, Jalan SS19/6<br>47500 Subang Jaya<br>Selangor Darul Ehsan<br>Tel : 03-56368295<br>Fax : 03-56321313   | 96  | No. 36, Jalan Sulaiman<br>43000 Kajang<br>Selangor Darul Ehsan<br>Tel : 03-87341093<br>Fax : 03-87342082   | 103 | No. 28 & 30, Jalan SS2/67<br>47300 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel : 03-78776800<br>Fax : 03-78776686                                |
| 90 | A-G-08 & A-G-09, Glomac Square<br>Jalan SS6/5A, Dataran Glomac<br>Pusat Bandar Kelana Jaya<br>47301 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel : 03-78051178<br>Fax : 03-78042611 | 97  | No. 216 & 218<br>Persiaran Pegaga<br>Taman Bayu Perdana<br>41200 Klang<br>Selangor Darul Ehsan<br>Tel : 03-33243303<br>Fax : 03-33243305         | 104 | No. 32 & 34, Jalan 21/19<br>SEA Park<br>46300 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel : 03-78745968<br>Fax : 03-78745488                     |
| 91 | No. 2 Jalan Puteri 2/4<br>Bandar Puteri<br>47100 Puchong<br>Selangor Darul Ehsan<br>Tel : 03-80636839<br>Fax : 03-80686378  | 98  | No. 9 & 11, Jalan 52/2<br>Petaling Jaya New Town Centre<br>46200 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel : 03-79586488<br>Fax : 03-79571405 | 105 | Lot 43 & 45, Jalan USJ10/1G<br>47620 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel : 03-56371984<br>Fax : 03-56371989                              |
| 92 | No. 1 Jalan Temenggung 21/9<br>Bandar Mahkota Cheras<br>43200 Cheras<br>Selangor Darul Ehsan<br>Tel : 03-90746682<br>Fax : 03-90747236  | 99  | No. 90<br>Persiaran Raja Muda Musa<br>42000 Pelabuhan Klang<br>Selangor Darul Ehsan<br>Tel : 03-31661188<br>Fax : 03-31671488                    | 106 | No. 51 & 53, Jalan TSB 10A<br>Taman Industri Sungai Buloh<br>47000 Sungai Buloh<br>Selangor Darul Ehsan<br>Tel : 03-61575811<br>Fax : 03-61575812 |
| 93 | Lot 9, Blok C<br>GIZA Dataran Sunway<br>Kota Damansara<br>47810 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel : 03-61481613<br>Fax : 03-61481621                                     | 100 | No. 3, Jalan Bandar Satu<br>Pusat Bandar Puchong<br>47100 Puchong<br>Selangor Darul Ehsan<br>Tel : 03-58824388<br>Fax : 03-80751433              | 107 | No. 2, Jalan PJU 5/8<br>Dataran Sunway<br>Kota Damansara<br>47810 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel : 03-61413886<br>Fax : 03-61412316 |
| 94 | Lot 2 & 2A, Jalan Cheras Maju<br>Pusat Perniagaan Cheras Maju<br>43200 Balakong<br>Selangor Darul Ehsan<br>Tel : 03-90744205<br>Fax : 03-90747194                                   | 101 | No. 26 & 27 Jalan Kenari 1<br>Bandar Puchong Jaya<br>47100 Puchong<br>Selangor Darul Ehsan<br>Tel : 03-58827100<br>Fax : 03-58827116             | 108 | No. 5 & 7, Jalan Cempaka 1<br>Taman Cempaka<br>48200 Serendah<br>Hulu Selangor<br>Selangor Darul Ehsan<br>Tel : 03-60813182<br>Fax : 03-60813186  |

## NETWORK BRANCHES

as at 30 June 2014

- 109 No. 26-32, Jalan Kapar  
41400 Klang  
Selangor Darul Ehsan  
Tel : 03-33431188  
Fax : 03-33432988
- 110 No. 19  
Jalan Setia Prima R U13/R  
Setia Alam, Section U13  
40170 Shah Alam  
Selangor Darul Ehsan  
Tel : 03-33446888  
Fax : 03-33448488
- 111 No. 3-G, Jalan Anggerik  
Vanilla N31/N, Kota Kemuning  
40460 Shah Alam  
Selangor Darul Ehsan  
Tel : 03-51225912  
Fax : 03-51225917
- 112 No. 1 & 3, Jalan PJU 1/43  
Aman Suria  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-78030969  
Fax : 03-78030542
- 113 Ground Floor  
No. 35, Lorong Tiara 1B  
Bandar Baru Klang  
41150 Klang  
Selangor Darul Ehsan  
Tel : 03-33414351  
Fax : 03-33414958
- 114 Ground Floor, Lot G01  
Giant Hypermarket Putra Heights  
Persiaran Putra Perdana  
47560 Putra Heights  
Selangor Darul Ehsan  
Tel : 03-51019006  
Fax : 03-51019003
- 115 Ground Floor, No. 109 & 111  
Jalan Mahogani 5  
Bandar Botanic  
41200 Klang  
Selangor Darul Ehsan  
Tel : 03-33230526  
Fax : 03-33221560
- 116 Ground Floor  
No. 4G & 6G Jalan Equine 1B  
Taman Equine Boulevard  
43300 Seri Kembangan  
Selangor Darul Ehsan  
Tel : 03-89381400  
Fax : 03-89382308
- 117 Lot 529, Jalan Besar  
Pekan Kapar, 42200 Klang  
Selangor Darul Ehsan  
Tel : 03-32501784  
Fax : 03-32501752
- 118 No. 8, Jalan UP 1/5  
Taman Ukay Perdana  
68000 Ampang  
Selangor Darul Ehsan  
Tel : 03-41012143  
Fax : 03-41012139
- 119 Ground & First Floor  
No. 8, Jalan Suasana 8/5  
Bandar Tun Hussein Onn  
Cheras  
43200 Selangor Darul Ehsan  
Tel : 03-90741501  
Fax : 03-90741196
- 120 No. 21, Jalan BS10/6  
Seksyen 10, Bukit Serdang  
43300 Seri Kembangan  
Selangor Darul Ehsan  
Tel : 03-89455688  
Fax : 03-89423889
- MACH BRANCH**
- 121 Lot EG001A Ground Floor  
IOI Mall Batu 9 Jalan Puchong  
Bandar Puchong Jaya  
47170 Puchong  
Tel : 03-80701487  
Fax : 03-80702309
- 122 Suite 1.01, Level 1  
Centrepoint South  
Mid Valley City  
Lingkar Syed Putra  
59200 Kuala Lumpur  
Tel : 03-22820887  
Fax : 03-22820923
- 123 Lot LG-01, Lower Ground Floor  
E@Curve, No. 2A, Jalan PJU 7/3  
Mutiara Damansara  
47810 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-77222964  
Fax : 03-77223092
- 124 LG-56, Lower Ground Floor  
Paradigm Mall  
No 1, Jalan SS7/26A  
Kelana Jaya  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-78860197  
Fax : 03-78866357
- 125 Lot 9, Block B  
Giza Dataran Sunway  
Kota Damansara  
47810 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-61406137  
Fax : 03-61406088
- 126 Lot F1.15 & F1.16C  
Sunway Pyramid Shopping Mall  
No. 3, Jalan PJS 11/15  
Bandar Sunway  
46150 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-56221214  
Fax : 03-56221527
- 127 163D-1-18, Persiaran Gurney  
10250 Pulau Pinang  
Tel : 04-218 9188  
Fax : 04-218 9299
- 128 S28, Second Floor  
Aeon Bukit Tinggi Shopping Centre  
No. 1  
Persiaran Batu Nilam 1/Ks 6  
Bandar Bukit Tinggi 2  
41200 Klang  
Selangor Darul Ehsan  
Tel : 03-33231483  
Fax : 03-33231480

## NETWORK BRANCHES

as at 30 June 2014

129 Lot P4.02.00, Level 4  
Pavilion KL Mall, No. 168  
Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel : 03-21412821  
Fax : 03-21412740

130 Lot S2-3-L34  
Departure Level Public Concourse  
KLIA2, 64000 Sepang  
Selangor Darul Ehsan  
Tel : 03-21412821  
Fax : 03-87758032

### PERLIS INDERA KAYANGAN

131 No. 40 & 42, Jalan Bukit Lagi  
01000 Kangar  
Perlis Indera Kayangan  
Tel : 04-9771888  
Fax : 04-9772888

### KEDAH DARUL AMAN

132 Ground & 1st Floor  
No. 212 Jalan Gangsa  
Seberang Jalan Putra  
05150 Alor Setar  
Kedah Darul Aman  
Tel : 04-7315269  
Fax : 04-7314582

133 No. 64 & 65, Jalan Pengkalan  
Taman Pekan Baru  
08000 Sungai Petani  
Kedah Darul Aman  
Tel : 04-4236117  
Fax : 04-4236121

134 No. 1 & 2, Jalan Raya  
09800 Serdang  
Kedah Darul Aman  
Tel : 04-4076919  
Fax : 04-4076921

135 62 & 63, Jalan Bayu Satu  
09000 Kulim  
Kedah Darul Aman  
Tel : 04-4913606  
Fax : 04-4913604

136 167 & 168  
Susuran Sultan Abdul Hamid 11  
Kompleks Perniagaan  
Sultan Abdul Hamid, Fasa 2  
05050 Alor Setar  
Kedah Darul Aman  
Tel : 04-7712918  
Fax : 04-7712892

137 9A & 9B, Jalan Kampung Baru  
08000 Sungai Petani  
Kedah Darul Aman  
Tel : 04-4205225  
Fax : 04-4226012

138 **Islamic Branch**  
No. 172  
Susuran Sultan Abdul Hamid 10  
Kompleks Perniagaan  
Sultan Abdul Hamid, Fasa 2  
Persiaran Sultan Abdul Hamid  
05050 Alor Setar  
Kedah Darul Aman  
Tel : 04-7713228  
Fax : 04-7716678

139 No. 18K & 18L  
Jalan Raya, 08300 Gurun  
Kedah Darul Aman  
Tel : 04-4684785  
Fax : 04-4684766

140 Ground & First Floor  
No. 255, Jalan Legenda 10  
Legenda Heights  
08000 Sungai Petani  
Kedah Darul Aman  
Tel : 04-4224352  
Fax : 04-4224355

141 No. 93, Langkawi Mall  
Jalan Kelibang, Kuah  
07000 Langkawi  
Kedah Darul Aman  
Tel : 04-9668118  
Fax : 04-9668228

142 Ground Floor  
No. 1520-2A, Pantai Halban  
Jalan Kepala Batas  
06000 Jitra  
Kedah Darul Aman  
Tel : 04-9190278  
Fax : 04-9190314

### PULAU PINANG

143 No. 1, Light Street  
Georgetown  
10200 Pulau Pinang  
Tel : 04-2615022  
Fax : 04-2626360

144 2828-G-02 & 2828-1-02  
Jalan Bagan Luar  
12000 Butterworth  
Pulau Pinang  
Tel : 04-3315659  
Fax : 04-3312145

145 No. 9 & 10, Jalan Todak 2  
Pusat Bandar Seberang Jaya  
13700 Prai, Pulau Pinang  
Tel : 04-3972097  
Fax : 04-3972094

146 No. 441-G-1, 441-G-2, 441-G-3  
Jalan Burmah, Pulau Tikus  
10350 Pulau Pinang  
Tel : 04-2288475  
Fax : 04-2288472

147 No. 15-G-1, (Bayan Point)  
Medan Kampung Relau  
11900 Pulau Pinang  
Tel : 04-6428643  
Fax : 04-6428640

148 1781, Jalan Nibong Tebal  
Taman Panchor Indah  
14300 Pulau Pinang  
Tel : 04-5942889  
Fax : 04-5942886

149 98-G-158, Prima Tanjung  
Jalan Fettes, Tanjung Tokong  
10470 Pulau Pinang  
Tel : 04-8904188  
Fax : 04-8998644

150 No. 1, Lebuhr Kurau 1  
Taman Chai Leng  
13700 Prai, Pulau Pinang  
Tel : 04-3972499  
Fax : 04-3977851



## NETWORK BRANCHES

as at 30 June 2014

- 151 45, Jalan Burma  
10050 Pulau Pinang  
Tel : 04-2130501  
Fax : 04-2262779
- 152 19, Jalan Bertam  
13200 Kepala Batas  
Seberang Prai  
Pulau Pinang  
Tel : 04-5754900  
Fax : 04-5757688
- 153 No. 723-G-G  
723-H-G & 723-1-G  
Jalan Sungai Dua  
11700 Pulau Pinang  
Tel : 04-6586699  
Fax : 04-6586969
- 154 No. 6963 & 6964  
Jalan Ong Yi How  
Kawasan Perusahaan Raja Uda  
13400 Butterworth  
Pulau Pinang  
Tel : 04-3312277  
Fax : 04-3322277
- 155 No. 1-G-03, Tesco Penang  
No. 1, Leboh Tengku Kudin 1  
Bandar Jelutong  
11700 Pulau Pinang  
Tel : 04-6564698  
Fax : 04-6561840
- 156 No. 130 & 132, Jalan Raja Uda  
Pusat Perniagaan Raja Uda  
12300 Butterworth  
Pulau Pinang  
Tel : 04-3243288  
Fax : 04-3248288
- 157 Ground & Mezzanine Floor  
No. G17 & G18  
Penang Times Square  
Jalan Dato Keramat  
10150 Pulau Pinang  
Tel : 04-2264177  
Fax : 04-2263946
- 158 No. 421 & 423  
Jalan Burmah  
10350 Pulau Pinang  
Tel : 04-2283202  
Fax : 04-2281654
- 159 No. 1823-G1  
Jalan Perusahaan  
Highway Auto-City  
North-South Highway  
Juru Interchange  
13600 Prai, Pulau Pinang  
Tel : 04-5021488  
Fax : 04-5079488
- 160 No. 1435 & 1436  
Jalan Besar  
14200 Sungai Bakap  
Seberang Prai Selatan  
Pulau Pinang  
Tel : 04-5821134  
Fax : 04-5825826
- 161 No. 26, 28 & 30, Lorong Murni 1  
Taman Desa Murni Sungai Dua  
13800 Butterworth, Pulau Pinang  
Tel : 04-3562688  
Fax : 04-3565288
- 162 No. 300 Jalan Jelutong  
11600 Pulau Pinang  
Tel : 04-2826688  
Fax : 04-2819650
- 163 No. 16A & 16B  
Lebuhraya Thean Teik  
Bandar Baru Ayer Itam  
15000 Pulau Pinang  
Tel : 04-8271688  
Fax : 04-8271632
- 164 No. 7 & 9, Tingkat Kikik 7  
Taman Inderawasih  
13600 Prai  
Pulau Pinang  
Tel : 04-3993134  
Fax : 04-3906913
- 165 No. 58 & 60, Jalan Tengah  
Taman Sri Tunas  
Bandar Bayan Baru  
11950 Bayan Lepas  
Pulau Pinang  
Tel : 04-6452881  
Fax : 04-6452995
- 166 No. 31, 33, 35 & 37  
Jalan Usaha Niaga 1  
Taman Niaga Jaya  
14000 Bukit Mertajam  
Pulau Pinang  
Tel : 04-5361549  
Fax : 04-5398466
- 167 No. 3350 & 3351  
Jalan Rozhan  
Taman Industri Alma Jaya  
14000 Bukit Mertajam  
Pulau Pinang  
Tel : 04-5522188  
Fax : 04-5522152
- 168 No. 1, Jalan Besar  
Taman Tempua  
14000 Simpang Ampat  
Pulau Pinang  
Tel : 04-5888208  
Fax : 04-5885236
- 169 Ground, 1st & 2nd Floor  
No 306-F  
Jalan Dato Ismail Hashim  
Sungai Ara, 11900 Bayan Lepas  
Pulau Pinang  
Tel : 04-6462331  
Fax : 04-6464335
- 170 No. 82, Jalan Besar  
11000 Balik Pulau  
Pulau Pinang  
Tel : 04-8665188  
Fax : 04-8663171

## NETWORK BRANCHES

as at 30 June 2014

### PERAK DARUL RIDZUAN

- 171 Lot A-G-2 (Ground Floor)  
No. 1 Persiaran Greentown 2  
Greentown Business Centre  
30450 Ipoh  
Perak Darul Ridzuan  
Tel : 05-2530048  
Fax : 05-2555251
- 172 No. 20, Jalan Bidor Raya  
Off Jalan Persatuan  
35500 Bidor  
Perak Darul Ridzuan  
Tel : 05-4341211  
Fax : 05-4344313
- 173 41, Jalan Taiping  
34200 Parit Buntar  
Perak Darul Ridzuan  
Tel : 05-7164688  
Fax : 05-7163648
- 174 No. 16 & 17  
Taman Sitiawan Maju  
Jalan Lumut, 32000 Sitiawan  
Perak Darul Ridzuan  
Tel : 05-6922316  
Fax : 05-6922320
- 175 No. 116 & 117  
Jalan Besar  
31450 Menglembu, Ipoh  
Perak Darul Ridzuan  
Tel : 05-2812088  
Fax : 05-2824088
- 176 No. 28, Medan Silibin  
30100 Ipoh  
Perak Darul Ridzuan  
Tel : 05-5266333  
Fax : 05-5264333
- 177 No. 53, 55 & 57  
Jalan Stesyen, 34000 Taiping  
Perak Darul Ridzuan  
Tel : 05-8065229  
Fax : 05-8065631
- 178 133, 135 Jalan Gopeng  
31900 Kampar  
Perak Darul Ridzuan  
Tel : 05-4665050  
Fax : 05-4665191
- 179 27 Jalan Dewangsa  
31000 Batu Gajah  
Perak Darul Ridzuan  
Tel : 05-3653191  
Fax : 05-3653190
- 180 11 & 12  
Kompleks Menara Condong  
Jalan Ah Chong  
36000 Teluk Intan  
Perak Darul Ridzuan  
Tel : 05-6233637  
Fax : 05-6233642
- 181 Ground Floor  
55-57, Jalan Yang Kalsom  
30250 Ipoh  
Perak Darul Ridzuan  
Tel : 05-2491539  
Fax : 05-2542323
- 182 75, Jalan Sultan Idris Shah  
30000 Ipoh  
Perak Darul Ridzuan  
Tel : 05-2537528  
Fax : 05-2547335
- 183 579 & 579A, Jalan Pasir Puteh  
31650 Ipoh  
Perak Darul Ridzuan  
Tel : 05-3228989  
Fax : 05-3229641
- 184 No. 91 & 93  
Jalan Dato Lau Pak Khuan  
Ipoh Garden  
31400 Ipoh, Perak Darul Ridzuan  
Tel : 05-5495160  
Fax : 05-5495158
- 185 No. 86 & 88, Jalan Besar  
32400 Ayer Tawar  
Perak Darul Ridzuan  
Tel : 05-6727470  
Fax : 05-6727478
- 186 No. 54, 56 & 58  
Jalan Kamaruddin Isa  
31400 Ipoh  
Perak Darul Ridzuan  
Tel : 05-5474203  
Fax : 05-5472777
- 187 Lot 63, Jalan Chui Chak  
36700 Langkap  
Perak Darul Ridzuan  
Tel : 05-6592840  
Fax : 05-6592843
- 188 Ground & 1st Floor  
No. 254 & 254A  
Jalan Raja Dr. Nazrin Shah  
Gunung Rapat  
31350 Ipoh  
Perak Darul Ridzuan  
Tel : 05-3133288  
Fax : 05-3113788
- 189 No. 25 & 27  
Jalan Bunga Anggerik  
Taman Bunga Raya  
35900 Tanjung Malim  
Perak Darul Ridzuan  
Tel : 05-4598272  
Fax : 05-4583178
- 190 No. 396 & 398, Taman Saujana  
Kamunting, 34600 Taiping  
Perak Darul Ridzuan  
Tel : 05-8078915  
Fax : 05-8078905
- 191 Ground & First Floor  
No. 362, Medan Bercham  
Jalan Bercham, 31400 Ipoh  
Perak Darul Ridzuan  
Tel : 05-2812088  
Fax : 05-2824088

**NETWORK BRANCHES**

as at 30 June 2014

**NEGERI SEMBILAN DARUL  
KHUSUS**

- 192 100, Jalan Gurney  
72100 Bahau  
Negeri Sembilan Darul Khusus  
Tel : 06-4541413  
Fax : 06-4545358
- 193 No. 69, 70 & 71  
Jalan Dato Bandar Tunggal  
70000 Seremban  
Negeri Sembilan Darul Khusus  
Tel : 06-7628699  
Fax : 06-7638288
- 194 112, Jalan Yam Tuan Raden  
72000 Kuala Pilah  
Negeri Sembilan Darul Khusus  
Tel : 06-4816922  
Fax : 06-4813284
- 195 Lot PT 5759 & 5730  
Jalan TS 2/1D  
Taman Semarak  
71800 Nilai  
Negeri Sembilan Darul Khusus  
Tel : 06-7995289  
Fax : 06-7995292
- 196 1278, Jalan Rasah  
70300 Seremban  
Tel : 06-7615789  
Fax : 06-7615801
- 197 Lot 3120 & 3121  
Jalan Besar, Lukut  
71010 Port Dickson  
Negeri Sembilan Darul Khusus  
Tel : 06-6511878  
Fax : 06-6511900
- 198 145-G, 145-1 & 146-G  
Block M, Taipan Senawang  
Jalan Taman Komersil  
Senawang 1  
Senawang Commercial Park  
70450 Senawang  
Negeri Sembilan Darul Khusus  
Tel : 06-6762788  
Fax : 06-6783788

- 199 Ground, First & Second Floor  
No. 7 & 8, Jalan S2B15  
Biz Avenue, Seremban 2  
70300 Seremban  
Negeri Sembilan Darul Khusus  
Tel : 06-6017488  
Fax : 06-6016718

**MELAKA**

- 200 345, Jalan Ong Kim Wee  
75300 Melaka  
Tel : 06-2842309  
Fax : 06-2830153
- 201 150 & 152  
Kompleks Munshi Abdullah  
Jalan Munshi Abdullah  
75100 Melaka  
Tel : 06-2865988  
Fax : 06-2830399
- 202 No. 102 & 104, Jalan Suria 2  
Taman Malim Jaya  
75250 Melaka  
Tel : 06-3343137  
Fax : 06-3343067
- 203 Lot BB-371A & B  
Taman Melaka Baru  
Batu Berendam  
75350 Melaka  
Tel : 06-3173235  
Fax : 06-3172660
- 204 Lot 215 & 310  
Jalan Besar, Masjid Tanah  
78300 Melaka  
Tel : 06-3847137  
Fax : 06-3847232
- 205 No. 1, 1-1 & 3  
Jalan Malim Jaya 2/7A  
Taman Malim Permai  
75250 Melaka  
Tel : 06-3363188  
Fax : 06-3373188

- 206 No. 67 & 69, Jalan Merdeka  
Taman Melaka Raya  
75300 Melaka  
Tel : 06-2812688  
Fax : 06-2812588

**JOHOR DARUL TAKZIM**

- 207 12-16, Jalan Wong Ah Fook  
80000 Johor Bahru  
Johor Darul Takzim  
Tel : 07-2228311  
Fax : 07-2249317
- 208 No. 70, Jalan Segamat  
85300 Labis  
Johor Darul Takzim  
Tel : 07-9251200  
Fax : 07-9251336
- 209 Lot No. 24 & 25  
Jalan Ahmad Ujan  
Taman Kota Besar  
81900 Kota Tinggi  
Johor Darul Takzim  
Tel : 07-8832020  
Fax : 07-8835989
- 210 120-122, Jalan Mersing  
80000 Kluang  
Johor Darul Takzim  
Tel : 07-7732233  
Fax : 07-7724170
- 211 No. 173 & 175  
Jalan Sri Pelangi  
Taman Pelangi  
80400 Johor Bahru  
Johor Darul Takzim  
Tel : 07-3353614  
Fax : 07-3342598
- 212 6 & 8, Jalan Nakhoda 12  
Taman Ungku Tun Aminah  
81300 Skudai  
Johor Darul Takzim  
Tel : 07-5566681  
Fax : 07-5566682

## NETWORK BRANCHES

as at 30 June 2014

- |  |   |   |
|--|---|---|
| 213 No. 6 & 7, Jalan Anggerik 1<br>Taman Kulai Utama<br>81000 Kulai<br>Johor Darul Takzim<br>Tel : 07-6635282<br>Fax : 07-6632336  | 220 No. 2, Jalan Jati Satu<br>Taman Nusa Bestari Jaya<br>81300 Skudai<br>Johor Darul Takzim<br>Tel : 07-5112596<br>Fax : 07-5113492         | 228 No. 1-1A-1B & 1C<br>Jalan Belimbing<br>81400 Senai<br>Johor Darul Takzim<br>Tel : 07-5994598<br>Fax : 07-5994231  |
| 214 No. LC 531, Jalan Payamas<br>84900 Tangkak<br>Johor Darul Takzim<br>Tel : 06-9781994<br>Fax : 06-9784684   | 221 Lot No. S 122, KIP Mart<br>Taman Tampoi Indah<br>81200 Tampoi<br>Johor Darul Takzim<br>Tel : 07-2419832<br>Fax : 07-2418061             | 229 Ground Floor<br>Bgn. Persekutuan Tiong Hua<br>Johor Baru<br>No. 8, Jalan Keris<br>Taman Sri Tebrau<br>80400 Johor Bahru<br>Johor Darul Takzim<br>Tel : 07-3321323<br>Fax : 07-3325841 |
| 215 109 Main Road<br>83700 Yong Peng<br>Johor Darul Takzim<br>Tel : 07-4672350<br>Fax : 07-4674185   | 222 No. 21 & 23, Jalan Indah 15/1<br>Bukit Indah<br>81200 Johor Bahru<br>Johor Darul Takzim<br>Tel : 07-2391388<br>Fax : 07-2325988         | 230 No. 1 & 3, Jalan Persiaran<br>Tanjung Susur 1<br>Taman Bukit Alif, Tampoi<br>81200 Johor Bahru<br>Johor Darul Takzim<br>Tel : 07-2355930<br>Fax : 07-2355927                          |
| 216 No. 39 & 41<br>Jalan Kebudayaan 1<br>Taman Universiti<br>81300 Skudai<br>Johor Darul Takzim<br>Tel : 07-5217817<br>Fax : 07-5217726  | 223 No. 9-11, Jalan Kundang<br>Taman Bukit Pasir<br>83000 Batu Pahat<br>Johor Darul Takzim<br>Tel : 07-4337488<br>Fax : 07-4341488          | 231 No. 21, Jalan Permas 10/1<br>Bandar Baru Permas Jaya<br>81750 Masai<br>Johor Darul Takzim<br>Tel : 07-3871828<br>Fax : 07-3875330   |
| 217 Ground & Mezzanine Floor<br>Penggaram Complex<br>No. 1, Jalan Abdul Rahman<br>Off Jalan Rahmat<br>83000 Batu Pahat<br>Johor Darul Takzim<br>Tel : 07-4314435<br>Fax : 07-4310641 | 224 No. 35, 37 & 39, Jalan Johar 1<br>Taman Desa Cemerlang<br>81800 Ulu Tiram<br>Johor Darul Takzim<br>Tel : 07-8617488<br>Fax : 07-8614588 | 232 Ground & 1st Floor<br>No. 115, Jalan Sutera Tanjung 8/2<br>Taman Sutera Utama<br>81300 Skudai<br>Johor Darul Takzim<br>Tel : 07-5548298<br>Fax : 07-5548248                           |
| 218 No. 8, Jalan Station<br>80000 Johor Bahru<br>Johor Darul Takzim<br>Tel : 07-2228462<br>Fax : 07-2763085  | 225 No. 14, Jalan Besar<br>81550 Gelang Patah<br>Johor Darul Takzim<br>Tel : 07-5104188<br>Fax : 07-5104088                                 | 233 No. 30 & 31, Jalan Delima<br>Pusat Perdagangan Pontian<br>82000 Pontian<br>Johor Darul Takzim<br>Tel : 07-6875002<br>Fax : 07-6874998   |
| 219 80, Jalan Dedap 13<br>Taman Johor Jaya<br>81100 Johor Bahru<br>Johor Darul Takzim<br>Tel : 07-3546320<br>Fax : 07-3552311  | 226 No. 105 & 106, Jalan Besar<br>81750 Masai<br>Johor Darul Takzim<br>Tel : 07-2522960<br>Fax : 07-2522963                                 | 234 No. 43A & 45, Jalan Genuang<br>Kampung Abdullah<br>85000 Segamat<br>Johor Darul Takzim<br>Tel : 07-9313650<br>Fax : 07-9313560  |
|  | 227 No. 30 & 31, Jalan Mawar 1<br>Taman Mawar<br>81700 Pasir Gudang<br>Johor Darul Takzim<br>Tel : 07-2522740<br>Fax : 07-2522723           |   |

## NETWORK BRANCHES

as at 30 June 2014

235 No. 20-21  
Jalan Harimau Tarum  
Taman Abad  
80250 Johor Bahru  
Johor Darul Takzim  
Tel : 07-3311421  
Fax : 07-3311409

236 No. 29 & 31, Jalan Molek 2/4  
Taman Molek  
81100 Johor Bahru  
Johor Darul Takzim  
Tel : 07-3537003  
Fax : 07-3536997

237 No. 25 & 25A  
Jalan Kenanga 29/1  
Indahpura, 81000 Kulai  
Johor Darul Takzim  
Tel : 07-6626388  
Fax : 07-6626366

238 No. 3, Pusat Dagangan Bakri  
Jalan Bakri, 84000 Muar  
Johor Darul Takzim  
Tel : 06-9542888  
Fax : 06-9548333

239 Ground Floor, No. 121 & 123  
Jalan Austin Heights 3  
Taman Mount Austin  
81100 Johor Bahru  
Johor Darul Takzim  
Tel : 07-3511687  
Fax : 07-3511469

240 Ground Floor  
No. 1, Jalan Setia Tropika 1/15  
Taman Setia Tropika  
81200 Johor Bahru  
Johor Darul Takzim  
Tel : 07-2359531  
Fax : 07-2350951

241 Ground & First Floor  
No. 345A, Jalan Ismail  
86800 Mersing  
Johor Darul Takzim  
Tel : 07-7996018  
Fax : 07-7996013

### KELANTAN DARUL NAIM

242 **Islamic Branch**  
Ground & Mezzanine Floor  
No. 1121A & 1121B  
Jalan Padang Garong  
Seksyen 12, 15000 Kota Bharu  
Kelantan Darul Naim  
Tel : 09-7438188  
Fax : 09-7436188

243 PT 320 & 321, Seksyen 25  
Jalan Sultan Yahya Petra  
15200 Kota Bharu  
Kelantan Darul Naim  
Tel : 09-7486888  
Fax : 09-7470833

### TERENGGANU DARUL IMAN

244 Lot 3594 & 3595  
Jalan Baru Pak Sabah  
23000 Dungun  
Terengganu Darul Iman  
Tel : 09-8482766  
Fax : 09-8484480

245 **Islamic Branch**  
No. 31, Jalan Sultan Ismail  
20200 Kuala Terengganu  
Terengganu Darul Iman  
Tel : 09-6244458  
Fax : 09-6244261

246 No. 1107 R, S&T, Jalan Pejabat  
20200 Kuala Terengganu  
Terengganu Darul Iman  
Tel : 09-6242505  
Fax : 09-6242372

247 No. 5686 & 5694-B  
Jalan Kubang Kurus  
24000 Kemaman  
Terengganu Darul Iman  
Tel : 09-8588898  
Fax : 09-8588858

### PAHANG DARUL MAKMUR

248 59 & 60, Jalan Temerloh  
Locked Bag No. 9  
28409 Mentakab  
Pahang Darul Makmur  
Tel : 09-2772953  
Fax : 09-2772995

249 No. 25, Jalan Tun Ismail  
25000 Kuantan  
Pahang Darul Makmur  
Tel : 09-5157288  
Fax : 09-5157130

250 No. 39 & 41  
Jalan Tun Razak, 27600 Raub  
Pahang Darul Makmur  
Tel : 09-3554422  
Fax : 09-3554455

251 F107, Jalan Kuantan  
28000 Temerloh  
Pahang Darul Makmur  
Tel : 09-2967492  
Fax : 09-2967553

252 36, Main Road, Tanah Rata  
39000 Cameron Highlands  
Pahang Darul Makmur  
Tel : 05-4911941  
Fax : 05-4911158

253 1, Bentong Heights  
28700 Bentong  
Pahang Darul Makmur  
Tel : 09-2221080  
Fax : 09-2223592

254 No. B278 & B280  
Jalan Beserah, 25300 Kuantan  
Pahang Darul Makmur  
Tel : 09-5664100  
Fax : 09-5664800

255 No. 113 Jalan Inderapura 1  
Bandar Inderapura  
27000 Jerantut  
Pahang Darul Makmur  
Tel : 09-2663184  
Fax : 09-2663205

## NETWORK BRANCHES

as at 30 June 2014

### BUREAU DE CHANGE

- 256 (KLIA2 MACH Embedded)  
S2-3-L34, Terminal KLIA2  
Jalan KLIA2, 64000 KLIA  
Selangor Darul Ehsan  
Tel : 03-87758033  
Fax : 03-87758035
- 257 Plaza Angsana  
Lot L2.29a, Level 2  
Plaza Angsana, Jalan Skudai  
81200 Johor Bahru  
Johor Darul Takzim  
Tel : 07-2328670  
Fax : 07-2344946
- 258 Mahkota Parade  
Lot No. KG9A  
Ground Floor, Mahkota Parade  
1 Jalan Merdeka, 75000 Melaka  
Tel : 06-2819231  
Fax : 06-2819114
- 259 (In-Branch Bureau DeChange)  
No. 35, 37 & 39, Jalan Johar 1  
Taman Desa Cemerlang  
81800 Ulu Tiram  
Johor Darul Takzim  
Tel : 07-8615408  
Fax : 07-8615429
- 260 (In-Branch Bureau DeChange)  
No. 34, 36 & 38, Jalan Petaling  
50000 Kuala Lumpur  
Tel : 03-20261826  
Fax : 03-20261770
- 261 (In-Branch Bureau DeChange)  
No. 53 & 55, Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : 03-21411119  
Fax : 03-21411094
- 262 (In-Branch Bureau DeChange)  
Lot F1.15 & F1.16C  
Sunway Pyramid Shopping Mall  
No. 3, Jalan PJS 11/15  
Bandar Sunway  
46150 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-56221403/03-56221404  
Fax : 03-56221490
- 263 (In-Branch Bureau DeChange)  
No. 25, Jalan Tun Ismail  
25000 Kuantan  
Pahang Darul Makmur  
Tel : 09-5134698 & 09-5133893  
Fax : 09-5157130
- 264 Penang International Airport  
Lot L2LS16B, Level 2  
Departure Landside  
(Public Concourse)  
Penang International Airport  
11900 Bayan Lepas  
Pulau Pinang  
Tel : 04-6437835  
Fax : 04-6430655
- 265 KLIA2, S6-3-A02  
Terminal KLIA2  
Jalan KLIA2, 64000 KLIA  
Selangor Darul Ehsan  
Tel : 03-87758027  
Fax : 03-87758029
- 269 Lot 1, 2 & 3, Block 18, Mile 4  
North Road, Bandar Indah  
90722 Sandakan  
Sabah  
Tel : 089-229545  
Fax : 089-212731
- 270 Ground Floor, Wisma Sandaraya  
Humprey Street  
90000 Sandakan  
Sabah  
Tel : 089-226911  
Fax : 089-275499
- 271 19, Jalan Haji Saman  
P.O. Box 11989  
88821 Kota Kinabalu  
Sabah  
Tel : 088-235699  
Fax : 088-218386
- 272 No. 8, Jalan Pantai  
Locked Bag No. 124  
88999 Kota Kinabalu  
Sabah  
Tel : 088-214733  
Fax : 088-233134
- 273 Ground, 1st & 2nd Floor  
Lot No. 4, 5 & 6, Block C  
Lorong KK Taipan 2  
Inanam New Township  
88450 Kota Kinabalu  
Sabah  
Tel : 088-437601  
Fax : 088-437596
- 274 Lot 3-0-14 to 3-0-16  
Block 3, Lorong Api-Api 2  
Api-Api Centre  
88000 Kota Kinabalu  
Sabah  
Tel : 088-247688  
Fax : 088-246327
- 275 MDLD 4712, Lot 4  
Jalan Kastam Lama  
91100 Lahad Datu  
Sabah  
Tel : 089-884488  
Fax : 089-884848

### FEDERAL TERRITORY LABUAN

- 266 No. 64, Jalan Tun Mustapha  
87007 Labuan  
Tel : 087-423290  
Fax : 087-423289

### SABAH

- 267 Ground & 1st Floor  
Lot No. 1, Block 35  
Fajar Commercial Complex  
Jalan Lembaga  
91013 Tawau  
Sabah  
Tel : 089-770393  
Fax : 089-770403
- 268 No. 5 & 6 (Ground Floor)  
Lorong Lintas Plaza 1  
Lintas Plaza  
88300 Kota Kinabalu  
Sabah  
Tel : 088-318806  
Fax : 088-316226

## NETWORK BRANCHES

as at 30 June 2014

276 No. 38, Block E  
Alamesra Plaza Permai  
88400 Kota Kinabalu, Sabah  
Tel : 088-486510  
Fax : 088-486516

### SARAWAK

277 No. 35, Jalan Khoo Hun Yeang  
93000 Kuching, Sarawak  
Tel : 082-240311  
Fax : 082-415466  
(formerly known as Electra House)

278 42, Jalan Pending  
93450 Kuching, Sarawak  
Tel : 082-336666  
Fax : 082-336912

279 Lot 3073 & 3074  
Jalan Abang Galau  
97000 Bintulu, Sarawak  
Tel : 086-332393  
Fax : 086-332433

280 No. 133, 135 & 137  
Jalan Kampung Nyabor  
96000 Sibu, Sarawak  
Tel : 084-332698  
Fax : 084-312081

281 8-10, Lorong Maju  
P.O. Box 279  
96508 Bintangor, Sarawak  
Tel : 084-693049  
Fax : 084-693689

282 Lot 13 & 14, Olive Garden  
7th Mile Bazaar  
Jalan Pensrissen  
93250 Kuching, Sarawak  
96000 Sibu, Sarawak  
Tel : 082-250717  
Fax : 082-613422

283 No. 175, Serian Bazaar  
94700 Serian, Sarawak  
Tel : 082-874877  
Fax : 082-874828

284 Lot 124, Saratok Bazaar  
P.O. Box 71  
95407 Saratok, Sarawak  
Tel : 083-436011  
Fax : 083-436012

285 Sublot 6, Lot 538  
Jalan Lee Kai Teng  
P.O. Box 34  
95700 Betong, Sarawak  
Tel : 083-472278  
Fax : 083-472326

286 18, Chew Geok Lin Street  
(formerly OST)  
P.O. Box 1461  
96000 Sibu, Sarawak  
Tel : 084-336653  
Fax : 084-316833

287 No. 722, Jalan Masjid  
P.O. Box 19  
96400 Mukah, Sarawak  
Tel : 084-871726  
Fax : 084-871737

288 No. 155C, Jalan Satok  
93400 Kuching, Sarawak  
Tel : 082-233437  
Fax : 082-253529

289 No. 122, Jalan Yong Moo Chai  
P.O. Box 15  
96807 Kapit, Sarawak  
Tel : 084-796413  
Fax : 084-796939

290 Ground & 1st Floor  
Lot. 10901 & 10902  
Jalan Tun Jugah  
93350 Kuching, Sarawak  
Tel : 082-575075  
Fax : 082-578250

291 Lots 11600-11602, Block 16  
No. 127-129, R.H. Plaza  
Jalan Lapangan Terbang  
93250 Kuching, Sarawak  
Tel : 082-466000  
Fax : 082-466009

292 Lot 122, 123 & 124  
Jalan Song Thian Cheok  
93100 Kuching, Sarawak  
P.O. Box 1840  
93736 Kuching, Sarawak  
Tel : 082-416679  
Fax : 082-248157

293 Lot 1078 & 1079  
Buangsiol Road  
P.O. Box 69  
98700 Limbang, Sarawak  
Tel : 085-212097  
Fax : 086-212897

294 Ground & 1st Floor  
Lot 715 Merbau Road  
98008 Miri, Sarawak  
Tel : 085-415371  
Fax : 085-411176

295 No. 22 & 23  
Suria Permata Commercial Centre  
Lanang Road  
96000 Sibu, Sarawak  
Tel : 084-218568  
Fax : 084-212561

296 Lot 2499 & 2500  
Ground & First Floor  
Boulevard Commercial Centre  
Jalan Miri-Pujut, Km 3  
98000 Miri, Sarawak  
Tel : 085-424521  
Fax : 085-424520

297 No. 18C & 20  
Lorong Tun Razak 1  
Jalan Masjid Lama  
96100 Sarikei, Sarawak  
Tel : 084-659188  
Fax : 084-659488

298 No. 10, 12, 14, 16 & 18  
Mission Road  
96007 Sibu, Sarawak  
Tel : 084-322188  
Fax : 084-310545

## NETWORK BRANCHES

as at 30 June 2014

299 No. 345-347  
Central Park Commercial Centre  
Jalan Tun Ahmad Zaidi Adruce  
93200 Kuching, Sarawak  
Tel : 082-254224  
Fax : 082-243618

300 Lot 171, Jalan Council  
95000 Bandar Sri Aman  
Sarawak  
Tel : 083-322117  
Fax : 083-320601

### SINGAPORE

301 20 Collyer Quay  
Unit #01-02 & 02-02  
Tung Centre  
Singapore 049319  
Tel : 02-63498338  
Fax : 02-65339340

### HONG KONG

302 12F, The Centre  
99 Queen's Road  
Central, Hong Kong  
Tel : 852-22838838  
Fax : 852-22853138

### VIETNAM

303 Hong Leong Bank Vietnam Limited  
Ground Floor, Centec Tower  
72-74 Nguyen Thi Minh Khai  
Street  
District 3, Ho Chi Minh City  
Tel : 848-62998100  
Fax : 852-62998101

304 Hong Leong Bank Vietnam Limited  
1F-2F Central Building  
31 Hai Ba Trung Street  
Hoan Kiem District  
Hanoi, Vietnam  
Tel : 844-62710300  
Fax : 844-62710301

305 Hong Leong Bank Vietnam Limited  
Binh Duong Branch  
Unit 102, 103 Canary Plaza  
Binh Duong Boulevard  
Thuan An District, Binh Duong  
Vietnam  
Tel : 84650-6259696  
Fax : 84650-6259699

306 Hong Leong Bank Vietnam Limited  
Transaction Office  
302 An Duong Vuong Street  
District 5, Ho Chi Minh City  
Vietnam  
Tel : 848-62611195  
Fax : 848-62610668

### CAMBODIA

307 Hong Leong Bank (Cambodia) PLC  
#28, Samdech Pan Avenue (St. 214)  
Sangkat Boeung Raing  
Khan Daun Penh, Phnom Penh  
Kingdom of Cambodia  
Tel : 855-23999711  
Fax : 855-23998494



# FORM OF PROXY

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-Third Annual General Meeting of the Bank to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 24 October 2014 at 3:00 p.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote either on a show of hands or on a poll as indicated below with an "X":

| RESOLUTIONS  | FOR | AGAINST |
|--|-----|---------|
| 1. To declare a final single tier dividend of 26 sen per share   |     |         |
| 2. To approve the payment of Directors' fees   |     |         |
| 3. To re-elect Ms Chok Kwee Bee as a Director  |     |         |
| 4. To re-elect Mr Nicholas John Lough @ Sharif Lough bin Abdullah as a Director  |     |         |
| 5. To re-elect Mr Quek Kon Sean as a Director  |     |         |
| 6. To re-elect Ms Lim Lean See as a Director   |     |         |
| 7. To re-appoint YBhg Tan Sri Quek Leng Chan as a Director pursuant to Section 129 of the Companies Act, 1965  |     |         |
| 8. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Bank and authorise the Directors to fix their remuneration   |     |         |
| <b>Special Business</b>  |     |         |
| 9. To approve the ordinary resolution on Authority to Directors to Issue Shares  |     |         |
| 10. 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 ..... 2014.

Number of shares held \_\_\_\_\_

Signature(s) of Member \_\_\_\_\_

**Notes:-**

- For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 17 October 2014 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- A proxy may but need not be a member of the Bank and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Bank.
- 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 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.
- Where two (2) or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).
- In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of the Bank at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
- In the event two (2) or more proxies are appointed, please fill in the ensuing section:

| Name of Proxies | % of shareholdings to be represented |
|-----------------|--------------------------------------|
|                 |                                      |
|                 |                                      |

*Fold This Flap For Sealing*

*Then Fold Here*

AFFIX  
STAMP

**The Group Company Secretary**

**HONG LEONG BANK BERHAD**

(Company No. 97141-X)

Level 8, Wisma Hong Leong

18, Jalan Perak

50450 Kuala Lumpur

Malaysia

*1st Fold Here*

**Hong Leong Bank Berhad** (97141-X)

Level 3, Wisma Hong Leong  
18 Jalan Perak, 50450 Kuala Lumpur  
Tel : 03-2180 8888  
Fax : 03-2732 7902

**[www.hlb.com.my](http://www.hlb.com.my)**